

Dépôt
Annexe

CENTRAL
BANKING
LEGISLATION



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CENTRAL BANKING LEGISLATION

A collection of
Central Bank, Monetary and Banking Laws



Statutes and related materials
selected and annotated by

HANS AUFRICHT

Preface by Per Jacobsson

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INTERNATIONAL MONETARY FUND

WASHINGTON D.C.

DOMINICAN REPUBLIC

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Publication of Statutes and Decrees

Laws and decrees are published in the *Gaceta Oficial*. Several fields of law have been regulated by special codes: there is, for example, a Civil Code (1882) and a Commercial Code (1882).

The Annual Report (*Memoria Anual*) of the Central Bank contains lists of laws and decrees relating to central banking, banking, and money that have been adopted during the year covered by the Report.

The Organic Law of the Central Bank¹

TITLE I. CREATION AND FUNCTIONS

Art. 1. There is hereby created a bank which shall be called the "Central Bank of the Dominican Republic," domiciled in Ciudad Trujillo, District of Santo Domingo, capital of the Dominican Republic.

Art. 2. The Central Bank of the Dominican Republic shall be an autonomous entity, with assets of its own, constituting a legal personality, with the power to enter into contracts and to sue and be sued in its own name and right.

Art. 3. The main object of the Central Bank of the Dominican Republic shall be to promote the creation and maintenance of monetary, credit and exchange conditions most favorable to the stability and orderly development of the national economy, in accordance with the general provisions of the Monetary Law and of Article 4 of this Law.

Art. 4. The functions of the Central Bank are:

(a) In the domestic sphere:

- (1) To institute the national monetary system, subject to the guarantees and limitations provided for in the Constitution and the laws, and to watch over its proper functioning;
- (2) To promote the stability and development of productive activities, adapt to their pace the money supply and credit policy, and counteract any inflationary or speculative tendency prejudicial to the permanent interests of the nation;
- (3) To promote the liquidity and solvency of the banking system and an adequate distribution of credit in accordance with the interests of the national economy;
- (4) To act as fiscal agent or payer for the service of national or municipal domestic loans, as agreed by contract with the Public Treasury or the Municipalities; and
- (5) To act as depository of all or part of the national or municipal revenue, as well as of public funds of any nature, when so ruled by the Monetary Board at the request of the Secretary of State for Finance.

¹ Law No. 1529 of October 9, 1947 as amended through 1959. For the Spanish text of the law as amended through 1955, see Banco Central de la República Dominicana, *Legislación Monetaria y Bancaria de la República Dominicana* (Ciudad Trujillo, 1955), pp. 69-106.

(b) In the international sphere:

- (1) To maintain the external value and convertibility of the national currency and to carry out the exchange operations with which the Bank is charged by the Monetary Law;
- (2) To conserve and administer the international monetary reserves of the country, with the object of moderating, by means of an adequate monetary and credit policy, the detrimental effects of fluctuations in the balance of payments upon the money supply, credit and economic activities in general; and
- (3) To strive for the maintenance or restoration of the international economic equilibrium of the country.

Art. 5. The Bank shall act in accordance with the international monetary and banking agreements entered into and ratified by the Republic and with the laws relative thereto.

TITLE II. CAPITAL, RESERVES AND PROFITS

Art. 6. The initial capital of the Central Bank shall be one hundred thousand pesos (RD\$100,000), to be totally subscribed and paid in cash by the State in dollars of the United States of America.²

The Monetary Board may increase the capital of the Bank, making use of the Reserve for the enlargement of the Bank's capital to which reference is made in the last part of Article 3 of the Monetary Law.

State ownership of the Bank shall be established by means of certificates or titles to shares of stock to be held on deposit in the Treasury of the Dominican Republic.

The Central Bank shall be exempt from the provisions of Articles 18 and 19 and of Article 25(d), (e)(3), and (h) of the General Banking Law.

Art. 7. The General Reserve Fund of the Bank shall be constituted:

- (a) By the net profits of the Bank, in accordance with Article 9 of this Law;
- (b) By that part of the net profits of the Banco de Reservas de la República, the Banco de Crédito Agrícola e Industrial and the Government Pawnshop which, in accordance with the provisions of their respective laws, is destined for this fund; and
- (c) By the amount of the reduction of the obligations of the Central Bank under the circumstances provided for in Article 54.

² The capital of the Bank was raised to RD\$300,000 by the Resolutions of the Monetary Board of November 27, 1952 and February 25, 1954.

Paragraph. After the General Reserve Fund represents 2 per cent of the total amount of the Bank's monetary issue, the surplus of the receipts provided for under (a), (b) and (c), above, shall be deposited with the Public Treasury.

Art. 8. The General Reserve Fund may be applied, wholly or in part, by authorization of the Executive Power, to the purchase of securities issued or guaranteed by the Dominican State, when such action is necessary to offset a marked decrease in the money supply. The amount of these operations shall not be considered as falling within the limitations imposed by Article 46.

Art. 9. Net profits of the Bank shall be determined after all deductions that the Monetary Board deems necessary to insure the soundness of the assets of the Bank have been made, and shall go to the General Reserve Fund of the Bank, after the setting aside of such amount as may be determined by the Board for the creation of a Guarantee Fund for Special Credits of up to RD\$200,000.00. The Board may extend this limit to such extent as it deems appropriate.

TITLE III. DIRECTION AND ADMINISTRATION**CHAPTER I. MONETARY BOARD**

Art. 10. In its capacity as highest organ of the Central Bank, the Monetary Board shall determine the Nation's monetary and credit policy, the implementation of which is entrusted to the Bank. The Board shall be composed of the following members:

- (a) The Secretary of State for Finance, who shall preside;
- (b) The Secretary of State for Industry and Commerce;
- (c) Such regular and alternate members as the President of the Republic may appoint by decree. One of the regular members shall act as first Vice President and one as Second Vice President, as determined by decree of the President of the Republic.

In the event of the absence or incapacity of the President, he shall be replaced by the First Vice President in all functions with which he is charged on the Monetary Board. In the absence of both, these functions shall be performed by the Second Vice President.

Paragraph I. The Governor of the Central Bank, the principal executive officer of the Bank, shall attend the meetings of the Monetary Board only as adviser, without the right to be heard or to vote, without prejudice to the provisions of law which expressly authorize him to propose measures or to make reports to the Board in regard to matters concerning the Bank.

Paragraph II. Since the Central Bank is within the sphere of the Department of State for Finance, communication between it and the Executive Power, and between its directive officers and the Executive Power, shall be effected through that Department, which, in transmitting Bank matters, shall always express its views in conformity with the Law on Departments of State.

Art. 11. The Secretary of State for Finance may delegate his functions, when he deems fit, to the Under Secretary of the same office, who shall substitute for him as a member of the Board but not as its presiding officer.

Art. 12. [Repealed]

Art. 13. The alternate members shall attend meetings of the Monetary Board only when called to replace regular members during their absence or temporary incapacity.

Art. 14. The minute book of the Monetary Board shall be signed by the President and the Secretary of the Board, who shall subscribe with the other members of the Board the minutes of meetings held.

Art. 15. There shall be one or two Vice Governors of the Central Bank, appointed by the Executive Power. The appointments, should there be more than one, shall indicate who is appointed as First Vice Governor. The Vice Governors shall have the following responsibilities:

- (a) To substitute for the Governor in case of his temporary incapacity and to carry out his duties with all responsibilities inherent in the office;
- (b) To attend the meetings of the Monetary Board, with the right to be heard but without the right to vote;
- (c) To preside over the Monetary Board in case of the absence or incapacity of the Secretary of State for Finance and of the Governor of the Central Bank;
- (d) To assist the Governor, when so required by him, in the study and handling of economic matters and of other matters relating to his office;
- (e) To assist the Governor in work related to the representation of the Republic in international financial organizations, when representation has been entrusted to the Bank; and to assist as deputy for the Governor in the above organizations, in accordance with such resolution as may be issued for the purpose by the Monetary Board;
- (f) To assist the Governor in supervising the administration of the State banks and to represent him at the meetings of their boards of directors;

(g) To assume, by order of the Governor, the responsibilities of any officer of the Bank or any officer whose post is within the jurisdiction of the Monetary Board in case of the temporary absence of such officer;

(h) To examine State banks, by order of the Governor, and make the relevant reports;

(i) To execute all other administrative duties assigned him by the Monetary Board or the Governor of the Central Bank.

When there is more than one Vice Governor, the Governor shall be empowered to assign to either of them indiscriminately the duties mentioned in this text.

Art. 16. [Repealed]

Art. 17. [Repealed]

Art. 18. None of the following may be appointed Governor, Vice Governor, regular members or alternate members of the Monetary Board:

- (a) Persons less than 30 years of age;
- (b) Functionaries of the Judicial Power;
- (c) Persons who have been declared bankrupt and those against whom bankruptcy proceedings are pending;
- (d) Persons who are being tried or are serving sentence or have been sentenced to penalties for crime;
- (e) Persons who, for any reason whatsoever, are legally incompetent.

Art. 19. [Repealed]

Art. 20. The members of the Monetary Board may be replaced, suspended or removed from office only by the President of the Republic.

Art. 21. The meetings of the Monetary Board shall be called by its President, or whoever takes his place, or by any two of its members, and shall be held at least twice a month.

The Board shall sit validly if attended by more than half of its regular members or alternates, and its resolutions may be adopted by a simple majority of those present, except in cases where the law requires a special majority. In case of a tie, the vote of the presiding officer of the Board shall be decisive.

Art. 22. The Superintendent of Banks, the Manager and the Director of the Banking Publications and Statistics Section of the Central Bank shall

participate in the Board's deliberations only in the capacity of permanent advisers for matters within their competence.

Art. 23. When the Board deems it appropriate, it may invite, as advisers, any other qualified persons, especially the representatives of the other financial institutions of the State and officials of the Central Bank, to participate in its proceedings, with a voice but no vote.

Art. 24. The positions of regular member and alternate member of the Monetary Board are honorary in character.

However, when so requested by regular members or alternates who do not receive remuneration from the Government by virtue of another office, the President of the Republic, at their request, may fix a per diem allowance not exceeding RD\$25.00 for each meeting of the Board in which they participate.

Art. 25. Whenever the Board's discussion of or decision on a subject involves a personal or commercial interest of one of the participants, or that of private enterprises of which he is an officer, director or partner, or that of his relatives within the fourth degree of consanguinity or second degree of affinity, he may not participate in such discussion or decision and must withdraw from the meeting.

This provision, however, does not include the member of the Monetary Board mentioned in Article 10(c), in cases in which matters to be discussed concern monetary policy or general rules of the banking system.

Art. 26. The principal functions of the Monetary Board are the following:

- (a) To formulate and submit for the approval of the Executive Power the regulations necessary for the execution of this Law, the Monetary Law and the General Banking Law;
- (b) To formulate the Internal Regulations of the Central Bank;
- (c) To approve the annual budget of the Bank and its amendments;
- (d) To place in charge the Manager, the Director of the Banking Publications and Statistics Section, the Secretary of the Monetary Board and other officers and employees of the Central Bank, all of whom shall be appointed by the Executive Power, and to fix, with the prior approval of the Executive Power, the remuneration of these officers and employees;
- (e) To appoint the Discount Committee and such other advisory Committees as it deems appropriate, with power to establish remuneration for their members;

- (f) To approve annually the Bank's Report, balance sheet and profit and loss statement;
- (g) To formulate regulations governing credit operations, purchase and sale of gold and exchange, purchase and sale of securities and issuance and retirement of stabilization and participation bonds and certificates authorized by this Law, and to determine the limits and conditions under which Bank officials may carry out such operations;
- (h) To formulate the regulations governing the operations of the Fund for the Regulation of the Securities Market and of the Guarantee Fund for Special Credits authorized by this Law, and to determine the limits and conditions under which Bank officials may carry out such operations, with the exception of those which, because of their nature and magnitude, the Board has reserved for its own decision;
- (i) To authorize the printing of notes and minting of coins, in accordance with the law;
- (j) To decide on the acquisition of real estate only when it is necessary for the functioning of the Central Bank or to secure repayment of its credits, and to dispose, as soon as possible, of such real estate as the Central Bank does not need for its business, in accordance with the General Banking Law;
- (k) To establish and modify the legal reserves of the banks and to pay interest on that part of the said reserves which is specified in the Law, in accordance with Articles 55, 56 and 57;
- (l) To fix ceilings on interest rates on savings deposits which the banks may pay and on exchange margins and commissions which the banks may charge over and above the exchange rates quoted by the Central Bank;
- (m) To authorize the commercial banks to carry out operations in gold and foreign exchange and to determine the conditions of such authorizations, in accordance with the provisions of Article 12 of the Monetary Law and Article 56 of the present Law;
- (n) To require prior authorization, with the approval of the President of the Republic, for international transfers and other operations referred to in Article 17 of the Monetary Law;
- (o) To appoint correspondents, and to establish and to close branches and agencies of the Central Bank in the Dominican Republic or abroad;
- (p) To deal with any other matter related to the monetary and credit policy with which the Bank is charged or related to the interests of

the Central Bank or to the functions assigned to the Board by this Law and by other pertinent provisions and by the regulations.³

Art. 27. The Banco de Reservas de la República Dominicana, the Banco de Crédito Agrícola e Industrial de la República Dominicana, and any other credit institution, shall be considered as principal instruments of the Nation's monetary and credit policy, with which the Monetary Board is charged, and therefore must conform to the regulations set forth by the Board in carrying out the purposes of the Law. In this respect the Board shall:

- (a) [Repealed]
- (b) Fix, when it deems necessary, the interest rates that the said banks may charge on their loan operations, and those that the Banco de Reservas may pay on its savings deposits, as well as the exchange margins and commissions to the general measures taken under Article 26(l);
- (c) Determine, when it deems necessary and within the provisions of the General Banking Law, the general conditions under which the banks or official credit institutions may carry out their operations; and establish the over-all amounts that the said banks or institutions may employ in such operations as a whole or in their principal groups or categories, without intervening in the consideration of individual cases.

Before making decisions authorized by this article, the Board shall hear the opinion of the Board of Directors of the institution involved.

Art. 28. The Monetary Board shall exercise its functions on its own exclusive responsibility, according to the provisions of the law and the regulations.

CHAPTER II. GOVERNOR OF THE CENTRAL BANK

Art. 29. The Governor of the Central Bank shall be a Dominican over 30 years of age. He shall be the principal executive officer of the Bank and may not hold any office remunerated by the State, by autonomous organizations or by private individuals, with the exception of that of professor.

The Governor shall have the following responsibilities:

- (a) To propose to the Monetary Board, when circumstances so require and in accordance with Articles 65, 66 and 68, the monetary and

³ By virtue of a Decree promulgated on December 28, 1956, the Monetary Board shall exercise strict supervision over any disbursement of payments from the Central Bank, the Banco de Reservas, and the Banco de Crédito Agrícola e Industrial, as well as over any disbursement of payments from the Government Pawnshop.

credit policy that in his judgment is appropriate, as well as the means for its execution;

- (b) To exercise legal representation of the Bank, with the power to delegate it;
- (c) To give direction to and supervise permanently the administration of the Bank;
- (d) [Repealed]
- (e) To sign, with the Secretary of State for Finance, the notes of the Bank, facsimile signatures of both officials being allowed;
- (f) To present the report and sign the communications and correspondence of the Monetary Board, and to sign the balance sheets and profit and loss statements together with the Manager and the Accountant of the Bank;
- (g) [Repealed]
- (h) To exercise such functions as may be delegated to him by the Board;
- (i) To be present at the meetings of the board of directors of the Banco de Reservas and the board of directors of the Banco de Crédito Agrícola e Industrial, with the right to be heard but not to vote, and with the power to delegate these functions to another official of the Central Bank;
- (j) To exercise the other functions with which he is charged by this Law.

Paragraph. The Governor of the Central Bank is the principal executive officer of all State banks and shall guide their policy as the representative of the President of the Republic. In addition, he shall act as supervisor and inspector of official banking institutions and regularly call for meetings of all executive officers of these institutions, in order to consider matters concerning credit norms to be applied by each bank, as well as all matters concerning the responsibilities of its administrative officers.

CHAPTER III. MANAGEMENT

Art. 30. Without prejudice to the functions assigned to the Monetary Board and to the Governor of the Central Bank, the Manager, who shall be the head of the personnel, shall be in immediate charge of the internal administration of the Central Bank.

Art. 31. The Manager shall be appointed by the Monetary Board⁴ on the proposal of the Governor, and the provisions of Article 18 shall apply to him.

⁴ Under Law No. 2666 of December 31, 1950, all officers and employees of the Central Bank are appointed by the Executive Power.

In case of absence or incapacity, the Manager shall be replaced by an employee designated by the Board.

The Manager shall have the following responsibilities:

- (a) To direct the execution of the operations of the Bank for which he is responsible in accordance with the Internal Regulations, or those with which he is charged by decision of higher authority;
- (b) To prepare and submit to the Governor periodic information on the position of the Bank and a review of the matters within his competence that should be included in the agenda of the meetings of the Monetary Board;
- (c) To suggest to the Monetary Board, through the Governor, changes that are advisable in the organization and functioning of the Bank;
- (d) To watch over the observance of this Law, of the regulations and of the resolutions of the Board;
- (e) To sign the balance sheets and profit and loss statements;
- (f) To exercise such functions as may be delegated to him by the Board;
- (g) To exercise the other functions with which he is charged by this Law.

CHAPTER IV. DISCOUNT COMMITTEE⁶

Art. 32. [Repealed]

Art. 33. The Secretary of State for Banking and Credit shall examine the documents presented to the Central Bank by the banks, from the viewpoint of the solvency of the signers and that of compliance with the conditions stipulated by the law and by the rules of eligibility to be established by the Monetary Board, and he shall take action on them, submitting them to the Board if the nature and magnitude of the operation makes this necessary, in accordance with the regulations in effect.

TITLE IV. OPERATIONS OF THE BANK

CHAPTER I. MONETARY RESERVE

Art. 34. The Central Bank may purchase and sell gold and any kind of foreign exchange, in accordance with the Monetary Law, in the form of checks, sight drafts, or time drafts at not more than ninety days which bear a signature of recognized reliability, or cable transfers, or foreign notes and coin. The Central Bank also may effect forward exchange opera-

⁶ Chapter IV, comprising Arts. 32 and 33, originally provided for a Discount Committee and prescribed the Committee's functions. Art. 32 has been repealed and Art. 33 substantially amended, so that no mention of the Discount Committee appears in the present version.

tions. However, the Bank may not carry out the said purchases and sales of exchange or forward exchange with any public person or entity, with the exception of the banks authorized for this purpose by the Monetary Board.

Art. 35. The monetary reserve of the Bank to which Article 67 refers and which forms part of the assets required to back the currency issue of the Bank, in accordance with said article, shall be calculated by deducting from gross holdings of gold, foreign exchange and other international assets the amounts of obligations in foreign exchange, in the proportion established in Article 37, and shall have the following composition:

- (1) Gold deposited in the Republic or with central or foreign banks or with international institutions or first-class commercial banks abroad, which may not be less than 25 per cent of the required minimum monetary reserve in accordance with Article 67;
- (2) Foreign currency and exchange, in the form of checks and drafts, or of sight or short-term deposits in central or first-class foreign commercial banks, or of first-class foreign government securities with not more than five years to run, or of foreign notes or coin; all in accordance with decisions of the Monetary Board, which, moreover, shall see to it that, so far as possible, the holdings of exchange take primarily the form of currencies that are of recognized soundness and are of importance for the balance of payments of the Republic;
- (3) The amount that the Central Bank may draw from the International Monetary Fund, under the conditions stipulated in the Fund Agreement, until the supply of Dominican currency in the Fund is increased to a sum equal to the quota of the Dominican Republic, that is to say, the balance of the credit position of the Central Bank in the Fund.

Paragraph. Subscriptions in gold, foreign exchange or foreign currency made by the Dominican Republic to international institutions may be counted as part of the monetary reserve.

Art. 36. The Central Bank shall avoid so far as possible the acquisition of foreign exchange that is not freely convertible. However, when balance of payments circumstances require the acquisition of large balances of such foreign exchange, they may be included in the monetary reserve if the Monetary Board so decides, in which case the Bank shall indicate their nature on its statements.

Art. 37. To meet its obligations in foreign exchange, the Bank shall set aside from the total of its holdings of gold, foreign exchange and other international assets the following sums, which shall be excluded from the monetary reserve:

- (a) The total amount of the Bank's obligations in gold or foreign exchange payable on demand or maturing within thirty days or less, with the exception of deposit liabilities in foreign currency in favor of banks in the Republic;
- (b) Seventy-five per cent of the Bank's obligations in gold or foreign exchange payable after thirty days and within one year, and of the deposits in foreign currencies in favor of banks in the Republic;
- (c) Fifty per cent of the obligations of the Bank in gold or foreign exchange payable within not less than one or more than three years, and of those of indefinite maturity, including obligations to the International Monetary Fund for the purchase of foreign exchange;
- (d) Twenty-five per cent of the obligations of the Bank in gold or foreign exchange payable after three years.

The Monetary Board shall decide, in any doubtful case, the degree and form in which the obligation in question shall be taken into account for the purposes of this article.

Art. 38. The Central Bank may grant or receive credits and deal in general with foreign public entities and with banks or other foreign or international entities and act as agent or correspondent of the same. The Bank may pledge gold and other assets at its disposal against the credits for which it applies.

CHAPTER II. CREDIT OPERATIONS

Art. 39. The Central Bank may carry out with the other banks operating in the Republic, and in no case directly with the public or with any other public or private institution, only the credit operations enumerated below:

- (1) It may rediscount, discount, purchase or sell bills of exchange, drafts, promissory notes or other credit documents, through simple endorsement, subject to the following conditions:
 - (a) That may arise from operations related to the import, export or transportation of easily marketable products or merchandise, with maturities that do not exceed six months from the date of rediscount, discount or purchase by the Central Bank;
 - (b) That they arise from bona fide purchases or sales of products or merchandise, with maturities that do not exceed six months from the date of rediscount, discount or purchase by the Central Bank;
 - (c) That they arise from the storage of agricultural, livestock or industrial commodities, duly insured, with maturities that do not exceed six months from the date of rediscount, discount or purchase by the Central Bank;

- (d) That they arise from the financing of harvests or other farm activities or from current industrial activities, such as the harvesting of agricultural products, cattle fattening, purchase of seeds and other production goods, provided that these documents are secured by a pledge of an agricultural or industrial character relating to the operation financed, to the satisfaction of the Central Bank, and that they have maturities not exceeding one year from the date of rediscount, discount or purchase by the Bank;
 - (e) That they arise from loans contracted by the Banco de Reservas de la República Dominicana, under Law No. 3645 of October 8, 1953, to run not more than ten years from the date of their rediscount or negotiation by the Central Bank.
- (2) It may grant advances up to six months, renewable in cases of emergency by the Monetary Board:
- (a) When guaranteed by simple endorsement of the documents mentioned in paragraph (1) of this article, up to 80 per cent of their value;
 - (b) When guaranteed by negotiable securities of the national public debt; these operations may at no time exceed 80 per cent of the current value of the bonds; new loans may not be granted when guaranteed by bonds that at the time of presentation to the Central Bank are quoted at less than 80 per cent of their nominal value; neither may new loans of the kind authorized in this clause be granted when their total amount, added to that of the investments made in accordance with Article 46 (a) and (b), exceeds the proportions stated in the said article for each period;
 - (c) When guaranteed by the debit balances of credits granted on current account, up to 50 per cent of the said balances, provided that the credits offered as guarantee have been reviewed by the Superintendent of Banks;
 - (d) When guaranteed by mortgage bonds issued by the Banco Agrícola e Hipotecario de la República Dominicana,⁶ or by other securities guaranteed by the State, under the conditions established in (b) of this paragraph, provided that the said securities have been duly issued; that where mortgage bonds are concerned the issuing bank is not the owner of the same; and that the total amount of the securities of each issue pledged as guarantee does not exceed 30 per cent of the total of the respective issue;
 - (e) In times of emergency when monetary or banking stability is directly threatened, when guaranteed by any asset that the Monetary Board,

⁶ It should be noted that the name of this bank was changed to Banco de Crédito Agrícola e Industrial de la República Dominicana, by virtue of Law No. 1779 of August 14, 1948.

upon the vote of four of its members, shall temporarily include among the acceptable guarantees, even if they should be securities mentioned in this article that are in excess of the foregoing limitations; so long as such advances are outstanding, the debtor bank may not increase the total volume of its loans or investments without the approval of the Monetary Board.

Art. 40. All documents purchased, rediscounted, discounted or accepted as guarantee by virtue of Article 39 shall carry the endorsement of the institution from which they were received by the Central Bank.

Art. 41. The Monetary Board shall fix the rediscount and interest rates applicable to the operations specified in this Chapter, according to their maturity and nature, taking into account the monetary situation, the needs of the market and the composition of the portfolio of the Central Bank.

The Board may fix an individual credit line for each bank, which must be in proportion to the volume of the operations of the said bank. It also may refuse to authorize new rediscounts or advances to the banks when the monetary situation so requires.

Art. 42. The Monetary Board may establish, within the general provisions specified in the preceding articles, additional conditions to govern access to the credit of the Central Bank. The said conditions may refer both to the interest rates charged by the banks and the purposes of their loans in general, and to the interest rates and the purposes of the documents offered to the Central Bank, as well as to any other clearly definable element of the credit policy of the banks.

Art. 43. The Board shall review, at least once a month and by means of a summary report rendered to it by the Manager of the Central Bank, the composition of the portfolio of the Bank, and shall formulate its credit policy for the following month, in order to carry out the general monetary and credit policy of the Central Bank, and to maintain a sufficient amount of highly liquid assets.

New credits shall not be granted for terms greater than four months so long as two thirds of the existing portfolio of Central Bank credits matures on a date more than four months from the date on which the Board has reviewed the portfolio, in conformity with the preceding paragraph. For the purposes of this paragraph, the credits granted by virtue of Article 39 (1)(d) and (2)(e) shall not be included.

Art. 44. Any document given in guarantee to the Central Bank under the conditions established by the preceding articles may be withdrawn at any time by the bank that presented it, after payment of the corresponding principal and interest.

Art. 45. The Bank shall establish a Guarantee Fund for Special Credits for the purpose of facilitating the granting by the banks of credits which the Monetary Board considers in the interest of the economy of the country, and which, because of their maturity, interest or guarantee terms, need an additional guarantee.

For the operations of the Fund the Bank shall have at its disposal the sums indicated in Article 9 of this Law and the proceeds of the premia which it collects from the banks. The Bank may not authorize guarantees chargeable to this Fund which raise the total of the existing guarantees above the capital at its disposal at the time the operation takes place. However, if for some reason the said limit has been exceeded, the guarantees in excess shall be valid and the Central Bank shall be responsible for them.

The Bank shall preferably grant partial guarantees in order to assure adequate participation in the risk of the loan on the part of the bank that asks for the guarantee.

The Monetary Board shall establish the rules to govern the operations of the Guarantee Fund.

CHAPTER III. PURCHASE AND SALE OF SECURITIES

Art. 46. The Central Bank is authorized to purchase only the following securities:

(a) During the first three years from the beginning of its operations, securities issued by the Dominican State, up to an amount that, added to the total of the advances granted against such securities as collateral under the authorization of Article 39 (2)(b), is equal to 10 per cent of the annual average of the revenue of the State during the last two years. The said sum may be increased, upon the unanimous agreement of the Monetary Board, to 15 per cent of the average indicated. However, during this time the Bank may not purchase securities when, as a result of such operations, the monetary reserve would fall below 150 per cent of its minimum level, in accordance with Article 67.

(b) When three years have passed after the beginning of the operations of the Bank, it may purchase securities issued by the Dominican State, up to an amount that, added to the total of the advances granted against such securities as collateral under the authorization of Article 39 (2)(b), is equal to 30 per cent of the annual average of the revenue of the State during the last two years. The said sum may be increased to 40 per cent of the average indicated, upon the unanimous agreement of the Monetary Board. However, the Bank may not purchase such securities when as a result of such operation the monetary reserve would fall below the minimum level required in accordance with Article 67.

(c) Securities referred to in Articles 8, 47, 59 and Article 35(2).

(d) Redeemable preferred stock of the State banks, provided that the purchase of such securities does not reduce the monetary reserve below the minimum level required by Article 67.

The calculation of the annual average of the revenue of the State referred to in this article shall be made on the basis of the last twenty-four months, in accordance with the certification that is required in this connection from the Secretary of State for Finance.

Art. 47. The Central Bank shall create a Fund for the Regulation of the Securities Market, the purpose of which shall be to stimulate investment of private capital in bonds and other fixed-interest-bearing certificates issued by the Dominican State, by other public institutions and by the Banco de Crédito Agrícola e Industrial, through purchases and sales in the open market tending to promote the liquidity and stability of the said securities. With this end in view, the Bank shall try to assure, so far as possible, that the private holders of the said securities find adequate demand for the securities they wish to sell. It shall endeavor to avoid sharp fluctuations in quotations, without being obligated to counteract the fundamental trends of the market or to engage in operations that threaten to exhaust its liquid resources. Consequently, the Bank shall endeavor at all times to maintain and replenish cash holdings sufficient for the future fulfillment of the purposes of the Fund.

The Monetary Board shall determine the securities or other negotiable documents in which the Fund may deal under the provisions of this article.

Art. 48. For the operations of the Fund for the Regulation of the Securities Market, the Monetary Board may set aside, from the resources of the Central Bank, an amount equal to 10 per cent of the total issues of securities in circulation that the Fund is authorized to acquire, notwithstanding the provisions of Article 65.

However, in times of sudden and excessive offers of securities in the market, the Board may, upon the unanimous vote of its members, raise the said limit to 20 per cent.

Art. 49. The Monetary Board shall adopt such measures as it deems necessary to ensure that the operations of the Fund for the Regulation of the Securities Market are carried out in accordance with Article 47, and, therefore, may rule that the said Fund is to abstain from purchasing securities which, in the judgment of the Board, serve directly or indirectly to finance a new issue of the institution concerned.

Art. 50. The remaining profits of the Fund, derived either from interest charges or from the purchase and sale of securities, shall be accumulated in a reserve which may be used in the same way as the Fund.

The losses of the Fund, if any, and such deductions as it is believed prudent to make, shall be charged against the said reserve. In case the losses and deductions are in excess of the reserve, the excess shall be charged to the profit and loss account of the Central Bank.

CHAPTER IV. MONETARY ISSUE

Art. 51. The Central Bank of the Dominican Republic shall be the only entity empowered to issue notes and coins in the territory of the Republic, such issue being subject to the provisions of the Constitution, the Monetary Law and this Law.

Art. 52. By monetary issue of the Central Bank is meant the sum total of notes in circulation plus the Central Bank's obligations for sight deposits in Dominican gold pesos.

Notes held by the Bank shall not be included in the monetary issue and shall not be considered as part of either the assets or the liabilities of the Bank.

Coins shall be issued by the Bank for the account of the State and consequently shall not be included in the monetary issue of the Bank.

Also, deposits and other obligations in favor of the International Monetary Fund and the International Bank for Reconstruction and Development shall be excluded from the monetary issue.

Any increase in the monetary issue that is not in accordance with operations authorized by this Law is prohibited. Members of the Board or the Manager, in case they deliberately cause an increase in the monetary issue through operations not authorized by this Law, shall incur the penalty of a fine of RD\$200.00 to RD\$1,000.00 without prejudice to any other greater penalty that may be applicable in accordance with other legal provisions.

Art. 53. The Central Bank shall always accept national currency and coins in payment of obligations and for deposits.

Also, it shall pay upon demand of the depositors national currency and coins.

The Bank, moreover, shall exchange deteriorated currency and coins in the manner prescribed by the Monetary Law.

Art. 54. The amount of each verified reduction in the note-issue obligations of the Central Bank on account of loss, destruction or demonetization shall accrue to the General Reserve of the Central Bank.

CHAPTER. V. BANK DEPOSITS AND LEGAL RESERVES

Art. 55. The Central Bank may receive deposits from banks operating in the country and from foreign or international organizations. The commercial banks, in order to cover the deposits of their customers in national currency, shall maintain reserves in this currency, in the form of sight deposits at the Central Bank or in one of the forms indicated in Article 57. The ratio of these reserves shall be fixed by the Monetary Board, and may be changed by the said Board when circumstances require, but it may not be less than 10 per cent or more than 50 per cent of the deposits in national currency held in the banks. However, the Monetary Board may require reserves of more than 50 per cent against deposits that exceed the amount held in the banks on the date on which it prescribes such a measure. In this case the Board may rule that interest be paid, at a rate not higher than the minimum rediscount rate of the Central Bank, on that part of the required reserves which exceeds 50 per cent of the deposits subject to such requirement.

The Bank may not accept deposits from the public except in special cases authorized by the Superintendent of Banks.

Art. 56. To cover their foreign currency deposits, the commercial banks shall maintain reserves of not less than 10 per cent and up to 100 per cent for each currency. The reserve ratios shall be fixed by the Monetary Board, which may change them when necessary.

The required reserves shall be held as sight deposits in the Central Bank or in one of the forms authorized in Article 57. The Monetary Board may determine whether the said reserves are to be held in foreign or Dominican currency, so long as this does not prevent the banks from balancing their assets and liabilities with respect to the foreign currencies in which they are operating.

The Board may, moreover, require the banks to maintain a balance between their assets and liabilities, both with respect to the Dominican gold peso and with respect to any other currency in which they operate, when economic conditions or international agreements entered into by the Republic make such action necessary. The Board also may limit this requirement or authorize the banks to approach such balance gradually. Such requirements may be limited by the Board to one or several of said currencies. The Board shall grant the banks a reasonable period of time in which to adjust themselves to these requirements.

On such excess reserves in national currency as may result from measures taken by virtue of this article or on any part of said excess, the Board may authorize the payment to the banks of interest not to exceed the minimum rediscount rate of the Central Bank.

Art. 57. Within the limits established in Articles 55 and 56, for deposits in national currency and foreign currencies, respectively, the Monetary Board may:

- (a) Fix, if it deems appropriate, different reserve requirements against sight, time, savings and special deposits;
- (b) Fix, if it deems appropriate, reserve requirements against unused balances of credits on current account, unless the bank has reserved to itself the right to cancel the unused credit at any time;
- (c) Subject other liabilities to legal reserve requirements;
- (d) Reduce by as much as 33 per cent legal reserves established by virtue of this Chapter for any bank fulfilling such conditions as the Board may establish with regard to maximum interest rates charged, placement of its loans and any other clearly definable element of monetary and credit policy;
- (e) Authorize the banks to maintain up to 50 per cent of the required legal reserve against any kind of obligations, in securities of or guaranteed by the Dominican State, provided that they do not represent more than half of such securities in the portfolio of the bank in question; the securities that are replaced shall be given in custody to the Central Bank, the rest of the securities portfolio remaining subject to the supervision of the Superintendent of Banks in accordance with the rules established for notes held by the banks in Article 22 of the General Banking Law;
- (f) Authorize the banks to maintain up to 50 per cent of the legal reserve, against any obligations, in notes of the Central Bank and in subsidiary currency, provided that the holdings of said notes and currency are reviewed by the Superintendent of Banks in accordance with Article 22 of the General Banking Law;
- (g) Authorize the banks to maintain reserves against deposits in foreign currency in the form of sight or short-term deposits in first-class banks outside the country, or in first-class short-term foreign government securities.

Art. 58. The manner and frequency of interbank settlements may be regulated by the Monetary Board.

CHAPTER VI. ISSUING OF SECURITIES

Art. 59. When it is advisable to increase or reduce the monetary issue or money supply, as defined in Articles 52 and 65, for purposes of monetary regulation, the Bank is authorized to:

- (1) Issue, amortize and purchase certificates of participation in its own name, either on State bonds that constitute a part of its portfolio or on the monetary reserve;
- (2) Issue, amortize and purchase stabilization bonds in its own name.

Art. 60. The securities mentioned in the preceding article shall be subject to such interest, maturity and other conditions as the Monetary Board may establish, and they may, if advisable, be in gold and foreign currency.

The said bonds and certificates shall be freely negotiable and may be acquired before maturity by the Central Bank at market prices or at par by drawing lots.

Art. 61. All bonds and certificates issued by the Central Bank that are acquired, redeemed or amortized, ordinarily or extraordinarily, shall be retired immediately and shall not be considered as assets of the Bank.

TITLE V. MONETARY AND CREDIT POLICY

CHAPTER I. RELATIONS WITH THE GOVERNMENT

Art. 62. The Monetary Board shall cooperate with the Public Administration in the coordination of economic and fiscal policy with the monetary policy of the Bank, and shall act as adviser of the Government with respect to the same, especially with respect to credit operations, internal as well as external, of the State, the Administrative Council of the District of Santo Domingo, the Municipalities, public establishments and public utilities.

Art. 63. The General Accounting Office of the Republic shall report monthly to the Central Bank regarding Treasury operations, fiscal receipts and expenditures, the public debt and all that relates to the financial condition of the State.

CHAPTER II. NORMS OF MONETARY POLICY

Art. 64. The Monetary Board shall formulate clearly such monetary and credit policy as it considers adequate, under existing conditions, to assure the fulfillment of the purposes formulated in Articles 3 and 4 of this Law.

The said policy shall be stated in detail in the Annual Report of the Bank, with a full explanation of the economic situation that has given rise to it.

Art. 65. When in the judgment of the Monetary Board a phase of definite expansion of the money supply has begun, the Bank shall abstain

from any new operation and any purchase of securities authorized in Article 46 (a) and (b) that would result in increasing the monetary issue of the Bank, unless emergency conditions require such operations. In the circumstances indicated, the Bank shall apply the other instruments of monetary policy authorized by this Law, including those mentioned in Articles 26 and 27, in order to prevent undesirable expansion of bank credit and of the money supply.

The Bank, moreover, shall strive, as much as possible, to liquidate its credits outstanding at the time and also to liquidate the portfolio of securities in its possession.

By "money supply" is meant the total of the following elements:

- (a) National notes and coins held by the public;
- (b) Official and private deposits in national currency payable by check in all the banks, excluding interbank deposits.

Art. 66. At any time when the money supply increases by more than 15 per cent within a period of twelve months, the Monetary Board shall inform the Executive Power accordingly, pointing out the factors that in its judgment constitute the causes of the expansion, and shall report as occasion may arise on the measures adopted to combat them; it shall propose such other fiscal and economic measures as in its judgment are necessary to achieve internal stability of the currency and shall continue presenting quarterly reports to the Executive Power, as well as such recommendations as it deems appropriate, so long as an increase in the money supply in the proportion mentioned exists.

Art. 67. The monetary issue of the Central Bank, composed of notes and deposits, must be totally backed by the assets provided for in the different operations authorized by law.

Of this backing, an amount equal to at least 50 per cent of the monetary issue must be constituted by the monetary reserve of the Bank, made up of gold and of foreign exchange or its equivalent in accordance with Article 35.

In case the monetary reserve should drop below the proportion indicated above, the Central Bank shall pay to the Public Treasury $\frac{1}{2}$ of 1 per cent monthly on the difference. This sanction shall be applied upon the request of the Superintendent of Banks, once the difference has been verified by him, for the entire period that the difference exists.

Art. 68. When the foreign exchange holdings of the banking system fall below a minimum safe level, calculation of which is provided for in this article, or when they are reduced by more than 25 per cent of their amount within a period of twelve months, the Bank shall suspend, except in cases of great urgency, the expansion of its credits and investments, and

shall apply the instruments of monetary policy authorized by this Law in order to avoid an excessive reduction of the monetary reserve of the Central Bank or of the foreign exchange holdings of other banks.

The Monetary Board, in this case, shall inform the Executive Power about the situation, shall indicate the measures it has adopted, and shall propose, as the situation may warrant, such other fiscal or economic measures as in its judgment are necessary for the maintenance of an adequate supply of foreign exchange.

For the purposes of this article, the foreign exchange holdings of the banking system shall consist of the monetary reserve of the Central Bank plus the assets of the banks in foreign currencies after deduction of their obligations of the same kind in the following manner: (a) the total amount of obligations maturing in the next six months; (b) 50 per cent of the obligations maturing after the next six months but within the next twelve months; and (c) 25 per cent of the obligations maturing after the next twelve months. The minimum safe level of foreign exchange referred to in the present article shall be equal to three times the annual average of national imports during the last twelve months.

Art. 69. When the Central Bank has effected purchases of foreign exchange from the International Monetary Fund that raise the Fund's holdings of Dominican currency above 75 per cent of the quota of the Republic, the Monetary Board shall take such action and shall propose to the Executive Power such fiscal and economic policy as in its judgment should be followed in order to normalize the situation of the Republic with respect to the Fund.

TITLE VI. RESEARCH AND PUBLICATIONS

CHAPTER I. BANKING PUBLICATIONS AND STATISTICS SECTION

Art. 70. The Central Bank shall have a Banking Publications and Statistics Section, with a Director and assistants who are specialists in these fields.

The responsibilities of this Section shall be:

- (a) To prepare and submit to the Monetary Board an estimate of the foreign exchange position of the Republic at least once a month, and to submit annually a general estimate of the balance of payments for the following year; this calculation is to be reviewed and revised every three months in accordance with new information that becomes available;
- (b) To prepare calculations of the seasonal movements in the balance of payments and in other elements of the national economy that are of importance for the functioning of the Central Bank;

- (c) To cooperate in the preparation of monetary and banking statistics for the information of the Monetary Board;
- (d) To prepare any other statistical tables and economic and financial studies that in the judgment of the Director may be useful to the authorities of the Bank or with which the Section is charged by the Monetary Board or by the Governor;
- (e) To cooperate with the Department of State for Finance, the Department of State for Industry and Commerce, the National Statistical Congress, the General Statistical Bureau and other Government departments in order to improve the statistical service;
- (f) To cooperate in the preparation of the Annual Report of the Central Bank and to supervise other publications and public reports of the same;
- (g) To organize and administer the library of the Bank and to maintain an exchange of publications between the Bank and the central banks of other countries;
- (h) To cooperate in the training of a body of experts in money and banking, as well as in the other fields of economic science.

The officials and employees of the State, of the Administrative Council of the District of Santo Domingo and of the Municipalities must supply the data for statistics on their respective offices when required to do so by the Banking Publications and Statistics Section of the Central Bank.

Banks, associations, societies, companies and all legal entities, firms or physical or juridical persons must supply to the Banking Publications and Statistics Section of the Central Bank all information of general interest or of a statistical nature relating to the operations of their establishments or firms, the practice of their professions, their properties and their persons or their dependents.

Those who fail to supply the data and information requested from them in accordance with this article, or who do not supply them within the time limits fixed, or who falsify them shall incur the penalty of a fine of ten to twenty-five pesos.

CHAPTER II. BALANCE SHEET AND REPORT

Art. 71. The Central Bank shall publish its balance sheet at the close of each month. The statement shall be published within eight days from the date to which it refers, and shall appear in the *Gaceta Oficial* and in at least one of the daily newspapers with national circulation.

Art. 72. Before the thirty-first of March of each year, the Central Bank shall publish an Annual Report signed by the Governor, which shall contain a description of the condition of the Bank and its operations during

the last financial year; an analysis of the monetary, financial and economic developments that have taken place in the country; and a detailed report of the monetary and credit policy followed by the Bank during the same period. Summaries of the said analysis and report shall also be published in a newspaper of national circulation.

Art. 73. There shall be published as appendices to the Report mentioned in the preceding article all pertinent data, including:

- (a) Monthly changes in the money supply, distinguishing between coins, notes and deposits payable by check, and giving the figures for international reserves and for money of internal origin created by the Central Bank and the other banks of the country;
- (b) The monthly movement of exchange rates and price indices in the Republic and its principal foreign markets;
- (c) An estimate of the balance of payments of the Republic for the preceding year;
- (d) The monthly movement of imports and exports;
- (e) A summary of the purchase and sale of drafts by the banks;
- (f) The monthly balance sheet of the Central Bank and the consolidated monthly balance sheet of the commercial banks operating in the Republic, in the form determined by the Director of the Banking Publications and Statistics Section, as approved by the Monetary Board;
- (g) A list identifying the stabilization and participation bonds and certificates as well as the mortgage and guarantee bonds that have matured and been drawn by lot during the last ten years but have not been presented for payment.

TITLE VII. GENERAL AND TRANSITIONAL PROVISIONS

GENERAL PROVISIONS

Art. 74. The Central Bank is exempt from all taxes on real estate, furniture and fixtures used at the seat of the Bank or its branches and agencies, as well as on the operations it carries out. This exemption shall not apply to properties acquired by the Bank in payment and protection of its credits, or to fees for services. All parties directing applications to the Central Bank shall likewise be exempt from the payment of all taxes in their dealings with the Central Bank insofar as they relate to banking operations.

Art. 75. By virtue of Article 94 of the Constitution, notes issued by the Central Bank shall have the unlimited guarantee of the State. The said

guarantee is also extended to the obligations of the Central Bank for deposits in Dominican currency.

For profits or losses that the Central Bank may suffer as a result of revaluations of its net assets in gold and foreign exchange, or as a result of arrangements that the Bank may have made with the commercial banks for such revaluations, the provisions of Article 10 of the Monetary Law shall apply.

Art. 76. In all cases not covered by this Law, the provisions of the General Banking Law, the Monetary Law and other pertinent laws shall apply. All laws or regulations which are incompatible with this Law are repealed.

TRANSITIONAL PROVISIONS

Art. 77. During the first stage of the monetary conversion as defined in Article 20 of the Monetary Law, the Central Bank may not carry out any of the credit operations or purchases of securities mentioned in Article 8, and in Chapters II and III of Title IV of this Law, except in cases of serious monetary emergency upon the unanimous decision of the Monetary Board and with the approval of the President of the Republic.

During the said stage the Central Bank shall be authorized to substitute dollar notes for the gold portion of the monetary reserve.

During the time mentioned above, the commercial banks shall maintain in national currency against all their deposits the legal reserve for deposits in national currency under Article 55 of this Law. The Monetary Board, however, may authorize the banks to maintain their legal reserves in dollars or Dominican pesos, either in whole or in part, for such time as the smooth operation of the monetary conversion may make such action necessary.

The Central Bank may, moreover, in order to assure the conversion referred to above, establish fiscal agency and deposit arrangements with the other banks. These deposits in dollar notes or Dominican pesos may be held in custody or in any other form without prejudice to the authority of the Central Bank to establish at any time with the Banco de Reservas de la República Dominicana fiscal agency relationships of a broader nature.

Art. 78. The Central Bank shall not begin to function or to operate, nor may the banks be required to comply with the requirements to which they are subject under this Law, the General Banking Law or the Monetary Law, until the Monetary Board has been formally installed and the capital of the Bank paid in, and public notice thereof given by decree of the Executive Power.

[Promulgation and related clauses have been omitted here. The Law was promulgated on October 9, 1947.]