

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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	<i>Page</i>
Organic Law of the Central Bank of Costa Rica.....	583
Monetary Law	619
Bretton Woods Agreements Law	625
Bibliographical Note	627

NOTE.—The Organic Law of the National Banking System (No. 1644 of 1953) is not reproduced here; for the Spanish text of No. 1644, as amended to June 1960, see República de Costa Rica, *Leyes Bancarias y Otras de Orden Económico y Financiero* (San José, 1960), pp. 51-102.

Publication of Statutes and Other Measures

Statutes, once they have received the sanction of the Executive Power, shall be published in *La Gaceta: Diario Oficial*, which also contains Orders and Decrees of the Executive Power. Several fields of law have been codified: for example, there is a Civil Code (1887) and a Commercial Code (1853). A semiannual compilation is published as *Colecciones de Leyes y Decretos*. Also, the Annual Report (*Memoria Anual*) of the Central Bank of Costa Rica contains the texts of laws relating to economic, monetary, and banking matters.

The Organic Law of the Central Bank of Costa Rica¹

TITLE I. CONSTITUTION AND NATURE OF THE BANK

CHAPTER I. NAME, LEGAL STATUS, PURPOSES AND DOMICILE

Art. 1. The Central Bank of Costa Rica shall be an autonomous public-law institution designed to carry out the aims and to effect the operations prescribed by the present Law and other related laws, and shall form part of the National Banking System.

Art. 2. The Central Bank shall have juridical personality of its own and shall enjoy the functional and administrative autonomy established by the Political Constitution. Such autonomy confers on the Bank complete independence in respect of government and administration: the decisions on the functions placed within its competence may be issued solely by its Board of Directors, and none may be imposed on it or repudiated by the Executive Power; its functions shall be limited solely by the mandate of the Constitution, the laws and the internal regulations.

Art. 3. By virtue of the provisions of the foregoing Article, the Central Bank shall have its own responsibility in the execution of its functions, which imposes on the members of the Board of Directors the obligation to act in conformity with their judgment in the direction and administration of the Bank, within the provisions of the pertinent laws and regulations and according to technical principles, as well as the obligation to be totally and inescapably answerable for its management.

Art. 4. The Central Bank must promote the orderly development of the Costa Rican economy with the aim of achieving full employment of the nation's productive resources, attempting to prevent or moderate such inflationary or deflationary trends as may arise in the money and credit market.

It shall endeavor to maintain the external stability of the national currency and to assure its convertibility, and at the same time supervise the proper use of the nation's monetary reserves for the attainment of these essential conditions for general economic stability.

Art. 5. For the proper fulfillment of its aims, the Bank, under the law, shall have the following essential functions:

- (1) The maintenance of the external value and of the convertibility of the national currency;

¹ Law No. 1552 of April 23, 1953, as amended to June 1960; for the Spanish text, see *Leyes Bancarias y Otras de Orden Económico y Financiero* (San José, 1960), pp. 9-46. The Central Bank of Costa Rica was established in 1950 by virtue of Law No. 1130 of January 28, 1950.

- (2) The custody and administration of the nation's monetary reserves;
- (3) The issue of notes and coins in accordance with the real needs of the national economy;
- (4) The function of advisor, financial agent and bank of the State;
- (5) The promotion of conditions favorable to the strengthening, liquidity, solvency and proper functioning of the national banking system;
- (6) The control of the money supply, of exchange rates and of interest rates;
- (7) The high-level direction of bank credit, and supervision and coordination of the national banking system;
- (8) The effecting of such lending and borrowing operations as it may carry out under the present Law;
- (9) The custody of the legal reserves of the national banking system and the settlement of clearing balances between banks;
- (10) The granting of authorizations for the functioning of private banks;
- (11) Cooperation with Costa Rican economic organizations for the better attainment of their goals;
- (12) The assumption of such other functions as, in accordance with its essential status as a central bank, it may or should exercise to the benefit of the national economy.

Art. 6. To exercise the powers and comply with the duties proper to it, the Central Bank shall have at its disposal its moral and technical influence, its legal powers for regulation of the currency, banking, credit and foreign exchange, as well as the most complete assistance and cooperation from the State and all of its offices and institutions.

Art. 7. The Bank must act, within its competence, in absolute accordance with the provisions of the international monetary and banking agreements signed and ratified by the Republic; it may act as agent of the State, its status in such case being that of legal and financial representative in the procedures, negotiations, operations and decisions resulting from the said agreements, and may take part, in such form as may be provided for by the said agreements, in the administration and functioning of the institutions created and maintained by the said agreements.

Art. 8. The Central Bank shall have its domicile in the city of San José, and may establish agencies or branches and designate correspondents in any place within the territory of the Republic. It may also act as agent or correspondent of other central banks, international monetary and banking institutions and first-class foreign banks, as well as designate such entities as its agents or correspondents abroad.

CHAPTER II. CAPITAL, RESERVES AND PROFITS

Art. 9. The Central Bank shall have a capital of five million colones (₡ 5,000,000.00), contributed in its entirety by the State.

Art. 10. With the part of its net profits assigned by this Law for the purpose, the Bank shall form its legal reserve.

Art. 11. The net profits of the Central Bank shall be determined after setting aside such funds as may have been authorized by the Auditor General of Banks for the formation of reserves for depreciation of buildings and furniture, the depreciation or writing-off of loans and investments, provision for legal services and exchange fluctuations and any other similar purposes. These reserves shall be duly itemized in the books and balance sheets of the Bank and may be increased by such additional sums as may be provided for by the Board of Directors, which sums shall be taken in this case from the net profits for the period.

Art. 12. The financial year of the Bank shall be the calendar year, but at the closing of each six-month period a complete statement of its profits and losses shall be made, which, to be valid, must be approved by the Auditor General of Banks.

Art. 13. The net profits of the Central Bank shall be distributed in the following manner:

- (1) 50 per cent to accrue to the legal reserve, until it has reached an amount equal to double the capital;
- (2) 25 per cent for crediting to the Account for Amortization of the Coined Currency;
- (3) 10 per cent for maintenance of the Fund for Guarantees and Pensions of Employees of the Bank, this amount in no case to exceed 10 per cent of total salaries paid during the period concerned;
- (4) The remainder for amortization and depreciation of assets, for the formation of other reserves, and for amortization of the public debt for purposes of monetary rehabilitation.

Art. 14. Such profits and losses as the Central Bank may have as a result of alterations made in the legal par values of currencies shall not be taken into account for computation of the semiannual statements of profits and losses, but entered and accumulated in an asset or liability account, as the case may be, which shall be called the Account for Monetary Revaluation and which shall show as a balance such amount as may result from the total of the said profits and losses consolidated in this account. Should the balance be in favor of the Bank, it may not dispose of these resources for any purpose; should there be a balance against the Bank, the Board may provide for its gradual amortization, making use of the special reserves referred to in Article 11.

Art. 15.² The Central Bank shall be exempt from any impost or tax, present or future, throughout the territory of the Republic.

CHAPTER III. SUPERVISION, BALANCE SHEETS AND PUBLICATIONS

Art. 16. In addition to the audit to which the Central Bank shall be subject on the part of the Office of the Comptroller General of the Republic, in accordance with the provisions of the latter's Organic Law, it shall be subject to the permanent supervision and audit of the Auditor General of Banks, in the form and under the conditions prescribed in the present Law and in accordance with the provisions of the pertinent regulations.

Art. 17. The Bank shall publish in the *Diario Oficial*, within the first eight working days of each month, a general balance sheet of its financial position, which shall comprise the statement of its assets and liabilities as of the last working day of the previous month. It shall also publish monthly a statistical summary of the country's banking and monetary position, with all such data and information as are considered proper subjects of public knowledge.

Art. 18. The balance sheets, accounts and statements of the Central Bank must be signed by the Accountant and the Manager of the institution and countersigned by the Auditor General of Banks, all of them being responsible for the accuracy and correctness of these documents.

Art. 19. The Bank must publish in the *Diario Oficial* all such resolutions of the Board of Directors as may be of general interest, and especially the following:

- (1) Such resolutions as determine or alter the exchange rates and the rates of rediscount and interest that shall be computed by the Bank on its operations, as well as the rates of discount and interest for the lending and borrowing operations of the other banking institutions;
- (2) Such resolutions as refer to the determination of the minimum bank reserves, the maximum quantitative or qualitative limits for the portfolios of the banks, and such other rules as may be applied for the control of the country's banking system;
- (3) General resolutions referring to the country's exchange and monetary activities and applicable for regulation of the currency, credit, the money supply and the national economy.

² As amended by Law No. 1751 of June 16, 1954. Further amended, where appropriate, by Law No. 2151 of August 13, 1957, which states: "Exemptions from customs duties and surcharges and from wharfage and warehousing duties enjoyed under previous laws by autonomous and semi-autonomous institutions and municipalities are abolished."

The Board may provide that no publication be given resolutions that in its judgment are of a confidential nature, or public knowledge of which may be considered harmful for any reason.

Art. 20. Within the first six months of each year, the Central Bank shall publish an annual report in which it shall state its financial position and the operations it has effected in the course of the previous year. The report must contain at least the following:

- (1) An analytical statement concerning the Bank's financial position, its operations, and profits and losses and other internal activities during the year in question;
- (2) A summary statement of the principal economic, monetary, financial and banking developments in Costa Rica that year;
- (3) An explanatory analysis of the monetary, exchange and credit policy followed by the Bank during that period;
- (4) A report from the Auditor General of Banks concerning the financial position of the national banking system and of each of the banking institutions subject to his audit, and the accomplishment of the functions in his charge.

In addition, such numerical tables, graphs and statistical annexes as may be deemed advisable, and the complete text of the legal provisions issued during the period covered, in respect of the Bank's functions and operations and of its activities in the economy of Costa Rica.

TITLE II. DIRECTION AND ADMINISTRATION OF THE BANK

CHAPTER I. THE BOARD OF DIRECTORS

Art. 21. The Central Bank shall function under the general direction of a Board of Directors.

Art. 22. The Board of Directors of the Central Bank shall be composed of seven members, as follows:

- (1) The Minister of Economy and Finance, who shall be an ex-officio member of the Board of Directors but may delegate his functions, when he deems it advisable, to an official of his Ministry;
- (2) Six persons of recognized experience in banking matters, or with a broad knowledge of economic and monetary questions, or with experience with problems concerning national production, who shall be selected by the Council of Government.

The Council of Government, at the request of the Board of Directors, may make temporary appointments to replace the members indicated in Section (2) above, when they must be justifiably absent from meetings and the cases are not covered by Article 26.

Art. 23. It is indispensable that the members of the Board of Directors be persons known for their probity, integrity of character, and responsible persons, and that, in addition to the conditions provided for in Section (2) of Article 22, they meet the following requirements:

- (1) Be more than 25 years of age;
- (2) Be Costa Rican by birth, or naturalized with not less than ten years of residence in the country.

Art. 24. The following may not be made members of the Board of Directors:

- (1) Persons who are debtors in arrears vis-à-vis any banking institution or who have been declared bankrupt or insolvent;
- (2) Those who are related within the third degree of affinity, or who belong to the same partnership or limited liability company, or who are members of the same board of directors of a joint stock company.

Art. 25. The position of member of the Board of Directors may not be held by:

- (1) Members or employees of the Supreme Powers, with the exception of the Minister of Economy and Finance, or his representative, and holders of a temporary unpaid position;
- (2) Managers, representatives or employees of the Central Bank;
- (3) Directors, managers, representatives or employees of any other bank.

Art. 26. The elective members of the Board of Directors shall be named for a period of four years and may be reappointed, but they shall be appointed in such a way that they are replaced in their positions in the following manner: in the first year, two; in the second and third years, one; and in the fourth year, two.

Appointments of members of the Board who are to replace those who have finished their term of office must be made within the sixty days preceding the expiration of such term of office.

Art. 27. The members of the Board may not be removed from office during the period for which they were designated. However, the following shall cease to be a member of the Board of Directors of the Bank:

- (1) Anyone who ceases to meet the requirements established in Article 23 or who becomes subject to any of the prohibitions of Article 25;
- (2) Anyone leaving the country for more than three months without authorization from the Board; the Board may not grant leave for more than one year;

- (3) Anyone who, for any reason not duly justified, has failed to attend six ordinary consecutive sessions;
- (4) Anyone infringing any of the provisions contained in the laws, decrees or regulations applicable to the Bank, or consenting to their infraction;
- (5) Anyone responsible for fraudulent or illegal acts or operations;
- (6) Anyone who, for reasons of physical incapacity, has been unable to exercise his functions for a period of six months;
- (7) Anyone resigning his position or becoming legally incapacitated.

In any of these cases, the Board of Directors shall make the appropriate investigation and advise the Council of Government so that the latter may determine whether to proceed with declaration of the separation or the vacancy, designating a replacement. In such case, the appointment shall be made within fifteen days and for the rest of the legal term.

Separation of any member of the Board of Directors shall not free him from such legal responsibilities as he may have incurred for failure to comply with any of the provisions of this Law.

Art. 28. The members of the Board shall carry out their functions with absolute independence of the Executive Power and shall therefore be the sole persons responsible for their actions. Without prejudice to such other penalties as they may incur, they shall be personally responsible with their property for such losses as they may cause the Bank as a result of the authorization of operations prohibited by law, only those who have cast a dissenting vote being exempt from this responsibility.

Art. 29. The members of the Board may not participate in electoral political activities, except by casting their votes and in such activities as are obligatory by law. This prohibition is applicable to the managers, chiefs and assistant chiefs of departments and sections.

Art. 30. The Board shall meet in regular session once a week; and, for the sole purpose of studying the national economic position in relation to the functions within its competence, once a month; and, in addition, in extraordinary session, whenever a meeting is called for the purpose in accordance with the internal regulations.

Art. 31. The quorum for ordinary and extraordinary sessions shall consist of five members of the Board. Resolutions shall be taken, except by legal provision to the contrary, by majority of votes. In case of a tie, the President shall have a double vote.

Regardless of the provisions of the two following Articles, by decision of the President, the Board of Directors may meet with only its members being present.

Art. 32. The Manager and Assistant Manager shall attend the meetings of the Board, in which they shall have a voice but no vote. They may, however, when they consider it necessary, cause their opinion on the subjects discussed to be recorded in the minutes. The department chiefs of the Bank and persons specially invited may also attend.

Art. 33. So that the other banks of Costa Rica may make their opinions known to the Board of Directors of the Central Bank on subjects of particular interest to them or of general interest, they shall be represented jointly by two delegates, to be appointed by them, who shall be official liaison officers between the Board of Directors of the Central Bank and the boards of directors of the other banks. The delegates of the banks shall have a voice but no vote; they may, however, when they consider it necessary, cause their opinion on the subjects discussed to be recorded in the minutes. These delegates shall be designated, one each year, by the banks for a period of two years, and may be reappointed. If for any reason the banks should not appoint or replace the delegates to whom they are entitled, this shall not constitute an impediment or obstacle to the performance of the functions of the Board of Directors.

Art. 34. For the proper performance of its functions, the Board of Directors of the Bank shall freely form such committees as it may deem advisable.

Art. 35. The Board of Directors shall have the following functions:

- (1) To propose to the Legislative Assembly, through the Executive Power, such modifications of the par value of the colón as it may deem advisable;
- (2) To fix the exchange rates within the limits established by law, as well as the commissions, interest rates and rediscount rates for the lending and borrowing operations of the Bank;
- (3) To direct the monetary, exchange and credit policy of the Republic, issuing general and uniform regulations concerning the rules to be followed by the banks in the granting of credit;
- (4) To regulate credit operations and establish the general conditions and limits for the various operations of the Bank authorized by law;
- (5) To fix the rates of interest on the lending and borrowing operations of the banking institutions, as well as the minimum reserves, the maximum quantitative or qualitative limits on their portfolios of loans and investments, and all other requirements and conditions that they must meet in accordance with the precepts of law;
- (6) To exercise all such functions and powers in respect of the banking institutions as are assigned it by the Organic Law of the National Banking System;

- (7) To regulate the relations of the Bank as representative, agent and depository of the State in its relations with international monetary and banking institutions, in conformity with the treaties signed and ratified by the Republic, and to designate such officials as are to be appointed by the country to those institutions, provided that such designation is not the responsibility of the Executive Power;
- (8) To approve and revoke the establishment of agencies and branches, and the designation of correspondents in and outside the country, and to accept as correspondents such institutions as the law allows;
- (9) To resolve, amend and interpret the internal regulations of the Bank and to regulate the services of organization and administration of the same;
- (10) To resolve on the annual budget of the institution and the extraordinary budgets, which shall require the approval of the Office of the Comptroller General;
- (11) To appoint and remove the Manager, Assistant Manager, Auditor General of Banks and Assistant Auditor, and assign them their functions and duties within the prescriptions of this Law;
- (12) To approve the annual report, balance sheets and profit and loss accounts, and the use of the profits, in accordance with the precepts of law;
- (13) To exercise all such other functions, powers and duties as are its responsibility under the law.

CHAPTER II. PRESIDENCY OF THE BOARD

Art. 36. The Board of Directors shall elect from among its members, by majority of votes, a President and a Vice President, who shall remain in office for one year and may be re-elected.

Art. 37. The President of the Board shall be the principal directive officer of the Bank and shall have the following functions:

- (1) To supervise the accomplishment of the duties and purposes of the Central Bank, and to keep informed of the general course of operations of the institution;
- (2) To submit for consideration by the Board the matters of which it should take cognizance, direct debates, take votes and settle ties;
- (3) To authorize with his signature, jointly with the Manager, the notes and transferable securities issued by the Bank, as well as the annual report and such other documents as are determined by the laws, the regulations of the institution and the resolutions of the Board;
- (4) To exercise such other functions and powers as are his responsibility under the law, the regulations of the Bank and other pertinent provisions.

Art. 38. In case of the temporary absence or disability of the President, he shall be replaced by the Vice President, who in such case shall have all of his powers, rights and duties. Should both be absent from any session, the Board shall name one of its members as temporary President.

CHAPTER III. MANAGEMENT OF THE BANK

Art. 39. The Board of Directors shall designate, by favorable vote of not less than five of its members, a Manager, to whom it shall delegate the administration of the Bank in accordance with the law and with such instructions as are given him by the Board. It shall also designate, in the same manner, an Assistant Manager, who shall replace the Manager during his temporary absences. Both officers must meet the same requirements as the members of the Board.

Art. 40. The aforesaid officers shall be named for a period of four years and may be re-elected; they may not be removed from office unless, in the judgment of the Board and following an investigation, it is shown that they are not performing their duties, or unless some legal charge is declared against them.

The removal of the Manager and the Assistant Manager may be resolved only by the vote of five members of the Board.

Art. 41. The Manager shall be the Supreme Chief of all offices of the Central Bank and of its staff, with the exception of the Office of the Auditor General of Banks, and shall be the person responsible to the Board for the efficient and proper administrative functioning of the institution. The Assistant Manager shall be the Assistant Supreme Chief and shall act under the senior authority of the Manager.

Art. 42. The Manager and, in his absence, the Assistant Manager shall have the following duties:

- (1) To exercise the functions inherent in his status as Administrator General and Supreme Chief of the Bank, supervising the organization and functioning of all its offices, observance of the laws and regulations and compliance with the resolutions of the Board;
- (2) To furnish the Board with the regular, accurate and complete information necessary for ensuring the proper government and high-level direction of the Bank;
- (3) To propose to the Board the general rules for the monetary, exchange, credit and banking policy of the institution and to see that it is properly carried out;
- (4) To present to the Board for its approval the annual budget of the Bank and such extraordinary budgets as may be necessary, and to supervise the correct application of these budgets;

- (5) To propose to the Board the creation of positions and services necessary for the proper functioning of the Bank;
- (6) To appoint and remove employees of the Bank, with the exception of those in the Office of the Auditor General of Banks, in conformity with the List of Employees of the Bank and with the regulations applicable to the staff of the institution, which in no case may be placed under working conditions inferior to those prescribed in the labor and civil-service laws of the Republic, and which shall be independent of all other institutions and organizations;
- (7) To handle relations with representatives of the State, the banks and other autonomous institutions for the coordination of economic, financial, banking and fiscal policy with the general policy of the Central Bank, in accordance with the instructions given him by the Board;
- (8) To handle the relations of the Bank with the public and to release to the press such information as he may deem advisable;
- (9) To authorize with his signature, jointly with the President of the Board, such notes and transferable securities as are issued by the Bank, as well as the annual report and such other documents as are determined by the laws and regulations of the institution and the resolutions of the Board;
- (10) To resolve in the last instance on matters not reserved for the decision of the Board, and, jointly with the Assistant Manager and the Auditor General of Banks, to decide in cases of great urgency on any matter within the competence of the Board, or to suspend the resolutions made by the Board, calling it immediately to extraordinary session in order to give it an account of his action and explain to it the reasons for departure from normal procedure;
- (11) To delegate his duties to the Assistant Manager or to other officers of the Bank, except when his personal action is legally obligatory;
- (12) To exercise such other functions and powers as are his responsibility under the law, the regulations of the Bank and other pertinent provisions.

Art. 43. The Manager and Assistant Manager shall, without distinction, act as judicial and extrajudicial representatives of the Central Bank, with the powers established for universal agents in Article 1253 of the Civil Code.

CHAPTER IV. OFFICE OF THE AUDITOR GENERAL OF BANKS

Art. 44. The Central Bank shall have an auditing department called the Office of the Auditor General of Banks, which shall perform permanent

supervision and inspection of all departments and offices of the Bank, of the other banking institutions of the country, including branches and other offices, and of any other organizations submitted by the law to its control.

Art. 45. The department shall function under the immediate responsibility and direction of the Auditor General of Banks, or, in his absence, the Assistant Auditor, both appointed by the Board of Directors by favorable vote of not less than five of its members. The said officers may not be removed from office unless, in the opinion of the Board and following an investigation, it is shown that they are not performing their duties, or unless some legal charge should be declared against them. The Auditor and Assistant Auditor shall meet the same requirements as are prescribed for the Manager of the Bank. Removal of the Auditor and Assistant Auditor may be decided only with the vote of five members of the Board.

Art. 46. The Auditor shall be directly responsible to the Board in the exercise of his functions, and his decisions may be appealed. The decision of the Board shall be final.

Art. 47. The Auditor General of Banks, and, in his absence, the Assistant Auditor, shall have the following duties:

- (1) To exercise the functions proper to his position, supervising and inspecting the organization and functioning of the Central Bank, the other banks of the country and the other organizations subject to his control, observance of the laws and regulations, and compliance with the resolutions of the Board of Directors;
- (2) To inspect all operations and activities of the establishments under his control, verifying the accounts and inventories, making investigations and such other checks as he may deem necessary; to examine the various balance sheets and statements of account, checking them against the relevant books and documents, certifying them or countersigning them when he finds them to be correct; such investigations and other verifications as he may deem advisable shall be carried out by the Auditor himself or through the officers of the department at least twice a year, at irregular intervals and without prior notice to the institutions inspected; these inspections, at the option of the Auditor, may be partial or general, covering only one office or a specific type of transactions or operations, or covering all offices, transactions and operations of the establishment;
- (3) To request from the banks a semiannual report of the position of liquidity of their portfolios, for further analysis by the Board of Directors;
- (4) To submit summary reports of his activities of inspection and auditing to the Board, which may require him, should it deem it advisable, to submit the complete report, and also any other information on the institutions under his auditorship;

- (5) To supervise and control the issues of securities, notes and coins effected by the Central Bank and all operations of printing, issue, coining, exchange, withdrawal, cancellation, demonetization, incineration and custody of such securities, notes and coins;
- (6) To communicate to the managers of the inspected institutions such irregularities or infractions as he may observe in the operation and functioning of said institutions, and, should the Manager not prescribe the measures which in the opinion of the Auditor would be effective for correcting the defects, within a reasonable period, which he himself shall determine, to explain the position to the Board and propose suitable measures for correcting the situation;
- (7) To make to the aforesaid institutions such suggestions, observations, or recommendations as he may deem advisable; to impart the necessary instructions for correcting errors and doing away with such deficiencies or irregularities as may be encountered; and to adopt the measures within his competence, or recommend those proper to higher authorities, for the punishment and correction of such infractions as may have been committed;
- (8) To prepare the information required of him by the Board; to examine freely all books, documents and files of the institutions under his supervision; to require from them in such form, conditions, and periods as he himself may determine, the presentation of balance sheets, statements of position and accounts, and such other information and details as he may deem advisable;
- (9) To delegate his powers to other officers of the department, except when his personal action is legally obligatory;
- (10) To exercise such other functions and powers as are his responsibility under the laws, regulations and other pertinent provisions.

It shall also be the duty of the Auditor General of Banks, as his exclusive responsibility, to appoint and remove the employees of the Office of the Auditor General of Banks, in conformity with the List of Employees of the Bank.

Art. 48. The Auditor General of Banks and his subordinates may not be directors, managers, representatives, employees or members of any of the institutions subject to the supervision of the Office of the Auditor General of Banks; or have any direct or indirect participation in such establishments; or accept in any form, from them or their managers, gifts or favors of any nature.

The information obtained by the Auditor General of Banks and by his subordinates in the exercise of their functions shall be strictly confidential; they may not reveal or comment on the data obtained or the facts noted, except in the performance of their duties under the law and regulations. Contravention of the prohibitions established in this Article may occasion the discharge of the infringer.

CHAPTER V. DEPARTMENTS OF THE BANK

Art. 49. The Central Bank shall have Departments of Accounting, Economic Research, and Foreign Trade, and such other departments as, in the judgment of the Board of Directors and the Office of the Manager of the Bank, it may become necessary to create for the better service of the institution.

The offices and agencies of the State and the autonomous institutions shall be obliged to lend their assistance to the departments of the Central Bank, so that the functions of these departments may be performed efficiently, for which purpose they shall furnish, within the shortest possible time, such data, information and studies as may be requested of them.

Art. 50. The regulations of the Bank shall contain appropriate rules regulating the organization of each of the departments, as well as the powers and obligations incumbent on the officers in charge of the departments.

CHAPTER VI. THE COMMISSION FOR BANKING COORDINATION

Art. 51. The Central Bank shall have a Commission for Banking Coordination, responsible for proposing measures for the coordination of the activities of the national banking system, as well as for the coordination of the administrative and functional policy of the banks.

Art. 52. The Commission shall be headed by the President of the Central Bank and shall consist of the presidents and managers of all of the banks or their representatives, the Auditor General of Banks, and the delegates of the commercial banks to the Board of Directors of the Central Bank.

Art. 53. The Commission shall function as an auxiliary body of the Central Bank and must inform its Board of Directors of its activities and recommendations.

TITLE III. OPERATIONS OF THE BANK

CHAPTER I. ASSETS AND LIABILITIES

Art. 54. The Central Bank may include under its assets and debit balances only the following:

- (1) The international monetary reserves belonging to the Bank;
- (2) Such liquid funds as it may have in national currency; notes and coins of its own issue in the Bank's possession shall not be included under assets or liabilities, but shall be entered in the memorandum accounts;

- (3) Such credit operations, rediscounts, loans and investments in transferable securities as it may effect under the provisions of this law;
- (4) Such investments as it may make in real property for the service of the institution or may have had to receive in payment of obligations, and such as it may make in furniture, equipment, installations and supplies necessary for its functioning, as well as those represented by the cost of its library, archeological and coin collections, and other similar investments;
- (5) Such debit balance of the Account for Monetary Revaluation as may be shown in conformity with Article 14 of this Law;
- (6) The account representing amortization of coined currency;
- (7) The funds resulting from participation in international monetary and banking institutions, and such credit operations as it may effect abroad;
- (8) The balances of the accounts arising from the normal movement of expenditures, profits and losses, and the other balances arising from operations authorized by this Law.

Art. 55. The liabilities and credit balances of the Central Bank must be backed, in their entirety and exclusively, by the assets and debit balances established in the foregoing Article, and shall comprise the following:

- (1) The money issue, constituted by the notes and coins in circulation outside the Bank;
- (2) Such deposits formed in the institution as are immediately withdrawable by presentation of checks;
- (3) Such time deposits as it may receive and such monetary stabilization bonds as may be in circulation under the provisions of the present Law;
- (4) Any credit balance of the Account for Monetary Revaluation arising under Article 14 of this Law;
- (5) Such obligations as may result from its participation in international monetary and banking institutions, and such credit operations as it may effect abroad;
- (6) The balances of the accounts arising as the result of the normal movements of profits and losses and the other balances arising from the operations provided for by this Law;
- (7) The amount of its capital and reserves.

Art. 56. All such other assets as may remain in the possession of the Central Bank, such as notes and coins in good condition that may be re-

used, or those which, because of their poor condition, must be destroyed, securities to be used as guarantee, valuables in safekeeping and other similar assets shall be entered for purposes of recording and control as memorandum accounts duly itemized on the books and balance sheets of the Bank. Any other amounts or operations and assets or liabilities that the Bank may consider it advisable to record shall also be computed in this form, with the express approval of the Auditor General of Banks.

CHAPTER II. MONEY ISSUE

Art. 57. The Central Bank shall have the exclusive right to issue notes and coins in the national territory. Neither the State nor any other physical or juridical person may issue notes or coins or other instruments or securities that may circulate as money, with the exceptions authorized by the Monetary Law.

Art. 58. The State may not issue or authorize any physical or juridical person to issue bonds, coupons, obligations or securities of any kind that have as a condition or guarantee their convertibility to money by the Central Bank.

Art. 59. The functions, powers and obligations of the Central Bank with respect to its money issue shall be governed by the special provisions of the Monetary Law, the present Law and the regulations of the institution.

Art. 60. The Central Bank may make use of its powers of currency issue or, where indicated, put in circulation notes and coins, only for the following purposes, in accordance with the powers and restrictions established by the present Law:

- (1) To buy gold and foreign exchange;
- (2) To carry out the credit operations, rediscounts, loans and investments in transferable securities authorized expressly in this Law;
- (3) To make the investments authorized by Section 4 of Article 54 of the present Law;
- (4) To pay checks drawn against its current accounts, settle its other deposits and redeem the monetary stabilization bonds it issues under the provisions of this Law;
- (5) To exchange notes for coins and vice versa;
- (6) To execute such operations as it may carry out as central bank or agent of the State with international monetary and banking institutions, under the agreements signed and ratified by the Republic;
- (7) To pay the expenses, interest, commissions and other obligations arising from its normal functioning and from the movement of its profit and loss and capital accounts.

Art. 61. The Central Bank shall be obliged to withdraw from circulation such notes and coins as enter its vaults as a result of any of the operations listed below:

- (1) Sales of gold and foreign exchange;
- (2) Settlement of credit operations and loans and investments;
- (3) Settlement of the investments referred to in Section (3) of the foregoing Article;
- (4) Receipts in its deposit accounts and sales of monetary stabilization bonds;
- (5) Exchange of notes for coins and vice versa;
- (6) Settlement of the transactions carried out with the organizations mentioned in Section (6) of the foregoing Article;
- (7) Receipts on account of interest, discounts, commissions and any other operation connected with the movement of its profit and loss and capital accounts.

CHAPTER III. CREDITS AND INVESTMENTS

Art. 62.³ The Central Bank may effect the following credit operations, strictly observing the conditions and restrictions established in this Law, but without being obligated thereby to effect them:

- (1) To rediscount for the commercial banks of the country such credit documents as comply with all formalities required by law and with due dates not more than one year from the date of acquisition by the Central Bank, provided they arise from operations concerning:

³ The provisions of this Article shall not be effective insofar as they oppose or contradict Law No. 2551 of April 9, 1960, which provides as follows:

"Article 1. The Central Bank of Costa Rica is authorized to contract with the Chase Manhattan Bank of New York City, with the guarantee of the State, a loan of up to \$10 million, currency of the United States of America.

"Article 2. The Executive Power is authorized to grant the guarantee of the State in conformity with Article 1 of the present Law, through the Ministry of Economy and Finance or its representative.

"Article 3. The resources originating in the loan referred to in this Law shall be used for granting credits to State commercial banks, in order that these banks may in turn finance agricultural, livestock and industrial activities, as well as activities of cooperatives, insofar as they relate to the matters indicated in this Article.

"Article 4. The Central Bank of Costa Rica shall formulate the regulations necessary to obtain the greatest profits from the operations referred to in this Law, with a view to increasing national production.

"Article 5. The provisions of Article 62 and Article 58 of Law No. 1552 of April 23, 1953 and Law No. 1644 of September 26, 1953, respectively, shall have no effect insofar as they oppose or contradict the power of the Central Bank to grant loans to commercial banks according to the terms established in this Law.

"Article 6. This Law shall be effective from the date of publication."

- (a) The production or processing of agricultural, livestock or industrial products;
- (b) The import, export, purchase or sale of easily marketable products and merchandise or their transportation within the national territory;
- (c) The storage of agricultural, livestock or industrial products, or of import or export merchandise, provided such products or merchandise is duly insured against current risks.
- (2) To grant loans to the Department of Rural Credit, Lands and Colonies of the National Bank of Costa Rica, with maturities not exceeding one year, exclusively for the purpose of financing credit operations effected by the Section for Rural Farm Credit Boards, with the guarantee of all the credit documents held in the portfolio of the Department for such operations, provided that the total amount of the loans of this kind awaiting payment does not exceed 80 per cent of the outstanding total of these credit operations. This circumstance must be certified by the Manager of the said Bank and verified by the Auditor General of Banks. Loans of this kind may also be granted to the other banks of the system, on the same terms, to finance their loans to small farmers, provided that the loans have the characteristics of operations of the Section for Farm Credit Boards of the National Bank of Costa Rica, the rating of the loans being left to the judgment of the Auditor General of Banks in case of doubt.
- (3) To grant loans to the commercial banks for periods not exceeding 90 days, guaranteed by bonds of the public debt, up to 80 per cent of the commercial value of said bonds, when special circumstances so justify in the exclusive judgment of the Board of Directors.
- (4) To grant loans to the commercial banks for periods of not more than 90 days in periods of emergency directly threatening the country's monetary or banking stability, with the guarantee of any other assets included temporarily by the Board among acceptable guarantees. The resolution of the Board of Directors concerning the period of emergency and the special guarantees must be taken by favorable vote of at least five of its members.
- (5) To grant loans in very special cases for periods of not more than one year to the public institutions legally responsible for the stabilization of the prices of national agricultural, livestock and industrial products, to be used exclusively for the financing of their stabilization operations, with the joint guarantee of the Government and collateral in the form of the products acquired, which shall be insured. These loans must necessarily be paid off as sales are made of the products pledged.
- (6) To buy, sell and hold as an investment, with the character of open-market operations, first-class transferable securities of absolute safety

and liquidability, and normally and currently traded in the market, as well as Treasury notes issued under the law on the subject. The Board, with the favorable vote of not less than five of its members, shall determine the form, conditions and quantity of operations of this nature, as well as, by the same vote, the type of transferable securities with which it shall deal and the requirements these securities must meet for acceptance by the Bank.

- (7) To execute such operations as it should carry out as central bank or as agent of the Government with international monetary and banking institutions, in conformity with the international agreements signed and ratified by the Republic.

Art. 63. The Board shall establish, within the general limitations provided for in this Law, such regulatory provisions and operating rules as it may deem advisable for the better execution of the operations listed in the foregoing Article. It shall have full authority to limit the maximum periods established in Article 62, and to require such margins of safety as it may deem advisable between the amount of credits granted and the real value of the guarantees, in accordance with the various types of operations giving rise to the credits. It may likewise set maximum limits for the total of credit operations that the Central Bank may effect with the organizations authorized in this Law to deal with the Bank, and to prescribe such additional requirements as it may deem necessary.

However, in no case may the total of credit operations that the Central Bank may effect with a single commercial bank, as established in this Law, exceed 50 per cent of the current assets of said bank, accepted and approved by the Auditor General of Banks in accordance with the latest general balance sheet submitted to him. For determination of these current assets, credit operations effected with the Central Bank shall not be counted. In the case of interbank operations, the computation shall be subject to approval by the Auditor General of Banks.

During the periods of emergency referred to in Section (4) of the foregoing Article, the Board may allow the maximum limit to be raised to 80 per cent of the current assets, with the favorable vote of at least five of its members.

Art. 64. To exercise due control of the rates of interest in conformity with the country's economic development, the Board shall fix:

- (1) The rates of interest and rediscount that shall be collected by the Bank on such credit operations as it may effect under this Law;
- (2) The maximum rates of interest and discount that the banks may collect from borrowers for the various types of loans and discounts, and for any other credit operation they may carry out;
- (3) The maximum rates on account of commissions or other charges that the Central Bank and the other banks of the country may

collect from borrowers for the various types of credit operations they carry out.

These powers of the Board may be executed in relation to a specified type of credit operation, to several of them, or to all of them as a whole, and shall always be generally binding for all the banks. Contravention of these provisions shall obligate the infringing bank to return the amount collected illegally.

Art. 65. All documents rediscounted, accepted as guarantee or constituting a loan must be fully and jointly guaranteed with the signature of the institution that delivers or grants them to the Central Bank.

Art. 66. The documents referred to in the foregoing Article must be paid and withdrawn by the institution that delivered or granted them, on the date they are due, but may be paid and withdrawn at any time before such date, in which case the interest collected in advance and unearned as of the date of payment shall be returned.

Art. 67. The Central Bank shall decide with absolute freedom on the acceptance or rejection of any credit application submitted to it.

The right to reject them shall be exercised for the purpose of preventing credits from being granted as an automatic right of the commercial banks to increase their resources, and also to prevent harmful inflationary tendencies.

Art. 68. The credits requested of the Central Bank shall be considered and granted by a Credit Commission, consisting of the Manager, Assistant Manager and Accountant or their respective delegates. The Board shall determine the limits and conditions within which the Commission shall decide on the acceptance or rejection of the credit applied for.

Art. 69. The resolutions of the Credit Commission shall be taken by majority of votes, but those approving the granting of credits must have the favorable vote of the Manager, or of the Assistant Manager in the absence of the former; resolutions rejecting credits may be taken with the vote of the other two members. The credits approved by the commission shall be formalized immediately, and a report must be made on their structure, in a general manner, to the Board at its next ordinary session. Those rejected by the Commission shall be submitted for the cognizance and final decision of the Board, provided a request to that effect is made by the institution interested in obtaining the credit.

Art. 70. It shall be the responsibility of the Board to consider and decide on credit applications that, because of their quantity or nature, are not within the competence of the Commission, and those that have been rejected by the Commission under the provisions of the foregoing Article. In these cases, the Manager must submit the applications to the Board at

its next ordinary session, stating such opinions and recommendations as he deems advisable for consideration of the matter.

Art. 71. The Central Bank is strictly prohibited from:

- (1) Negotiating credit documents payable by the Government of the Republic and municipal governments, with the exception of Treasury bills and those acquired in open-market operations;
- (2) Negotiating credit documents payable by the managers, officers or employees of the Bank, or their spouses or minor children;
- (3) Negotiating documents the proceeds of which have been or may be used for long-term or indefinite-term capital investments, or for purposes of speculation, or for the purchase of land, mines and buildings, or for the construction of buildings, roads, railways or public works of any kind, or for other purposes that make them less flexible in volume;
- (4) Participating directly or indirectly in agricultural, industrial or commercial enterprises, or enterprises of any other type, or buying products, merchandise and real property not indispensable for its normal functioning or not expressly authorized by this Law; bearer securities or real property offered as chattel-mortgage or mortgage guarantees and transferred to the Central Bank by virtue of the liquidation of credit operations effected under the present Law must be sold by the Bank within such period as is determined by the Board;
- (5) Granting the extension, renewal or replacement of the credit documents transferred or granted to the Bank for credit operations, except in very special cases in which the Board, with the favorable vote of not less than five of its members, may grant extension, for one time only, for a period that in no circumstances may exceed 90 days;
- (6) Effecting any credit operations or operations of any other type not expressly authorized by law, except those that are not prohibited and that are compatible with the technical nature of the Central Bank and necessary for the due performance of its duties and functions.

CHAPTER IV. DEPOSITS AND BORROWING OPERATIONS

Art. 72. The Central Bank may receive deposits on current account or on a time basis, and may issue monetary stabilization bonds when so decided by the Board of Directors for reasons of a general economic nature.

Art. 73. The commercial banks of the country shall be obligated to maintain with the Central Bank, in the form of deposits on current account which shall not bear interest, a reserve proportional to the total

amount of their deposits, which shall constitute the minimum legal reserve. In addition to this reserve, each bank may keep in the same deposit account such amounts as it considers advisable; the total shall be considered as a legal reserve and the excess of the legal reserve over the minimum legal reserve shall be known as the excess reserve. The Board may provide that a specified proportion of the minimum legal reserve shall remain in cash in the possession of the banks.

Art. 74. The Board shall fix the minimum legal reserves with respect to the amount of each of the types of current deposits, which may not be less than 10 per cent or more than 50 per cent.

However, for reasons of a monetary nature, the Board may fix reserves of more than 50 per cent on deposits that in its opinion are of the nature of guarantee or custody deposits for future payments and liquidations.

It may also fix minimum legal reserves of more than 50 per cent for any future increase in the total amount of deposits over the amount existing on such date as is determined by the Board, but in this case it must grant payment of interest by the Central Bank, which shall never be more than 3 per cent annually, on the part of the minimum legal reserve that is in excess of 50 per cent of all deposit liabilities of the banks.

Art. 75. The Board may authorize the banks to receive deposits in foreign currencies and may revoke such authorization. When it permits the banks to receive them, it shall regulate the functioning and administration of the deposits and shall fix the minimum legal reserves, which may not be less than 10 per cent, without obligation to credit interest to the banks, whatever may be the amount of the reserves.

It shall also determine the form, conditions and type of currency, whether national or foreign, in which said reserves must be maintained by the banks.

When it does not require minimum reserves of 100 per cent in foreign currency, it may require that the banks maintain other assets in those currencies, for the purpose of balancing assets and liabilities in foreign exchange.

Art. 76. When the Board resolves to increase the proportion of the reserves on the deposits already formed at the banks, it must determine the increases gradually and progressively, notifying the banks a reasonable time before the date on which the increase becomes effective.

Art. 77. For purposes of determining and computing the bank reserves, deposits in national currency shall be classified thus:

- (1) Deposits on current account shall be those withdrawable at the request of the depositor or creditor, by the drawing of checks.

- (2) Sight deposits shall be those payable on demand of the depositor within a period of not more than 30 days, and that cannot be drawn by check.
- (3) Time deposits shall be those payable within a period of more than 30 days, or subject to notice in excess of said period before payment. Deposits of this type that have become payable or that will become payable within the next 30 days must be classified as sight deposits.
- (4) Savings deposits shall be those formed by obligations payable under the special conditions agreed to with the saver, in accordance with the pertinent legal regulations, and capitalization deposits.

Art. 78. For the same purposes as those in the foregoing Article, deposits in foreign currencies shall be classified thus:

- (1) Sight deposits shall be those established on current account and those payable within a period of not more than 30 days, or subject to notice not in excess of said period before payment.
- (2) Time deposits shall be those payable within a period of more than 30 days or subject to notice in excess of said period before payment. Deposits of this type that have become payable or that will become payable within the next 30 days must be classified as sight deposits.

Art. 79. The Board may subject to a reserve requirement any other liability accounts of the commercial banks that in its judgment are similar to the obligations in the form of deposits, and may set the corresponding reserves within the limits established by this Law for deposits in national currency or in foreign currencies, as the case may be.

Art. 80. The reserve position of the commercial banks shall be established fortnightly on the basis of the daily balances of their legal reserves and of their deposits, computed in the form of fortnightly averages. For this purpose, the said banks must send to the Auditor General of Banks, within the five working days following the end of each fortnightly period, a statement clearly showing their reserve position, in the form and with the data required by that officer. For these determinations, the central offices and branches of the banks shall be considered as a single unit and must consolidate their accounts in a joint statement of position.

Art. 81. When a bank shows a fortnightly deficit in its minimum legal reserve, calculated as prescribed in the foregoing Article, the Auditor General of Banks shall report it immediately in writing to the Board of Directors and the manager concerned, so that they may take the measures necessary to correct the irregular position of the bank. Should the deficit persist over the following fortnightly periods, the Board may prohibit the bank concerned from carrying out new credit and investment operations.

Art. 82. The Board shall fix the maximum rates of interest that the banks may pay or credit to their clients for the receipt of the various types of deposits or for any other credit operations they may carry out. The Board may also prohibit the banks from paying interest on their deposits and other obligations. These powers of the Board may be executed in relation to a definite type of deposit, to several types or to all of them jointly, and shall always be generally binding for all the banks.

Art. 83. The legal reserves and other funds in national currency maintained as deposits of the banks at the Central Bank shall serve as a basis and guarantee for the system of check clearing, which shall be done through a clearing house. In the functioning of this system, consideration must be taken of the fact that when the deposit of any bank falls below the amount of its minimum legal reserve the difference must be made good immediately. The Board shall organize and regulate the functioning of the clearing house, which shall be an auxiliary organization of the Bank and shall be subject to the supervision and inspection of the Auditor General of Banks.

CHAPTER V. ECONOMIC STABILIZATION

Art. 84. The Central Bank shall endeavor to control any abnormal expansion or contraction of the money supply capable of producing harmful disturbances in the internal levels of costs and prices and in the general economic activity of the country. The money supply shall be understood to be the sum of the notes and coins in the hands of the public and of deposits on current account at the banks, with the exclusion of interbank deposits.

Art. 85. To regulate the credit operations of the banking institutions, the Board may fix, in a general and uniform manner for all the banks:

- (1) The maximum rates of interest and discount that the commercial banks may collect from borrowers, as well as the maximum charges that may be collected on account of commissions or for other reasons;
- (2) The maximum limits of credit that the commercial banks may grant to each physical or juridical person, in accordance with the nature of the guarantees, for each of the various types of their operations and jointly for all of them; the latter limit may in no case be more than 15 per cent of the capital and reserves of the banks, except in very special cases, in which it may be increased to 25 per cent;
- (3) The minimum margins of safety that must exist between the amount of credits granted by the commercial banks and the real value of their corresponding guarantees;
- (4) The maximum periods that the commercial banks may grant for the repayment of their credit operations.

Art. 86. The Board may establish portfolio ceilings or maximum limits for the granting of credit by the commercial banks and for the investments made by them. Such limitations may be established either on all credits and on the general total of investments, or on specified categories of the same.

In the same way, it may fix maximum percentages of increase for various categories, groups or subgroups of credit and investment operations of the commercial banks.

When there are marked differences between the amount of the portfolios and total financial resources of the different banks, the Board may, in taking the aforementioned measures, set larger percentages of increase or different portfolio ceilings for such banks as have previously expanded credit to a lesser extent, until a rational level of credit is reached among all the banks.

Art. 87. Any issue of bonds, securities or other transferable obligations on the part of the banks shall require the prior approval of the Board of Directors of the Central Bank.

Art. 88. The open-market operations authorized by this Law shall be carried out as a monetary stabilization measure.

Art. 89. The Board may authorize the issue and sale of monetary stabilization bonds, which shall be transferable securities representing a debt of the Central Bank, issued at such rates of interest, amortization and maturity as may be determined by the Board, which shall also set such other conditions as it deems advisable for their issue, circulation and redemption, within the general stipulations provided for in this Law. The bonds may be issued in national or foreign currency or in gold; in the latter two cases, the foreign exchange and gold necessary for redemption of bonds issued and sold shall be immediately deducted from the amount of international reserves belonging to the Bank and set aside as guarantees for such redemption.

Art. 90. The monetary stabilization bonds shall be freely negotiable by any physical or juridical person, including the banks, but the banks may not receive them as guarantee of any credit operation, directly or indirectly. They may be redeemed by the Central Bank, always at their nominal value, whether by drawing, by direct purchase from the holders, or by extraordinary amortization, under the conditions established by the Board in authorizing each issue.

Art. 91. The monetary stabilization bonds acquired, amortized or paid by the Central Bank, ordinarily or extraordinarily, may in no case be considered as assets of the institution. Interest accruing and bonds not collected within the ten years following the date of their maturity shall become invalidated by prescription in favor of the Central Bank.

Art. 92. The Central Bank shall be charged with the custody and administration of the nation's international monetary reserves, in accordance with the law.

Art. 93. In accordance with the legal provisions, and without prejudice to free-market operations, only the Central Bank may negotiate gold, coined or in bars, and foreign exchange in the territory of the Republic with any person or entity that is not a bank. The Central Bank shall negotiate foreign exchange through such commercial banks as are contracted and authorized for that purpose by the Board; it shall negotiate gold directly and exclusively.

Art. 94. Any physical or juridical person who has or may come to have gold, coined or in bars, whatever its origin, must negotiate it, exclusively with the Central Bank, within a maximum period of 60 days from the date on which said gold became his property. Exemption from this obligation shall be granted only to persons having small sums in coin collections and jewelry, or as family keepsakes, or for other similar reasons.

Art. 95. Any physical or juridical person who has or may come to have foreign exchange, whatever its origin, must negotiate it with the Central Bank or any of the banks authorized by the Board, within a maximum period of 60 days from the date on which the said foreign exchange became his property.

Foreign exchange derived from the following international transactions shall be exempted from obligatory sale and shall be considered as free-market foreign exchange:

- (a) Allotments received by foreign diplomatic representatives and consular agents, and the representatives of institutions or agencies for international cooperation, to pay salaries and expenses related to their official functions;
- (b) Expenditures made by tourists and travelers on national territory;
- (c) Family or personal remittances sent to persons residing in the country;
- (d) Indemnities on insurance contracts of any kind, provided the corresponding premiums have been paid with free-market foreign exchange;
- (e) The entry of foreign capital, when those concerned have not registered the capital or sold the corresponding foreign exchange on the official market as a condition for obtaining on that market the amounts necessary for remittance of interest, dividends or amortization on such capital;
- (f) Repatriation of national capital;

(g) Other foreign-exchange receipts determined by the Board of Directors under the exceptional system established in Article 96 of this Law.

Persons receiving foreign exchange as a result of the specified transactions and those acquiring it on the free market shall enjoy the right to dispose of it with absolute freedom, with no control or intervention whatsoever on the part of the Central Bank.

Art. 96. When, for reasons of public interest in regard to monetary policy, such action is justified in the exclusive judgment of the Board of Directors, receipts in gold and foreign exchange, to be determined by the Board, shall remain outside the control established in Article 93, in whole or in part. This exceptional system shall be regulated by the Board as to its conditions, extent and effective periods.

Art. 97. Should the amount of international monetary reserves held by the national banking system fall to levels that, in the judgment of the Board of Directors, are dangerous to the stability and external convertibility of the colón, the Board may, by vote of not less than five of its members and provided the Council of Government issues a favorable opinion, limit the use of said reserves to payment for essential or indispensable imports and services that may reasonably be covered with such reserves. The pertinent resolution, as well as the reasons for it and the form of application, must be reported to the Legislative Assembly within the shortest possible time. The list of imports and services may be altered, at the exclusive discretion of the Board, in accordance with such regulations as may be issued for the purpose by the Bank. Imports and services not included in the official exchange market must be paid for with exchange acquired on the free market.

Art. 98. The system referred to in the foregoing Article shall be discontinued, and all imports and services shall continue to be paid for with official-market exchange, when so resolved by the Board of Directors, by vote of not less than five of its members, because it considers the balance of payments has returned to equilibrium.

Art. 99. When a balance of payments disequilibrium of the country assumes such proportions that its effects cannot be controlled or offset by the instruments of monetary policy provided in the present law, the Board of Directors must submit a report on the situation to the Council of Government, and through the latter request of the Legislative Assembly such emergency measures as in its judgment may be required.

Art. 100. When the disequilibrium, as a result of its duration and nature, must be considered fundamental, the Board of Directors, by vote of not less than five of its members, shall request of the Legislative Power,

through the Ministry of Economy and Finance, a change in the par value of the colón. It shall do so on the basis of a detailed report concerning the existing disequilibrium, the factors producing it, and the measures thus far adopted to offset its effects, mentioning such other legal provisions as, in the judgment of the Board, should supplement the change in par value.

Art. 101. Those violating the foreign-exchange system established by law shall be punished judicially, with fines in favor of the Bank, graduated according to the seriousness and recurrence of the infraction, which in no case may be less than 25 per cent or more than 50 per cent of the amount involved, this value being calculated at the official rate, or by imprisonment for the legal equivalent of such fines; and according to the seriousness of the infraction and in cases of recurrence, by cancellation of such licenses to do business as may exist in the name of the infringer. The legal proceedings in these cases shall be oral and summary and within the cognizance of the criminal judges of San José.

The case shall be opened with a written complaint of the Bank, presented by its authorized representative, following which the accused shall be heard.

Should he plead guilty, the decision shall be pronounced at the latest within 48 hours after the proceedings are concluded.

But should the accused plead innocent, a summary investigation of the case shall be made within the next three days; on expiration of this period, or on submission of proof, the decision shall be pronounced within the following 48 hours. An accused pleading innocent may, during his testimony or within the following 24 hours, submit orally or in writing evidence of his innocence, which shall be examined without delay in oral public proceedings, provided it is pertinent and does not impede the course of the case. Should the accused dispute the decision, he may appeal to the appropriate penal division within 24 hours following notification of the decision. The division shall hear the accused and the Bank for three days and decide on the appeal without further procedure within the following 48 hours. The decision of the division may be appealed, such appeal being submitted before the end of the third day from notification to the appellant of the decision in the second instance. On receipt of the writ of appeal, the Court of Cassation, without delay, shall request the record of proceedings from the penal division, and on the basis of such record, without further procedure, shall decide whether or not the appeal can be allowed. When it has done so, notice shall be given to the Bank and to the accused, in the house he has indicated for receipt of notification in the second instance. Within the three days following the decision allowing the appeal, the court, without further procedure, shall issue its decision, which shall be final. Such fines as are imposed shall be convertible to prison sentences, long-term or short-term as the case may be, if they are not paid within such period as is fixed by the decision, which may not be more than one month. In case of commutation, each day of imprisonment shall be the equivalent of ten colones of fine imposed.

Art. 102. The Central Bank may buy, sell and hold as part of the nation's international reserves gold, coined or in bars, in conformity with such conditions, requirements, tariffs and other details as are determined by the Board. Only the Central Bank may import gold, coined or in bars, and export it from the national territory.

Art. 103. The Central Bank may buy, sell and hold as an integral part of the nation's monetary reserves all kinds of foreign exchange, for itself or through the commercial banks authorized by the Board, in conformity with such conditions, requirements and other specifications as it may determine.

Art. 104. The buying and selling rates that shall be effective for operations in foreign exchange of the Central Bank and of the banks authorized by the Board shall be fixed by the Board. The buying and selling rates for sight drafts and bills may not differ by more than 1 per cent, respectively, from the corresponding legal par values.

These par values shall be determined in relation to the colón, on the basis of the gold equivalent of foreign currencies freely and actually convertible into gold or foreign exchange convertible into gold; and on the basis of the current quotations on the New York or London market of those not thus convertible.

The exchange rates that shall be effective for time transfers and bills shall be the same as those for sight operations, with the proportional increase or decrease resulting from the interest corresponding to the period concerned, decreased or increased to such rate of interest as is determined by the Board.

Art. 105. The exchange rates fixed by the Board shall include a margin representing bank commissions and charges, and must thus be applied free of any commission or charge for buyers and sellers, in the case of operations with sight drafts or bills on the principal market for the foreign currency concerned. Other exchange operations, such as purchases and sales of bills on other markets, cable transfers, letters of credit, foreign notes and coins and any other kind of international transfers, shall be carried out at the rates mentioned in the foregoing Article; but the banks may collect from their clients the additional expenses of the operation, the usual commissions, the cost of cable rates and charges of correspondents, the appropriate interest, including interest on documents in transit, and all other additional charges approved by the Board.

Art. 106. The exchange rates fixed by the Board for banking operations shall be official and shall be considered as legal exchange rates for matters brought before the courts and the administrative offices of the State. These rates shall be obligatory for all banks in the country in their relations with the public; the Board may fix special exchange rates for transactions car-

ried out between the banks and the Central Bank, within the limits determined in Article 104.

Profits arising as a result of the differences between the buying and selling rates shall be distributed monthly between the commercial bank that carried out the operations concerned and the Central Bank, in the proportions determined for the purpose by the Board.

Art. 107. Banks authorized to deal in foreign exchange shall effect all operations for the buying and selling of the same for the exclusive account of the Central Bank and in absolute accordance with such provisions, resolutions and recommendations as they may receive from the Board. Consequently, the banks at any time may transfer to the Central Bank such foreign exchange as they have bought, and the latter, at any time, may require the banks to transfer in its favor the foreign exchange bought.

Art. 108. For the purpose of facilitating for the banks their daily operations in foreign currencies, the Board shall authorize the partial or total retention of foreign exchange bought, at the buyer bank, and the sale of drafts against such foreign exchange, provided the total holdings of each bank do not exceed the maximum amounts determined by the Board in proportion to the average sales of foreign exchange made by each bank during the preceding year. When its holdings of foreign currency exceed the limit set under this Article, the bank in question must transfer the excess to the Central Bank. Assets in foreign exchange maintained by the banks as the equivalent value of their liabilities in such currencies shall not be computed within the limit mentioned.

Art. 109. When the balances in foreign currencies held by a bank are insufficient to handle its normal operations adequately, the Central Bank shall transfer to it, on its request, such amounts in foreign exchange as it may need to supplement its holdings, within the limits established in the foregoing Article.

Art. 110. The risks inherent in failure to meet the bills acquired by the authorized banks and the corresponding contracts shall be for their account, as shall the risk that their foreign-exchange deposits may not be repaid by their correspondents, and any other risks, typically commercial or banking in nature, involving the foreign exchange they have bought, whether they have transferred it to the Central Bank or not.

The same risks in relation to the accounts and foreign currency holdings of the Central Bank shall be for its account, as shall the risks represented by any changes in the legal par values of the currencies, especially the international monetary reserves belonging to the national banking system, whose profits or losses shall be its entire responsibility for the purposes established in Article 14 of the present Law.

Art. 111. The banks authorized to deal in foreign exchange must daily inform the Foreign Trade Department of the Central Bank of all operations they have effected with foreign exchange, without exception, in the form and conditions and with the details required by that Department. The latter may have these reports reviewed by its own employees or through the Auditor General of Banks.

Art. 112. The nation's international monetary reserves shall be maintained by the Central Bank in gold and in the principal foreign currencies that affect the country's balance of payments, account being taken of the actual convertibility of such currencies in relation to gold.

The investment of these reserves must be made according to the principle of maintaining an absolute guarantee that the Central Bank shall have available at all times the liquid funds necessary for the normal movement of international transactions.

Art. 113. The nation's international monetary reserves may be invested by the Board in accordance with its monetary and exchange policy, in conformity with the following general rules:

- (1) When the total of said reserves, following deduction of such liabilities as the Central Bank may have in foreign currencies, does not exceed 25 per cent of the annual average total sales of foreign exchange during the three preceding years, its assets shall be invested exclusively:
 - (a) In gold deposited in the vaults of the Central Bank, or in the custody either of international financial institutions or of foreign central banks;
 - (b) In sight deposits and time deposits at not more than 90 days, or other equivalent first-class investments that can be liquidated on demand and at par in the same institutions or in first-class foreign banks;
 - (c) In first-class foreign drafts with maturity not exceeding 90 days;
 - (d) In first-class foreign securities that can be liquidated at any time on a stable market, with maturities not exceeding 90 days;
 - (e) In notes and coins of other countries, up to the amounts required to handle current transactions in such notes and coins.
- (2) Any excess over the above-mentioned percentage of 25 per cent may be invested:
 - (a) In the securities mentioned in Section (1);
 - (b) In time deposits at the institutions and banks cited above, with due dates not exceeding six months;

- (c) In first-class foreign drafts, with maturities not exceeding six months;
- (d) In first-class foreign securities or in securities guaranteed by international agreements or by governments of recognized solvency, provided their maturities do not exceed one year.
- (3) Any excess over a percentage of 75 per cent of the annual average of total sales of foreign exchange during the three preceding years may be invested:
 - (a) In the securities mentioned in Sections (1) and (2);
 - (b) In time deposits at the institutions and banks cited above, with due dates not exceeding one year;
 - (c) In first-class foreign securities or in securities guaranteed by international agreements or by governments of recognized solvency, provided their maturities do not exceed three years.

Art. 114. When the international monetary reserves, following deduction of such liabilities as the Central Bank may have in foreign currencies, exceed the 75 per cent referred to in Section (3) of the foregoing Article, the Board, by resolution approved by not less than five of its members, may apply all or part of the excess to the acquisition of securities of the foreign debt of the Republic. In this case, the amounts invested in the purchase of such securities shall not be considered as international monetary reserves or entered in the books as such, but as investments in transferable securities, in such form, on such occasion and under such conditions as it deems advisable.

CHAPTER VI. OPERATIONS WITH THE STATE

Art. 115. The Central Bank of Costa Rica shall exercise the functions of financial advisor, fiscal agent and banker for the State, in accordance with the provisions of this Law and other related Laws.

Art. 116. The Central Bank shall be in charge of the collection of all public revenues, under the terms and conditions determined by the contract signed for the purpose with the Government of the Republic.

Art. 117. The Government and all of its agencies shall effect through the Central Bank all of their collections, payments, remittances and monetary transactions, both within the country and abroad. The municipalities and autonomous institutions may contract with the Bank for its services as treasurer and collector of funds in a manner analogous to that stipulated for the Government.

Art. 118. In the execution of its operations as fiscal agent, collector of revenues and banker for the State, the Central Bank may hire the

services of the agencies and branches of banks making up the national banking system.

Art. 119. The cash balances of the Government and its agencies must be deposited at the Central Bank, except for such amounts as are legally administered in the respective offices for payments of small amounts.

Deposits in guarantee or in custody of the Government and its agencies must also be made at the Central Bank. The Central Bank may also take charge of the custody of securities, documents and objects of value belonging to the Government and its agencies.

Art. 120. The Central Bank shall collect for the services it renders the Government and its agencies, the municipalities, or the autonomous institutions, as the case may be, such charges as they may agree on together, based on the computation of the cost of the operation carried out by the Bank for the execution of such services.

The Bank shall pay no interest on the deposits maintained by these organizations and shall in no circumstances allow overdrafts.

Art. 121. The Central Bank, for account of the Government, shall service the consolidated public debt, in accordance with the rules determined by the contract for the purpose signed by the two bodies.

The National Treasury shall transfer monthly to the Central Bank the amount shown in the budget of the Republic for the handling of this debt, the Bank in turn being authorized to retain, from the general funds that it maintains as banker for the State, the amount necessary for the servicing of this debt, if the Treasurer has not issued the proper draft in time. Also, the Executive Power shall include in the General Budget Law for each year an amount which may not be less than 5 per cent of the amount required for the service of the consolidated internal debt, which the National Treasury shall transfer to the Central Bank in monthly installments and on which the Bank shall exercise the same right of retention. Amounts received by the Bank for this last purpose, together with those arising from amortization and interest on bonds withdrawn from circulation on account of extraordinary amortization and purchases, following deduction of the amount necessary for payment to the Bank of the service of the debt in accordance with the respective contract, shall be used by the Central Bank, for account of the State, for the purchase of securities of the public debt, in accordance with its best judgment. Such securities shall be perforated, being considered as permanently out of circulation, except in reference to their drawing and payment of interest.

Art. 122. Whenever the Government of the Republic intends to effect credit operations abroad, the Ministry of Economy and Finance shall request the opinion of the Central Bank before the realization of the pending operation. The public institutions must also request such opinion when they consider contracting credits abroad.

The opinion of the Bank must be based on the position of the foreign-exchange market, as well as on such repercussions as the pending operation may have on the balance of international payments and the volume of the money supply.

When the Government or the above-mentioned organizations intend to contract for loans inside the country, they must also ask the Bank for its opinion, which it shall issue for the purpose of making known its judgment as to the advisability of the project, and of coordinating its credit and monetary policy with the financial and fiscal policy of the Republic.

The Bank shall cause its opinions to be published in the *Diario Oficial*, except those it considers to be confidential in nature.

CHAPTER VII. OPERATIONS AND RELATIONS WITH OTHER INSTITUTIONS

Art. 123. The Central Bank may effect with international monetary and banking institutions the operations appropriate to it as Central Bank and as agent of the State, in accordance with the pertinent international agreements and with the laws on the subject. It may also obtain and grant credits and carry out all other operations, compatible with its nature as a central bank, with other central banks and with first-class foreign banks.

Art. 124. The State insurance institutions and any other public institution the activities of which may affect the money and capital market shall be obliged to seek coordination of their investment programs with the policy of the Central Bank. For this purpose, the Central Bank may make such recommendations and suggestions to them as it considers appropriate.

TITLE IV. GENERAL PROVISIONS

SOLE CHAPTER. GENERAL PROVISIONS

Art. 125. All legal powers held by the Board of Directors in relation to the banks may be exercised by it generally and uniformly with respect to all of them or in a differential and particular manner. In the latter case, the unanimous approval of the Board shall be required.

Art. 126. Should any banking institution infringe the legal provisions or fail to conform with the resolutions issued by the Central Bank on the basis of the law, it shall be required by the Auditor General of Banks to take, within a reasonable period that he himself shall determine, such remedial measures as in his opinion will be effective. Should the infringing bank persist in its attitude, the Auditor General shall report it to the Board, proposing appropriate measures for correcting the situation. The Board shall obtain the necessary information, and, in cases of extreme gravity, may notify the Council of Government so that the latter may determine whether to proceed to declare the dissolution of the board of directors of the infringing bank, whenever a State bank is involved.

Art. 127. From the effective date of this Law, Law No. 55 of December 24, 1945 shall be amended as follows: Wherever it reads "National Bank of Costa Rica" or "Issue Department of the National Bank of Costa Rica" or "Issue Department" or, simply, "Department," it must in future read "Central Bank of Costa Rica." Where it reads "Administrative Council of the Issue Department" or "Administrative Council" or, merely, "Council," it must read in future "Board of Directors of the Central Bank." In Article 3, instead of "President of the Republic," it must read in future "Board of Directors of the Central Bank"; and where it reads "Article 41 of the Law Constituting the Issue Department," it shall read "The Organic Law of the Central Bank of Costa Rica." In Article 4, instead of "Article 70 of its Constitutive Law," it must read "Organic Law." In Article 6, the words "and commercial, jointly, and" must be deleted, as well as "and of the Board of Directors of the National Bank of Costa Rica." The said Law shall otherwise remain in force and effect in its entirety.

Art. 128. From the effective date of this Law, all laws in opposition to its execution shall be canceled, with the exception of the Law for the Comptroller's Office No. 1252 of December 23, 1950 and Law No. 1279 of May 2, 1951. In particular, the following shall be expressly repealed: Title III of Law No. 15 of November 5, 1936, Title II of Law No. 16 of the same date; according to the effective text for Law No. 15 of November 9, 1945, Law No. 1130 of January 28, 1950, Law No. 1333 of August 3, 1951, and Decree-Law No. 185 of September 28, 1948. The rights arising from the above Law No. 1130 shall retain full effect.

Art. 129. The system of guarantees and pensions covering the officers and employees of the Bank shall be without prejudice to the provisions for social security contained in the law for the Costa Rican Social Insurance Fund, where applicable.

Art. 130. This Law shall be effective from its publication.

TRANSITIONAL PROVISIONS

Art. I. To form the capital of the Central Bank of five million colones (₡ 5,000,000.00), there shall be transferred from the Legal Reserve account the amount of two million colones (₡ 2,000,000.00).

Art. II. The Central Bank shall enter on its books as part of its assets an account called Amortization of the Coined Currency, the balance of which shall correspond to the total amount of coins in current circulation; the Bank shall enter in its liabilities the amount of coins in circulation outside the vaults of the Bank; and, as a record in memorandum accounts, the holdings it has in its vaults. The Account for Amortization of the Coined Currency shall be amortized until it is fully paid off, in the form established by this Law.

Art. III.¹ So long as there exists the service of amortization and interest on the Bonds of the National Banking System, 7 per cent, 1949, the net profits of the Central Bank shall be allocated as follows:

- (1) 50 per cent to cover the subscription of the Bank under Section (a) of Article 3 of Law No. 318 of December 28, 1948 as amended;
- (2) The remainder shall be distributed as follows:
 - (a) 10 per cent for continuation of the Guarantee and Pension Fund of the employees of the Bank, this amount in no case being allowed to exceed 10 per cent of the total salaries paid during the period concerned;
 - (b) 25 per cent for each of the purposes stipulated in Sections (1) and (2) of Article 13 of the present Law;
 - (c) The remainder for amortization and depreciation of assets, for the formation of other reserves and for the amortization of the public debt for purposes of monetary rehabilitation.

Art. IV. During the effectiveness of Law No. 1351 of September 29, 1951, the provisions of the present Law concerning international transactions shall be modified where appropriate.

Art. V. The delegates to the Board of Directors named by the Banks to replace the present delegates at the end of their legal term shall draw lots to determine which of them shall hold office for one year and which for two years.

¹ Law No. 2548 of March 30, 1960 refers to Transitional Article III, as follows:

"Article 1. The distribution of profits referred to in Transitional Article III of Law No. 1552 of April 23, 1953 remains in force until December 31, 1960, and the resources received by the Government under the provisions of Section (1) of that Transitional Article shall go to the general fund.

"As from January 1, 1961, Transitional Article III of Law No. 1552 of April 23, 1953 shall read as follows:

"Article III. Until the fund of eighty million colones referred to in Article 14 of Law No. 2466 of November 9, 1959 is formed, the net profits of the Central Bank shall be allocated as follows:

- (1) 50 per cent to form the fund referred to in Article 14 of Law No. 2466 of November 9, 1959;
- (2) The remainder shall be distributed as follows:
 - (a) 10 per cent for forming the Guarantee and Pension Fund of the employees of the Bank, this amount in no case being allowed to exceed 10 per cent of the total salaries paid during the period concerned;
 - (b) 25 per cent for each of the purposes prescribed in Sections (1) and (2) of Article 13 of the present Law;
 - (c) The remainder for amortization and depreciation of assets, for the formation of other reserves and for the amortization of the public debt for purposes of monetary rehabilitation."