

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

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INTERNATIONAL MONETARY FUND

WASHINGTON D.C.

CUBA

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Publication of Statutes and Other Measures

Statutes, decree-laws, decrees, and resolutions are published in the *Gaceta Oficial*. Several fields of law have been codified: there is, for example, a Civil Code (effective November 5, 1889) and a Commercial Code (effective January 28, 1886).

The text of monetary, banking, and financial measures, or summaries thereof, are also published in the monthly review (*Revista*) of the National Bank of Cuba.

The Central Bank Law¹

TITLE I. THE NATIONAL BANK OF CUBA

CHAPTER I. CONSTITUTION AND PURPOSES OF THE BANK

Art. 1. An autonomous credit institution with juridical personality is hereby created for an indefinite period of time under the name of the "National Bank of Cuba" which shall be governed by the provisions of this Law and of its By-Laws.

Art. 2. The National Bank of Cuba shall have its domicile in the City of Havana; it may establish branches within the national territory and appoint agents and correspondents inside and outside of Cuba.

Art. 3. The National Bank of Cuba shall have as its purposes to centralize the monetary reserves; to supervise and regulate credit; to create and retire means of payment; to act as Financial Agent of the Currency Stabilization Fund and to cooperate with it in the exchange policy of the Nation; to act as Financial Agent and Economic Adviser of the State; and to exercise, in connection with private banks, the functions conferred upon it by this Law and to act as a clearing house.

CHAPTER II. CAPITAL AND SHARES

Art. 4. The authorized capital of the National Bank of Cuba shall be ten million pesos, represented by one hundred thousand registered shares of one hundred pesos each. These shares shall be classified in two series, fifty thousand and one being Series A for the account of the State and forty-nine thousand nine hundred and ninety-nine being Series B, for the account of the commercial banks and/or savings banks doing business in the national territory.²

Art. 5. The National Bank of Cuba shall issue, upon being constituted, twenty-five thousand and one Series A shares which shall be subscribed and paid for by the State, and twenty-four thousand nine hundred and ninety-nine Series B shares to be subscribed and paid for by the commercial and/or savings banks in proportion to the average

¹Law No. 13 of December 23, 1948 as amended. The Law governs the National Bank of Cuba (Title I), the Currency Stabilization Fund (Title II), and the monetary and banking regime (Titles III and IV).

Technically, this Law was in force on December 31, 1959. However, following *de facto* revisions in the course of 1959, the Law was substantially amended by Law No. 891 of October 13, 1960 and was superseded by Law No. 930 of February 23, 1961. For an annotated Spanish text of the Law as amended to 1954, see Banco Nacional de Cuba, *Legislación Bancaria y Económica-Financiera* (Havana, 1954), vol. 1, pp. 3-73.

²For information on the nationalization of the National Bank of Cuba, see Table 2, below (pp. 980-981).

deposits of all kinds that each bank may have held during the calendar year immediately preceding the constitution of the National Bank of Cuba.

The said average shall be calculated as to each bank by taking as the basis the balance at the close of business on the last working day of each month.

Deposits received in custody and those belonging to governments and correspondents domiciled abroad are excepted from this calculation.

Art. 6. The State and the commercial and/or savings banks are obliged immediately to subscribe the figure of the initial capital which has been assigned to them in the preceding Article.

Shares shall be paid for in cash and within fifteen days following the date of the notification which to that end is given to the subscribers.

The par value of the shares not subscribed by the banks obliged to do so shall be considered a subscription payable in accordance with the provisions of the Commercial Code just as if the shares had been subscribed.

Art. 7. The remaining fifty thousand shares of the authorized capital shall be issued pursuant to a resolution of the Board of Directors, with the approval of the Executive Power, for subscription in the same manner and proportion as the initial issue.

Art. 8. Commercial and/or savings banks established after the beginning of the operation of the National Bank of Cuba shall set up with it, before commencing business, a special deposit in cash or securities of the State in an amount equal to the subscription and payment at par of a number of shares of the National Bank whose par value represents 5 per cent of their paid-up capital. The National Bank of Cuba shall hold this deposit until, upon the next redistribution of its capital, an exact determination is made of the number of shares which the new commercial and/or savings banks should subscribe and pay for according to the rule given in Article 5.

Art. 9. The Board of Directors of the National Bank of Cuba, in the month of December every year, shall redistribute the shares subscribed by the banks in accordance with the rules set forth in Article 5.

The redistribution, including registration of the shares in the Register hereinafter established, shall be effective on January first of the next year and shall oblige the National Bank of Cuba only to receive and to deliver the stock certificates that are transferred and to collect and pay the value thereof, which shall be done without delay by the new subscribers.

Art. 10. Banks which go into liquidation shall so advise the National Bank of Cuba in order that it may proceed to take up the Series B shares

which they may have in their possession as members of the system. These shares shall be distributed among the other stockholder banks at the time that may be most convenient, the proper percentages being fixed in accordance with the averages which served as the basis for the last annual calculation, but excluding the deposits which the bank in liquidation may have had in its possession.

In the event that the liquidation is due to bankruptcy of the stockholder bank, the amounts received from the redistribution of the Series B shares which it may have in its possession shall be applied to the indebtedness which the bankrupt bank may have with the National Bank of Cuba, the balance, if any, being returned to the funds in bankruptcy.

Art. 11. The private banks shall be obliged to pay in cash and at par for the shares of the National Bank of Cuba respectively assigned to them in accordance with the provisions of the preceding Articles. The amount thereof shall be received by the National Bank of Cuba for the sole purpose of applying it as may be proper.

Art. 12. The National Bank of Cuba shall open a "Registry Book of Outstanding Shares", registering those of each series in the name of the respective holders. A stockholder's capacity as such is proved by the entries in said book, which shall be kept by the Secretary of the Bank under the supervision of the President.

Art. 13. The shares of the National Bank of Cuba shall be nontransferable, except as provided in this Chapter with respect to Series B shares. They may not be attached or pledged, nor may the ownership thereof shown on the Registry Book of Outstanding Shares be encumbered in any manner.

Art. 14. The Series A shares shall not be entitled to dividends. Those of Series B shall earn them daily and these shall appertain, even though dividends have not yet been agreed upon, to the stockholder bank appearing as such on the respective date or dates.

Art. 15. The Series B shares shall be the only shares which entitle the holders to attend the stockholders' meeting, with one vote for each share.

Art. 16. The stockholder banks shall be individually liable for the payment of the obligations contracted by the National Bank of Cuba and shall meet the same with the amounts that they may have disbursed in payment of shares; but that liability may be demanded of them only after the reserves and that part of the capital contributed by the State have been exhausted.

Art. 17. The free assets and the free reserves of the National Bank of Cuba and the value of the shares subscribed by the State shall

guarantee, preferentially, the payment of the obligations contracted by the Bank in case of liquidation.

The amounts on hand after all its obligations have been paid shall be distributed pro rata among the stockholder banks to the extent of the par value of the shares they hold. The balance, if any, shall revert to the State.

CHAPTER III. ORGANIZATION AND GOVERNMENT

Section 1. Organs

Art. 18. The National Bank of Cuba shall be governed by the Stockholders' Meeting, the Board of Directors and the President of the institution, in accordance with the provisions of this Law.

Section 2. Stockholders' Meeting

Art. 19. The Stockholders' Meeting shall consist of natural or juridical persons holding Series B shares. It will be convened and presided over by the President of the National Bank of Cuba.

Art. 20. The Stockholders' Meeting shall be called each time it is so requested by the lawful holders of one third of the shares subscribed by the banks and, regularly, on the first working day of the months of May and December of each year.

At the regular meeting that is held on the first working day of the month of May, the draft budget prepared by the Board of Directors for the next financial year will be discussed, said financial year to begin on July first.

At the regular meeting held on the first working day of the month of December, the report, general balance sheet and liquidation of the budget of the previous fiscal year will be taken up; the dividend and the distribution of profits will be determined; and, when proper, the Class B Directors and their alternates will be elected, the same to take office on the first working day of the month of January of the following year, to replace those whose offices expire on that date.

At special meetings, only those matters for which the meeting has been called may be taken up.

Art. 21. In addition to the functions mentioned in the preceding Article, the Stockholders' Meeting shall have the following powers:

- (a) To approve the draft budget of expenditures for the financial year, which is to be submitted to it by the Board of Directors, or to return it to that body with such objections and suggestions as it may deem pertinent;

The Board of Directors shall make adjustments in the budget by taking up the objections and suggestions made by the Stockholders' Meeting, and the budget shall go into effect in the appropriate financial year;

In order to reject the said objections and suggestions, the vote of four of the five members of the Board of Directors shall be required;

- (b) To decide upon the investigations to be made of the management of the Bank, designating to this end three auditors; and
- (c) To recommend such measures as it may deem most desirable for the best functioning of the Bank.

Art. 22. The regular meetings shall be held with whatever number of shares may be represented.

For a quorum at a special meeting, one half plus one of the shares shall be represented.

In both cases, resolutions will be adopted by majority vote. Each share provides the right to one vote.

Section 3. Board of Directors

Part 1. Organization of the Board

Art. 23. The Board of Directors shall consist of five members, of whom three shall be Directors by appointment and two by virtue of their office, as follows:

- (a) One appointed by the President of the Republic with the concurrence of the Council of Ministers, who shall hold the office of President of the National Bank of Cuba;
- (b) One by the national banks;
- (c) One by the foreign banks;
- (d) The President of the Banco de Fomento Agrícola e Industrial de Cuba; and
- (e) The Director of the Currency Stabilization Fund.

The Minister of Finance may attend the meetings of the Board of Directors with voice but without vote.

The appointment referred to in paragraph (a) shall be approved by the Senate of the Republic, as provided in Article 122, Section (d), of the Constitution.³

³ Under Art. 133(a) of the Constitution of April 4, 1952, the authority ascribed to the Senate of the Republic is vested in the Council of Ministers.

The appointment of the Director of the Currency Stabilization Fund shall be approved by the Senate of the Republic.

Art. 24. The election of Directors by the national banks and by the foreign banks shall take place by means of separate ballots cast by the stockholder banks of each group. For purposes of this election, each share will count as one vote.

Art. 25. The President and the two Directors appointed by the Stockholders' Meeting shall hold office for four years and may be re-elected. The President of the Banco de Fomento Agrícola e Industrial de Cuba and the Director of the Currency Stabilization Fund shall hold office as long as they remain in their respective positions.

The Directors and their alternates shall continue in the discharge of their duties until those who have been appointed in their places take office.

Art. 26. The Directors shall have alternates who shall discharge the duties of the office in the event of the temporary absence of the regular Directors.

In the event of permanent absence, new Directors shall be appointed in the manner provided in this Law, and their alternates shall discharge the duties of the office until the newly appointed Directors take office.

The alternate Directors shall be elected at the same time and in the same manner as that in which the regular Directors are elected and shall have the same qualifications as the latter.

The Director who is appointed as alternate for the President may discharge only the duties of director, and during the President's temporary absence the office of the President shall be filled by the President of the Banco de Fomento Agrícola e Industrial de Cuba. The alternates of the President of the Banco de Fomento Agrícola e Industrial de Cuba and of the Director of the Currency Stabilization Fund shall be the officers of these agencies who follow them in rank.

Art. 27. A member of the Board of Directors must meet the following qualifications:

- (a) Be a Cuban citizen by birth;
- (b) Be not under thirty-five years of age;
- (c) Have a recognized and sound moral reputation;
- (d) Have legal capacity to engage regularly in commerce; and
- (e) Perform or have performed important economic activities, have accredited capacity for the same, or be engaged in teaching these subjects in a Chair obtained by competitive examination at the University of Havana.

The requirement of citizenship mentioned under (a) of this Article shall not be required of the Director elected by the foreign banks.

Art. 28. Persons may not be Directors who are not permitted to engage in commerce or do not enjoy full political rights and are overdrawn in some bank or credit institution, under an obligation that has become due, who have applied for the benefit of acquittance and extension of payment or who have suspended payments or have been declared bankrupt or insolvent, or who have paid a penalty for the commission of a felony.

The office of director shall be incompatible with any other paid office of the State, a Province, a Municipality or autonomous entities, with the exception of that of holder of a Chair at the University obtained by competitive examination and offices expressly designated by this Law.

The said offices shall also be incompatible with any other paid office, except that of officer of a national or foreign bank when such office is held at the time of appointment by the stockholders as a director of the National Bank of Cuba.

Art. 29. The Directors may not practice any profession or engage either directly or through a person acting for them in any commercial, industrial or agricultural activity in an entrepreneurial capacity.

The Directors of the Bank are prohibited from soliciting or obtaining loans, or from carrying out credit transactions with banks and credit institutions which form a part of the Stockholders' Meeting.

Likewise, the banks mentioned in the preceding paragraphs are prohibited from granting such loans or advances.

Art. 30. Persons related to one another within the fourth degree of consanguinity or the second degree of affinity may not be members of the Board at the same time.

Neither may the relatives of the Directors within the fourth degree of consanguinity or second of affinity be appointed as officers or employees of the National Bank of Cuba.

Art. 31. The incompatibilities and prohibitions established as to the Directors shall likewise be applicable to their alternates, when they are discharging the duties of office, and to all the officers and employees of the National Bank of Cuba.

Art. 32. The Directors shall hold office during the time provided in this Law and may be removed only after proceedings have been established before the Chamber of Contentious-Administrative Matters and Special Laws of the Supreme Court, in the following cases:

- (a) When any of the incapacities, incompatibilities or prohibitions provided by this Law are applicable to them;

- (b) When their conduct is contrary to the performance and fulfillment of the purposes of this Law and of the Bank's By-Laws;
- (c) When they have been penalized by the courts for the commission of a felony;
- (d) When liable for unlawful acts or transactions, the degree of liability to be determined by the proper Court;
- (e) When improper, immoral or scandalous conduct is observed in their social life in such a way as to create public lack of confidence;
- (f) When without just cause they fail to attend three consecutive meetings or six of those held during the year.

Art. 33. A Director's removal from office will be initiated at the request of the Stockholders' Meeting, the Board of Directors or the Tribunal of Accounts. The Chamber of Contentious-Administrative Matters and Special Laws, upon receipt of such a petition, will start proceedings and appoint one of its Justices as Investigating Judge for the purpose of handling the proceedings, and it may order the suspension from office of the accused Director when this is requested or deemed proper by the Investigating Judge or the Chamber, with due regard to the prestige of the Bank and its need for enjoying the full confidence of the public.

Once proceedings for removal have been started, the accused will be advised of the charges in order that he may answer them within three days and introduce such evidence as he may deem proper. The evidence proposed by both sides shall be heard within a fixed period of ten days. At the end of this time the date for the trial will be set within the next five days; it may not be suspended for any reason and the decision will be handed down within the next three days.

A decision ordering the removal of the Director shall automatically cause his dismissal as soon as the parties have been notified, or when notification is made in the Court, and the same shall be published in the *Gaceta Oficial* of the Republic.

Art. 34. The Directors shall receive annually the compensation appearing in the budget, the same to be paid in twelve equal installments.

The salaries of the Directors shall be fixed with due regard to the importance and responsibility of the position, and the fact that they have to devote their activities to the Bank's operations.

The compensation of the President of the National Bank of Cuba shall be greater in view of his rank.

The Director of the Currency Stabilization Fund shall, in addition to the salary paid him by the State, receive such compensation as is provided for him in the Bank's budget.

Art. 35. The Board of Directors shall meet in regular session at least twice a month in order to take cognizance of all the matters submitted to it by the President or proposed by any of the Directors or the Stockholders' Meeting, and of all matters coming within its powers and duties. For this purpose, the President shall give proper notice.

It shall likewise meet in special session whenever deemed necessary by the President or requested by two Directors, stating in both cases the reason and purpose of the session.

Art. 36. The quorum at the first call shall be made up by the attendance of four Directors, provided one of them is the President.

If the required quorum is not present at the first call, the President shall give further notice, stating that fact; and the meeting shall be held upon the second notice, provided that at least three of the members of the Board attend.

The meetings shall be presided over by the President, in his absence by the President of the Banco de Fomento Agrícola e Industrial de Cuba, and in his absence by the senior Director.

At the special meetings, only the business included in the order of the day for which the notice was given may be discussed.

Art. 37. Resolutions shall be adopted by a majority of three concurring votes, unless this Law requires a special vote; they shall be entered in the Minute Book, which, with properly numbered pages and sealed by the competent judge or a notary public, shall be kept by the Bank, and they shall be signed by all the Directors attending the meeting, the same being certified by the Secretary with the attestation of the President.

Part 2. Powers of the Board

Art. 38. The Board of Directors shall govern the National Bank of Cuba in accordance with the provisions of this Law and its By-Laws, after hearing the recommendations of the Stockholders' Meeting and of the Currency Stabilization Fund, and shall have the following powers:

- (1) To decide upon the issue of banknotes, fixing their denominations and the limitations of the issue, in accordance with the restrictions provided in this Law, and to issue rules of an internal character to be followed in placing banknotes in circulation, retiring and canceling them;
- (2) To decide upon the printing of the banknotes, their inscriptions and designs, and to designate the establishment that is to handle the engraving and printing, adopting the most scrupulous guarantees;
- (3) To fix from time to time the general conditions and the rates of interest for discounts, rediscounts and advances;

- (4) To accept or reject at its discretion the applications for discount, rediscount and advances made by shareholder banks, adapting to circumstances the volume of credit that is to be kept in circulation;
- (5) To decide upon the percentage of the banks' legal reserves within the limits established by this Law;
- (6) To decide upon the maximum rates of interest to which the private banks should adjust their credit transactions, according to the terms thereof, taking into consideration the country's economic situation and the use of the Bank's other means of harmonizing the credit and monetary policy of the Nation;
- (7) To fix the maximum interest to be paid by the banks for handling deposits or for the issuance of obligations representative of such deposits;
- (8) To fulfill and see to the fulfillment of all matters concerning the organization and functioning of the banks doing business in the Republic and to exercise the powers which in relation thereto are conferred upon it by this Law;
- (9) To decide upon general rules for the inspection of private banks and to order that inspections be made through the officers and employees of the National Bank of Cuba as often as it may deem proper, or at the request of an interested party, in view of his background and circumstances, and at least once a year;
- (10) To establish general rules for clearing operations between private banks;
- (11) To decide upon the operations that should be carried out in the open market within the limitations fixed by this Law;
- (12) To accept or reject the financing of operations for the purchase of gold, foreign exchange or securities which the Currency Stabilization Fund may request in accordance with the provisions of this Law;
- (13) To accept or reject advances requested by the Government within the limits and under the conditions provided in this Law;
- (14) To agree with the Government of the Republic on the manner in which the National Bank is to serve it as financial agent and economic adviser;
- (15) To decide upon the application of the capital reserves of the National Bank;
- (16) To establish and close down the branches and agencies of the National Bank in the territory of the Republic, to designate correspondents or agents abroad and to accept such designations by foreign banks;

- (17) To decide upon the opening of accounts for foreign banks;
- (18) To decide upon contracts and obligations and to order the taking of judicial and extra-judicial action;
- (19) To grant powers of disposition, control, administration for lawsuits and such other powers as may be necessary to ensure the representation of the National Bank before all natural or juridical persons, public or private, for the purpose of initiating such legal proceedings as may be within its competence;
- (20) To decide upon the purchase, sale or lease of personal and real property to be used for the offices of the Bank, its branches and agencies;
- (21) To supervise the management of the National Bank and to order its inspection at least once a year, by public accountants or auditors of good reputation engaged for that purpose, as well as to examine the cash on hand, the deposits and reserves, and to transmit a report on these matters to the Stockholders' Meeting;
- (22) To verify periodically the accounts of the Bank and the balances on hand;
- (23) To determine the members who shall constitute the committees established by this Law for the exercise of the functions of the Bank, to increase the number thereof and appoint the members and, in addition to the powers provided in this Law, to fix their duties and the limit of their powers;
- (24) To delegate expressly, in whole or in part, to the committees and officers of the National Bank of Cuba the functions to be carried out, through resolutions for which there shall be required only a simple majority vote, although this delegation does not limit the power of the Board to revoke or change the decisions of the committees and officers, likewise, by a simple majority vote;
In no event may the Board delegate the powers conferred upon it in paragraphs (12) and (13) of this Article;
- (25) To decide upon the powers and duties of the officers and employees of the Bank, as well as the surety bonds they must furnish;
- (26) To appoint the officers and employees of the Bank on proof of their ability, as regulated by this Law;
- (27) To prepare the annual draft budget, which shall be submitted to the Stockholders' Meeting on the first working day of the month of May, and to decide upon all the objections and suggestions that it may make with regard thereto;
- (28) To liquidate the budget of every fiscal year within sixty days following its expiration;

- (29) To check the general balance sheet within sixty days after the end of the financial year and to draft its report, submitting it to the Stockholders' Meeting for its information at its regular meeting on the first working day in December, and to send to the Tribunal of Accounts, to the Executive Power, and to Congress the general annual balance sheet and the report, within the same period of time;
- (30) To propose the application and distribution of profits to the Stockholders' Meeting;
- (31) To draft and amend the By-Laws, which must be submitted to the Stockholders' Meeting;
- (32) To decide upon and amend the internal regulations of the Bank; and
- (33) To exercise such powers relating to the operations of the Bank as may be expressly vested in it by the provisions of this Law and those which are not reserved for other organs of the National Bank.

Art. 39. The Board of Directors, on establishing the general conditions for discount, rediscount and advances, shall determine within the limitations established by this Law:

- (a) The kinds of documents and securities that may be acquired or accepted as guarantee;
- (b) The margins that should exist between loans and the value of the securities given as guarantee, in order that such loans may be accepted; and
- (c) The requirements that should be demanded for the purpose of checking the soundness of the endorsing banks, the nature of their assets and the solvency of the persons or firms who sign the documents that are offered to the National Bank.

Section 4. Committees

Art. 40. The National Bank shall have such committees as the Board of Directors may appoint for the exercise of the functions that it may assign to them.

Each committee shall be composed of members of the Board and officers or employees of the National Bank. Each committee shall have not less than three nor more than five members.

Art. 41. Without prejudice to the provisions of the preceding Article, the following Permanent Committees must necessarily exist:

- (a) The Credit Committee, which shall approve or reject in each case, in accordance with the general lines established by the Board of Directors, the applications for discounts, rediscounts and advances

made by stockholder banks, and whenever it deems it proper shall render a report on how the rules in force worked;

The Board of Directors may appoint more than one committee on credit matters when circumstances so require;

- (b) The Bank Inspection Committee, which shall have charge of all matters relating to the organization, registration and supervision of the banking institutions operating in the national territory;

This committee shall consist of the President of the Bank, the Director of the Currency Stabilization Fund and an officer to be appointed by the Board of Directors;

- (c) The Committee on Operations, which shall propose to the Board of Directors such changes as it may be proper to make in the discount rate, interest on loans and credits, remuneration for other services rendered by the Bank, securities that are to be received as guarantees, and the rates applicable to their acceptance, and such changes as it may deem necessary in the conditions which are to govern all operations;

This committee shall report on the acquisition of precious metals and on the agreements that may be entered into with the Government and the Currency Stabilization Fund, as well as on all matters relative to agencies abroad and branches in Cuba;

- (d) The Issue Committee, which shall be in charge of the preparation of the banknotes to be issued by the Bank, the purchase of the paper, the printing and the specifications it must fulfill, the division of the banknotes into series, the manner in which they are to be taken up and redeemed, and other matters pertaining to fiduciary circulation;

- (e) The Audit Committee, which shall have charge of all matters pertaining to accounting and the cashier's office, having supervision over the order and accuracy of accounts and the custody of the funds and securities held by the Bank, and shall examine the balance sheets.

Each committee shall be presided over by a Director, but the President of the Bank is President *ipso facto* of all the committees. The committees shall be heard on all matters within their jurisdiction which must be discussed and decided upon by the Board of Directors. They must also render reports on the proposals which the President of the Bank submits to them for examination and study, and they may also take the initiative in proposing rules that should be adopted on the matters which come under their respective jurisdictions.

Section 5. President and Officers

Art. 42. The President is the executive authority of the Bank, its legal representative and the supreme chief of the offices and personnel.

He shall fulfill and see that the Law, the By-Laws, Regulations and Resolutions of the Board of Directors are fulfilled; preside over the meetings of the Board and of the Stockholders' Meeting and exercise such functions as those organs may delegate to him; and may suspend the resolutions of the committees in order to submit them for the consideration of the Board of Directors.

Art. 43. The Manager is the direct chief of the offices and personnel.

The Manager shall have such duties as may be assigned to him in the By-Laws and Regulations, and such others as may be entrusted to him by the President, to whom he will be responsible for his activities.

The Manager shall have the same qualifications as are required for the directors and must have broad experience in banking techniques.

Art. 44. The Secretary shall have charge of the Stock Registry Book, the Minute Books of the Board of Directors and the Stockholders' Meeting, and the custody of the seal of the National Bank. He shall countersign all notices, attend the Meetings of Stockholders and the Board of Directors, certifying the resolutions that are adopted, and exercise the other duties of his office and those expressly delegated to him by the Board of Directors.

To be appointed Secretary one must be a lawyer with not less than five years' practice of the profession.

Art. 45. The Board of Directors shall appoint the Manager and the Secretary, and may freely remove them from office.

In the event of the absence or a temporary vacancy in the post of the said officers, the Board may appoint the persons who are to take their places, such persons to meet the same requirements as are prescribed by this Law for the former.

Art. 46. The Board of Directors shall prescribe in the By-Laws the rules for entering the service and for the organization of the Bank's personnel, for the purpose of creating a body of competent, honest and useful officials and employees for the institution, regulating promotions and irremovability.

Entry into the service shall be made through competitive examination. The By-Laws shall provide the rules therefor as well as the necessary rules for the organization of the examining boards.

The By-Laws shall also prescribe proceedings for reprimands, suspension or separation from service. An appeal is allowed against a resolution handed down in these cases by the Board of Directors, the same to be filed before the Chamber of Contentious-Administrative Matters and Special Laws of the Supreme Court, the procedure to be followed being that provided for in Article 33 of this Law.

Section 6. Departments

Art. 47. The Board shall organize the offices of the National Bank into such departments and divisions as may be required for the best functioning of the institution; and in addition to the functional departments, it shall establish a Department of Economic Research which shall study and analyze the national and international economy and keep the President and the Board of Directors informed of the results of its activities.

CHAPTER IV. OPERATIONS

Section I. General Relations

Art. 48. The National Bank may engage in the following operations:

- (1) Issue notes, in accordance with the provisions of this Law;
- (2) Rediscount or discount, with the endorsement of a stockholder bank, easily collectible and soundly guaranteed bills of exchange or other credit instruments which bear the signatures of persons or entities known to be solvent and which have been issued in connection with commercial transactions or for commercial purposes, provided that the date of maturity does not exceed ninety days from the date on which the rediscount or discount is effected;
- (3) Rediscount or discount, with the endorsement of a stockholder bank, bills of exchange and other credit instruments of the kind described in the preceding paragraph, issued in connection with industrial transactions or for industrial purposes, provided the date of maturity does not exceed one hundred and eighty days from the date on which the rediscount or discount is effected;
- (4) Rediscount or discount, with the endorsement of a stockholder bank, bills of exchange or other credit instruments of the kind described in paragraph (2) issued in connection with agricultural or livestock operations or purposes of agriculture or animal husbandry or agricultural industry, provided that the date of maturity does not exceed two hundred and seventy days from the date on which the rediscount or discount is effected;
- (5) Rediscount or discount, with the endorsement of a stockholder bank, documents guaranteed by sugar, coffee, tobacco and other products of the country that can be held in storage for a long time, when duly insured and stored in general or bonded warehouses which in the judgement of the Board of Directors offer sufficient security, provided that the date of maturity of such documents does not exceed two hundred and seventy days counted from the date of the rediscount or discount;

- (6) Make advances to stockholder banks against the security of credit instruments eligible for rediscount or discount, provided that the date of maturity of said advances does not exceed the term of the instruments used as security therefor;
- (7) Make advances to stockholder banks secured by easily collectible securities that are found satisfactory by the National Bank, even though not eligible for rediscount or discount, provided that the said advances are approved by a favorable vote of not less than four directors, that the maturity thereof does not exceed ninety days and that the borrowing bank is experiencing an extraordinary withdrawal of deposits which threatens the balance between its liquid assets and sight obligations;
- The banks that receive such advances may not use them for the purpose of expanding their credits; and as long as they are debtors on this account they will be subject to continuous supervision by the National Bank;
- (8) Make loans without interest to the Currency Stabilization Fund, secured by 100 per cent in gold, foreign exchange convertible into gold, securities or banknotes of the National Bank;
- (9) Receive on deposit monies from the stockholder banks, official credit agencies, the Currency Stabilization Fund, the State, the Provinces, the Municipalities or autonomous organizations;
- (10) Act as agent of the State in carrying out the transactions that the State may entrust to it in accordance with the provisions of this Law, with power to make advances to the State in accordance with the limitations and conditions set forth in this Law;
- (11) Act as agent of the Currency Stabilization Fund in the purchase and sale of fine metals, foreign exchange convertible into gold, and securities;
- (12) Carry out, for its own account and in accord with the Currency Stabilization Fund, the operations referred to in the preceding paragraph, and operate in foreign exchange not convertible into gold only in the case of commercial interchange previously agreed upon and with the favorable vote of not less than four Directors;
- (13) Open accounts and maintain deposits of foreign governments and foreign central banks, acting as their correspondent and agent;
- (14) Open accounts and maintain deposits in other central banks;
- (15) Participate, as the representative of the State and with its guarantee, in the International Monetary Fund and in the International Bank for Reconstruction and Development, as well as carry out operations with these organizations;

- (16) Purchase and sell on the open market long-term securities representative of loans of the State, against payment in cash, provided that said securities have been in circulation for at least one year and that such transactions are approved with the favorable vote of not less than four Directors;
 - (17) Purchase and sell on the open market securities that the State has issued during the preceding year, provided that these transactions are carried out during short periods of time and for the exclusive purpose of developing the monetary policy of the National Bank on said market, these transactions shall be effected in accordance with the requirements and limitations set forth for advances to the State, the amount thereof being computed within the maximum limit fixed by this Law for such advances, and they shall require the favorable vote of not less than four Directors;
 - (18) Purchase and sell on the open market instruments of credit issued by the Currency Stabilization Fund or by the National Bank, acting in accord with the Fund, and for the sole purpose of maintaining the volume of monetary circulation;
 - (19) Act as Clearing House;
 - (20) Carry out such other operations as may be expressly conferred upon it by other provisions of this Law, as well as operations necessary for the fulfillment of the purposes established in Article 3.
- Art. 49.** The National Bank is expressly prohibited from engaging in the following operations:
- (1) Making loans or advances to the Provinces, the Municipalities, autonomous organizations or private individuals;
 - (2) Rediscounting, discounting, or accepting as security for advances documents issued in violation of the limitations established in this Law, or for the purpose of speculation;
 - (3) Granting extensions, renewals or substitutions of rediscounted or discounted documents of credit, or of the advances which it may have granted, except for a period equal to one half of the original term of said documents, if only advances are involved; such decisions require the favorable vote of not less than four Directors;
 - (4) Acquiring real property, except that which may be necessary for the establishment of its offices or that which it may be forced to accept in payment of credits, with the obligation of liquidating them within the shortest time possible;
 - (5) Incurring expenses not authorized by the annual budget; and
 - (6) Any other operations prohibited by this Law.

Section 2. Relations with the State

Art. 50. The National Bank, in carrying out its functions as agent of the State, shall take charge of such internal and external credit operations as the State may entrust to it. It shall likewise act as depository of the funds of the State, with the exception of those amounts which the Minister of Finance orders to be kept in the General Treasury of the Republic. It shall receive for collection the securities, checks and other credit documents which for that purpose are sent to it by the Minister of Finance, and shall make such payments as may be properly ordered by the Government against State funds held by the National Bank.

The Minister of Finance, after hearing the opinion of the Comptroller General of the Republic or of the Tribunal of Accounts, as the case may be, shall agree with the National Bank on the manner in which the movement of State funds should take place.

Art. 51. The National Bank will render gratuitously to the State the services referred to in the preceding Article, without obligation on the part of the latter other than that of reimbursing the expenses incurred by the former in rendering such services.

The funds which the State may have on deposit with the National Bank shall not bear interest.

Art. 52. The National Bank is authorized to make advances to the State, provided that they are made under the following conditions:

(a) Said advances shall require the favorable vote of not less than four of the members of the Board of Directors. They shall be guaranteed by Treasury notes and the time of their maturity and settlement shall not be over one year.

(b) The net amount of the advances granted in any one fiscal year, after deducting amortization, may not exceed 8 per cent of the average actual receipts obtained by the State in the five preceding fiscal years.

(c) Annual budget revenues shall be set aside for the payment of amortization and interest on the advances.

(d) The advance shall be applied solely to the obligations of the annual budget, with the exception of debts pertaining to prior fiscal years, the floating debt or the internal or external debt.

Section 3. Note Issue

Art. 53. The National Bank is granted the exclusive right to issue banknotes in the national territory.

All other public or private entities are prohibited from issuing banknotes.

Art. 54. The notes of the National Bank shall be legal tender throughout the Republic and shall have unlimited acceptability in payments.

Said notes shall also be considered, for all legal purposes, as obligations of the State.

Art. 55. The notes shall have the gold or foreign exchange cover established in Article 65 of this Law. The difference between said cover and the face value of the notes shall be fully secured by documents declared eligible for rediscount and by all the other assets held by the National Bank.

Art. 56. The notes shall be issued in denominations of one, five, ten, twenty, fifty, one hundred, five hundred, one thousand, and ten thousand pesos; they shall be numbered by series and shall have printed thereon their value, the year of their issue, the inscription "Banco Nacional de Cuba", and such other inscriptions or engravings as may be decided upon by the Board of Directors, and the facsimile signatures of the Minister of Finance and the President of the National Bank.

Art. 57. The notes shall be engraved on metal plates and shall be engraved and printed at an establishment especially engaged in work of that kind which, in the opinion of the Board of Directors, offers the necessary guarantees.

Art. 58. Custody of the notes that are printed shall be entrusted to the Manager, to the Chief of the Issue Department and to a Keeper of the Keys to be appointed by the Board of Directors.

The notes shall be deposited in a safety vault used exclusively for that purpose. They may not be withdrawn or deposited except in the presence of the officials in charge of their custody.

The By-Laws shall determine the procedures and requirements to be fulfilled for delivery and removal of the notes.

Art. 59. The Chief of the Issue Department shall perforate and burn the notes that are definitely withdrawn from circulation; this operation shall be performed in the presence of the Director who presides over the Issue Committee, a delegate of the Minister of Finance, and the other officials referred to in the preceding Article. The minutes to be recorded for this purpose shall bear the signatures of all those in attendance and shall be delivered to the Secretary for filing and custody.

Section 4. Relations with Private Banks

Art. 60. Banks operating in the national territory shall be obliged to deposit in a current account with the National Bank of Cuba four fifths of the legal reserves which they are to maintain in relation to the volume of their deposits, in national or foreign currency, in accordance with the provisions of this Law.

Art. 61. The banks shall be obliged to maintain a reserve in legal tender currency equal to 25 per cent of the amount of the deposits of money held by them.

The National Bank may, with due regard to the credit policy adopted and to the public interest, change the ratio specified in the preceding paragraph to an amount not higher than 40 per cent nor lower than 12½ per cent, except for savings accounts, for which it may reduce the amount of said reserves to 8 per cent.

Notwithstanding the provisions of the preceding paragraphs, when there is a threat of excessive credit expansion the National Bank may require banking establishments to provide a higher legal reserve of up to 100 per cent of any excess which may occur over the total volume of deposits each bank holds on the date the measure is adopted.

Art. 62. The National Bank shall, moreover, determine the legal reserves that should be maintained by stockholder banks in relation to their deposits in foreign currencies, within the limits of 25 per cent to 100 per cent, regardless of the period of time of such deposits.

Art. 63. Whenever the National Bank decides to increase the proportion of legal reserves, it must do so in a gradual and progressive manner, giving the banks an adequate period of time, which shall in no event be less than thirty days.

Art. 64. The National Bank is authorized to charge the current accounts referred to in the preceding Articles with the amount of daily clearings and debits that may arise from other transactions with the banking establishments involved. If, as a result of these and other operations, the balance of the current account of a bank should fall below the level of the proper reserves which it should maintain with the National Bank, the latter shall charge the banking establishments in question a sum, the amount of which shall be determined as follows:

- (a) The amount resulting from applying to the daily amount of the overdraft annual interest equal to the highest rate of rediscount in force, plus an additional 2 per cent so long as said overdraft is not maintained for more than fifteen consecutive days;
- (b) When the overdraft is maintained for a period of time exceeding fifteen days, there is to be applied to the daily amount annual interest equal to the highest rate of rediscount in force, plus an additional 5 per cent.

CHAPTER V. RESERVES

Section 1. Monetary Reserves of the Bank

Art. 65. The National Bank shall at all times maintain a reserve in gold and foreign exchange equal to not less than 25 per cent of the face value of the notes in circulation. It shall also maintain a reserve in gold or foreign exchange equal to not less than 25 per cent of the amount of deposits it

holds, with the exception of the accounts in national currency maintained for the International Monetary Fund and the International Bank for Reconstruction and Development.

The reserves in foreign exchange which the National Bank may count as part of the minimum reserve mentioned in the preceding paragraph must be convertible into gold, or into currencies which in turn are convertible into gold, and shall consist of:

- (1) Foreign banknotes and coins;
- (2) Checks, payment orders, acceptances, drafts, bills of exchange and other credit instruments at not more than seven days' maturity, with first-class signatures and payable abroad in foreign currency;
- (3) Deposits redeemable at sight or on time with prior notice of not more than fourteen days, held in first-class banks abroad and likewise payable in foreign currency.

The net balance of the State's participation in the International Monetary Fund may also be counted as part of the minimum reserve.

Art. 66. The portion in gold of the minimum reserve is never to be under two thirds. It shall be understood that the obligations issued by the Currency Stabilization Fund, secured by 100 per cent in gold or foreign exchange, are to be a part of said reserve.

The monetary reserves in gold must always be held at the main office of the National Bank. The excess of the minimum reserve in foreign exchange may be maintained on deposit with agencies or correspondents of the Bank in first-class drafts on foreign countries payable in foreign currency convertible into gold at terms not to exceed ninety days; or in foreign or national public securities that have a stable market, are immediately collectible and denominated in currencies convertible into gold.

Art. 67. When the reserves in notes and deposits decline to a level lower than the ratio required by the Law, the National Bank shall immediately adopt appropriate measures for restoring them to their legal level.

Section 2. The Bank's Reserve for Contingencies

Art. 68. The National Bank shall set up a Reserve Fund to be made up of the portion of the net profits set aside for that purpose, in accordance with the provisions of the next Chapter.

CHAPTER VI. PROFITS OF THE BANK

Art. 69. At the close of each financial year and after the assets have been cleared, the net profits, to be distributed according to the following preferential order, shall be determined:

- (1) The dividend on outstanding Series B shares;
- (2) The amount that is to be placed in the Reserve Fund and the balance that belongs to the State.

Art. 70. The dividend on the shares will be determined on the basis of the net profits obtained during the financial year and may not exceed 4 per cent of the par value of said shares.

When the reserve for contingencies reaches the sum of seven million pesos, the dividend will be cumulative.

Payment of dividends may be declared only on profits that have not been distributed.

Art. 71. The National Bank, after deducting from the net profits the sums that are due as dividends, shall distribute the balance in accordance with the following rules:

- (a) 25 per cent for the State and 75 per cent for the Reserve Fund, until the sum of three million five hundred thousand pesos has been accumulated;
- (b) 50 per cent for the State and 50 per cent for the Reserve Fund, until said Fund reaches the sum of seven million pesos;
- (c) 75 per cent for the State and 25 per cent for the Reserve Fund, when said Fund exceeds seven million pesos.

Art. 72. The amounts that the State may receive from the National Bank as profits shall be distributed, by halves, between the Banco de Fomento Agrícola e Industrial de Cuba and the Currency Stabilization Fund in order to strengthen the reserves of said institutions.

CHAPTER VII. GENERAL PROVISIONS

First. The National Bank shall, as of the close of operations on the last day of each month, draw up a balance sheet in conformity with the model approved by the Board of Directors. This balance sheet, after having been approved by the President of the Bank, shall be forwarded to the *Gaceta Oficial* for publication.

Second. The National Bank, including its capital, shares, profits, operations, notes and the acquisition or alienation of property of all kinds, shall be exempt from payment of taxes and assessments of any kind to the State, Provinces and Municipalities.

Third. The National Bank shall replace with its notes the amount of silver certificates in circulation issued by the State against coverage of

silver coins, gold bars and dollars. It shall also replace with notes the silver one-peso coins in circulation.

The Ministry of Finance shall deliver to the National Bank the silver one-peso pieces, the gold and the dollars which serve as coverage for these certificates.

Moreover, the Ministry of Finance shall deliver to the National Bank of Cuba government securities issued for that purpose in order to raise the backing for the silver certificates issued by virtue of Law No. 5 of May 2, 1942 to 100 per cent of their nominal value.

The note issue to be effected by the National Bank for the exchange of the aforementioned silver certificates and silver one-peso coins in circulation shall have the full coverage of the silver pieces, gold bars, dollars and government securities to be delivered to it by the Ministry of Finance.

The notes issued pursuant to this provision shall be subject to the provisions of Section 3 of Chapter IV and to the other applicable provisions of this Law.

Fourth. The National Bank, with the advance authorization of the Executive Power, may replace, through negotiations of public advantage, the silver one-peso pieces which serve as cover for the silver certificates with an intrinsic value in gold at least equal to the value of the metal contained in said one-peso pieces. The State shall in this case deliver to the National Bank government securities issued for that purpose with a nominal value equivalent to the difference between the monetary value of the silver pieces which are replaced and the value of the metal they contain, in order that the notes of the National Bank may at all times have a coverage of 100 per cent.

Fifth. The silver certificates which the National Bank may retire from circulation shall be destroyed in the same manner as is prescribed in the present Law for its notes.

Sixth. The Minister of Finance shall deliver to the National Bank the unissued silver certificates held by him when the Bank begins its operations. These certificates, as may be most convenient, shall be used to take the place of those circulating in bad condition, or shall be destroyed in accordance with the provisions of Article 59.

Seventh. The functions of inspecting and supervising the Bank will be carried out by the Tribunal of Accounts.

Eighth. The terms of members of the Board of Directors shall be staggered.

Ninth. Contracts of the National Bank of Cuba with other banking institutions shall have a definite date and shall be in the nature of public documents, even though they may not be so in themselves, as of the time of their entry in the legalized Registration Book of the Department concerned, provided that this entry is certified by the Secretary of the National Bank of Cuba or by such assistants of the Secretary as he may delegate.

Tenth. References in laws, decrees or regulations to the banks associated with the Havana Clearing House shall be held to include all the banks that are stockholders of the National Bank of Cuba.

TITLE II. THE CURRENCY STABILIZATION FUND

SOLE CHAPTER. ORGANIZATION AND OPERATIONS OF THE FUND

Art. 73. Commencing with the effective date of this Law, the Stabilization Fund of the National Currency, created by Decree 1358 of June 10, 1939, shall be organized in accordance with the provisions of this Title.

This agency shall be called the Currency Stabilization Fund and its purpose shall be to protect the national currency in the foreign exchange market.

Art. 74. The management of the Fund shall be entrusted to a Commission of three members, two of whom shall be members by reason of the positions they hold and the other by appointment.

The Minister of Finance and the President of the National Bank shall be members by reason of their positions. The third member shall be the Director of the Fund, who shall meet the requirements of eligibility specified in this Law for the Directors of the National Bank; he shall be appointed by the President of the Republic with the concurrence of the Council of Ministers and his appointment must be approved by the Senate.

The Director of the Fund shall receive the salary assigned to him in the General Budget of the State and shall have such powers as may be delegated to him by the Commission.

Art. 75. The Commission shall be presided over by the Minister of Finance; it shall meet as often as may be necessary for the best fulfillment of its duties and shall have the following powers:

- (a) To purchase, sell or retain in its possession gold and foreign exchange convertible into gold;
- (b) To borrow money from the National Bank, from the Treasury or directly on the open market, pledging therefor gold, foreign exchange or the securities it holds;
- (c) To issue certificates, with or without interest, secured by gold, currencies or securities given in pledge; and

(d) To invest in first-class securities of foreign governments that portion of its gold and currency stocks not otherwise pledged.

Art. 76. The National Bank shall act as trustee for the loan transactions made by the Fund and shall have custody of the gold, foreign exchange or securities the latter may acquire.

Art. 77. For the purpose of financing its transactions, the Fund may borrow money from the National Bank, with the security of 100 per cent in gold, currencies convertible into gold, banknotes of the National Bank or securities acquired in accordance with Article 75 of this Law. These loans will not bear interest, nor have a fixed date of maturity.

The Fund may also purchase gold or foreign exchange convertible into gold by drawing checks against the opening of a current account credit, which, for this purpose and without bearing interest, the National Bank may agree to grant it, the latter to act as agent in these transactions, and the gold or foreign exchange convertible into gold thus acquired shall be deposited with the National Bank as security for the loan; the sale of these quantities of gold or foreign exchange shall be made solely through the National Bank acting as agent, and the pesos acquired by the Fund by means of this transaction shall be applied to the payment of the current account credit or deposited with the National Bank as security for the payment, which must be made in a period of not more than one hundred and eighty days.

Notwithstanding the provisions of the preceding paragraphs, the National Bank may refuse to continue to finance the Fund. It may also require the Fund to reduce the volume of its loans when advisable for reasons of public interest and agreed to by the Board of Directors by four favorable votes. In this case, the Bank shall give the Fund a period of not more than thirty days for the total or partial payment of its loans, warning it that if it fails to do so within that time, the entire amount of the obligations will fall due and the Bank will be in a position to collect by applying the security as payment. The overdraft, if any, shall be paid by the Fund.

Art. 78. The Fund may also borrow in the open market through the issuance of certificates bearing a reasonable rate of interest, according to the condition of the market, and which in no event may be greater than 5 per cent. The maturity of these certificates is not to exceed three hundred and sixty days.

Art. 79. Exporters shall be obliged to surrender to the Fund, for exchange at par in national currency, an amount of foreign exchange not to exceed 30 per cent of the price, in Cuban ports, of the products which they exported. The commission, in due course, shall establish the list of the products to which the provision contained in the preceding sentence shall

be applied, as well as the percentage of foreign exchange that must be exchanged.

The Fund shall issue such rules as may be necessary to achieve the purpose sought, especially those which may be most essential for the purpose of assuring the surrender of the foreign exchange.

Art. 80. Notwithstanding the provisions of the preceding Article, when the international balance of payments is so adverse to the nation that its stocks of gold and foreign exchange are likely to be exhausted, the Executive Power is authorized to increase, at the Fund's request, the proportion fixed in the first paragraph of said Article to 100 per cent and to regulate some or all of the transactions in currencies. When the above-mentioned circumstances cease to exist, the Fund shall advise the Executive Power, who shall annul the increase.

Art. 81. The Fund shall sell foreign exchange in exchange for national currency to those who request it for the purpose of making payments abroad.

Notwithstanding the provisions of the preceding paragraph, the Fund may establish preferential rules for the sale of foreign exchange in consideration of the essentiality and nature of the payments to be made abroad, when circumstances so indicate and provided that the Executive Power has exercised the prerogatives granted in the preceding Article.

Art. 82. The Fund shall provide the Minister of Finance with the foreign exchange necessary to meet the payment on the debt and other obligations and services of the Republic abroad, exchanging it at the parity rate for national currency.

Likewise, it shall provide the commissioners of the Public Authorities of the State and of the University of Havana with foreign exchange for the fulfillment of their functions abroad.

At the beginning of each fiscal year, the Ministry of Finance shall advise the Currency Stabilization Fund of the approximate amount of foreign exchange it will need during the current fiscal year.

The Fund shall provide producers with the necessary foreign exchange to meet the essential requirements of exportable production for which payments must be made abroad, exchanging it at par for national currency, when the circumstances of Article 80 of this Law obtain.

Art. 83. Losses resulting from the Fund's transactions shall be for the account of the State, and its profits shall be accumulated in a reserve fund for losses and expenses. At the end of every year, the losses that cannot be met with the reserves shall be charged to the State, the amount thereof being included in the next national budget for coverage.

Likewise, the net seigniorage proceeds from any coinage of subsidiary currency that may take place in the future shall serve to increase the reserve fund of the Fund.

Art. 84. The Fund shall render to the Executive Power, through the medium of the Ministry of Finance, confidential monthly reports on its transactions. It shall also render an annual report to the Tribunal of Accounts and to the Congress of the Republic. It shall also publish a report of its activities every year.

The Fund shall publish in the *Gaceta Oficial* of the Republic reports concerning the distribution of its profits and the operations in which it has disposed of gold, foreign exchange or securities at prices other than those prevailing in the market.

TITLE III. THE NATIONAL CURRENCY

CHAPTER I. REGULATION

Art. 85. The monetary unit of the Republic of Cuba is the gold peso, divided into one hundred centavos, weighing 0.987412 gram and containing 0.888671 gram of fine gold.

Art. 86. The subsidiary coins shall be of silver and nickel.

The subsidiary silver coins shall be in denominations of forty centavos, twenty centavos, and ten centavos, and their weight shall be 10 grams, 5 grams, and 2.500 grams, respectively.

The nickel coins shall be in denominations of five centavos and one centavo, and their weight shall be 5 grams and 2.500 grams, respectively.

Art. 87. The Republic of Cuba shall at all times maintain the parity of the subsidiary legal-tender coins in relation to the peso.

Art. 88. The national gold coins, whose fineness and weight were fixed by the Law of October 29, 1914, shall be considered as bars and their value will be estimated in accordance with the fine metal they contain.

Art. 89. The national currency shall have the fineness and tolerance indicated below:

- (1) Silver coins: 900/1000 fine metal, two thousandths tolerance for fineness and three thousandths for weight; and
- (2) Nickel coins: 250 parts nickel and 750 parts copper.

Art. 90. The notes of the National Bank shall be unlimited legal tender.

The subsidiary silver and nickel coins shall be legal tender; the silver coins shall be acceptable in the proportion of 8 per cent of the amount

that has to be paid and shall fully cancel obligations not exceeding ten pesos; the nickel coins shall be acceptable in payments of any amount not exceeding one peso.

Art. 91. Every coin shall have engraved thereon its value, weight, fineness, year of coinage and the designs and inscriptions determined by the Executive Power.

Art. 92. Henceforth gold coins and one-peso silver coins shall not be coined. The Executive Power is authorized to coin, at the request of the National Bank, the subsidiary silver and nickel coins necessary to maintain stocks in a proportion adequate to the needs of the market or for the purpose of replacing those which have become deteriorated and are withdrawn from circulation.

Art. 93. Worn-out or deteriorated subsidiary coins shall be withdrawn from circulation in accordance with the rules to be issued by the Minister of Finance.

Mutilated silver coins shall be withdrawn from circulation and shall be paid for according to their weight, the price being calculated in accordance with the face value of the coin in question.

Mutilated nickel coins shall be taken up for the account of the Treasury.

Art. 94. The National Bank shall exchange its mutilated notes for others in good condition, subject to the following rules:

(1) When up to two fifths of the note is missing and the remaining three fifths is clearly preserved, the exchange shall be made at face value, with no other requirement than the presentation of the note.

(2) When less than three-fifths is mutilated and more than two fifths of the balance is clearly preserved and the series and number can be identified, they shall be redeemed at one half of their face value.

(3) There shall be no redemption or exchange of mutilated notes not included in the foregoing provisions, their value remaining for the benefit of the Bank.

Art. 95. The national currency, including the notes of the National Bank, shall be the only currency that is legal tender in the national territory, and it must be accepted, in accordance with the provisions of Article 90, in payment of obligations contracted in or to be fulfilled in the Republic.

Art. 96. Obligations agreed upon in foreign currencies prior to the effective date of this Law shall be subject, for their settlement, to the provisions of Article 1170 of the Civil Code, as amended by the Law of July 8, 1939.

Obligations contracted in or to be fulfilled in the national territory which are entered into after the effective date of this Law shall be expressed and settled exclusively in national currency.

Obligations contracted in connection with the sale of national products or articles sold abroad, as well as transactions in connection with bank accounts consisting of cash deposits which are held by their owners for purposes of withdrawal, are exempt from this provision, as are those derived from public debt commitments, in which the State is required to pay in the currency stipulated. Also, the following transactions or obligations, which are to be paid in the currency agreed upon, are exempt:

- (a) The payment of the price of merchandise purchased abroad in currency of the United States of America through a document payable in Cuba by the purchaser, or what is termed in commercial banking practice "bills for collection," and, in general, the payment for merchandise imported from abroad through purchases or by means of any other type of credit transaction;
- (b) Commercial credits with or without letters used in commerce to finance and facilitate the importation of merchandise and, in general, letters of credit of all kinds;
- (c) Loans with the pledge of bonds of the national public debt or of any foreign enterprises or entities, payable in foreign currency;
- (d) Overdrafts granted by banks to their clients on current account in foreign currency.

Art. 97. The currency of the United States of America shall cease to be legal tender in the national territory one year after the date on which the National Bank begins its operations.

The Executive Power, upon the National Bank's proposal, may extend this time for a period which shall in no case exceed one more year.

At the request of the holders, the National Bank shall exchange currency of the United States of America for national currency.

Art. 98. As long as the currency of the United States of America is legal tender and acceptable in payments in the national territory, the provisions of Article 1170 of the Civil Code, as amended by the Law of July 8, 1939, shall be applicable to obligations contracted in that currency.

Bank deposits denominated in the currency of the United States of America shall continue to be payable in that currency even after the date on which said currency has ceased to be legal tender and acceptable in payments. Nevertheless, the banks may also pay such deposits in dollar drafts on New York or in national currency at the rate of exchange on that date, at the option of the depositor.

TITLE IV. THE COMMERCIAL AND SAVINGS BANKS

CHAPTER I. PRELIMINARY PROVISIONS

Art. 99. Commercial or savings banks and any other natural or juridical person who habitually undertakes deposit, current account, and savings account operations, discounts, loans, collections, drafts, trusts, purchases and sales of foreign exchange, and any other transactions of a similar nature, shall be governed by the provisions of this Law and such other supplementary rules as may be issued by the National Bank.

Art. 100. Hereinafter the generic term "bank" will be used in this title to refer to the natural or juridical persons referred to in the preceding Article.

Art. 101. The use of the words "banks," "bankers," "banking association," "trust company," "credit association," "savings fund," "capitalization company," or any other equivalent or similar words that might imply engagement in the business regulated by this Law, is prohibited, except in the case of natural or juridical persons expressly authorized by the National Bank in accordance with the rules established in this Title.

The use in the firm name of any term which might lead to the belief that a bank is acting for or in relation with the Cuban State, its provinces or municipalities is likewise prohibited.

CHAPTER II. CREATION OF BANKS

Art. 102. Persons who are interested in organizing a banking business in the Republic shall first apply for authorization from the National Bank, presenting with the application a detailed account of the purposes for which the business is organized, the domicile of the main office, the names of the places where branches are to be established when operations begin, and such other data as may be determined by said institution.

Art. 103. Within thirty days following the date on which the resolution of the National Bank authorizing the creation of a banking establishment is communicated, the interested parties shall be required to organize in Cuba a corporation which may not engage in transactions of another kind and which shall be subject to the provisions of this Law and other rules in force.

The said corporation shall present to the National Bank within an additional period of sixty days a certified copy of the articles of incorporation and such other data and information as may be requested by the National Bank.

The authorization granted shall be deemed to have lapsed if, upon the expiration of the time limits referred to in this Article, the interested parties have failed to comply with its requirements.

Art. 104. The National Bank, after verifying that the interested party has complied with the requirements set forth in this Law, shall effect the registration in the Registry which it carries for that purpose, and shall issue a certificate, which shall be the document evidencing the fact that a bank may legally operate in the national territory, without prejudice to the obligation of the corporation likewise to register in the Mercantile and Company Registries.

CHAPTER III. ORGANIZATION AND OPERATION OF BANKS

Art. 105. The companies whose purpose is to operate a banking business shall be classified as national, interprovincial, provincial and local banks.

The capital of a national bank shall not be less than two hundred and fifty thousand pesos and it may establish, in addition to its main office, such branches as it may deem advisable throughout the territory of the Republic.

The capital of an interprovincial bank shall not be less than one hundred thousand pesos and it may establish, in addition to its main office, branches within the limits of three provinces.

The capital of a provincial bank shall not be less than fifty thousand pesos and it may establish, in addition to its main office, branches within the limits of a single province.

The capital of a local bank shall not be less than twenty-five thousand pesos and it may have offices only in the municipality wherein it is established.

In the Municipality of Havana only national banks may establish an office or branch.

The working capital of any commercial bank, including its reserve for contingencies, must represent at least 5 per cent of its sight deposits. The National Bank may require commercial banks whose capital and reserves for contingencies are not in conformity with said percentage to increase the legal reserve for excess deposits up to 100 per cent.

Art. 106. The minimum capital referred to in the preceding Article must be subscribed and paid when application for registration in the National Bank is made.

Art. 107. The capital shall be represented, necessarily, by registered shares of a single kind, which shall have the same rights and obligations and a par value of one hundred pesos each.

All shares subscribed shall be sold at a price not under par value and must be paid for in cash, and they may not be used to pay commissions, services or expenses of any kind, or in payment of any other kind of contribution.

The shares issued in excess of the minimum capital may be paid for in installments, the amount of which may not be less than 10 per cent of the par value of each share; but in all cases they must be fully paid up within one year counted from the date of the subscription.

Art. 108. The liability of the stockholders with respect to the payment of the obligations contracted by the bank and the unpaid portion of the shares subscribed by them shall be governed by the provisions of the Commercial Code. The company may, if necessary, and with the authorization of the National Bank, make use of the method of canceling stock certificates and issuing duplicates as provided in the case of bearer shares.

Art. 109. Persons who are not permitted to engage in commerce may not be directors or members of the board or manage a banking business.

Art. 110. The board of directors shall be composed of not less than three members, the majority of whom must be Cuban citizens.

The directors or members of the board must be stockholders who have subscribed and paid for not less than ten shares.

Any member of the board who ceases to be a stockholder or who has pledged or in any way encumbered the required shares shall cease to hold office.

Art. 111. The banks must always hold within the national territory all the properties, titles, credits or securities which constitute their assets and may not hold balances or make investments abroad in amounts exceeding the proportion designated by the National Bank.

Art. 112. The banks may receive deposits on account repayable at sight or on time.

Time deposits consisting of savings accounts or bonds with a value not in excess of five thousand pesos shall have priority for collection over sight deposits in the event of liquidation of the bank's business.

Art. 113. The banks may receive and maintain deposits in foreign currencies, in accordance with the provisions of Articles 62, 98, and other applicable provisions of this Law.

Art. 114. The banks may not pay interest on deposits received or on the issuance of obligations representing such deposits in excess of the maximum rate fixed by the National Bank.

Within limits also to be fixed by the National Bank, banking institutions may agree upon the payment of commissions or reimbursement of expenses incurred by them in rendering services.

Art. 115. The amounts that a bank may receive from any one person in a savings deposit may not show a balance in excess of ten thousand pesos, including accrued interest, which shall be capitalized until such time as the account reaches the indicated limit. When the balance reaches ten thousand pesos, interest will continue to be paid but capitalization of the interest will cease.

The National Bank is empowered to authorize the acceptance, in any amount, of money deposited for a fixed period of time and for not less than ninety days, such deposits to earn interest. In this case the receiving bank shall deliver to the depositor a certificate of credit which must contain, among other particulars, the amount of the deposit, the interest agreed upon and the expiration date.

Art. 116. The total obligations that any one natural or juridical person may contract with a bank may not exceed the proportion fixed by the National Bank.

For the purpose of computing total obligations, all those contracted as principal debtor, endorser or guarantor shall be added together.

Art. 117. Without prejudice to the provisions of the preceding Article, directors or members of the board may not engage in any transactions as a result of which they may become debtors of the banking establishment of which they are members, unless such transactions are decided upon by the full board of directors, excluding the interested parties, and approved by the National Bank.

The banks may not make loans or grant credit, directly or indirectly, to their executive officers and employees in an amount exceeding one thousand pesos, unless such transactions have been previously authorized by the board of directors and approved by the National Bank.

Art. 118. The banks may not acquire from their directors or board members, nor sell or transfer to them, goods or securities on terms less favorable for the institution than they could obtain in effecting such a transaction with a person not connected with the bank and provided such transactions are agreed to by at least two thirds of the members of its board of directors and approved by the National Bank.

The foregoing prohibition shall include companies, corporations or enterprises of which such directors or members of the board are members.

Art. 119. The banks may not purchase, acquire or possess shares of their own capital, nor make loans secured thereby.

Art. 120. The banks themselves, or through persons acting in their behalf, may not retain for more than three years the real or personal prop-

erty or animals which, as a result of the settlement of their loans, they may acquire from the date this Law is promulgated, except when expressly authorized by the National Bank for reasons of public interest.

Art. 121. In the manner determined by the National Bank, each banking institution shall be obliged to set up a reserve for contingencies to be taken from the profits for the purpose of providing for future losses. The National Bank may not issue rules requiring the banks to set up a reserve which, added to the capital, exceeds $7\frac{1}{2}$ per cent of their sight deposits, or to set aside for that purpose more than 25 per cent of the annual net profits. This provision does not deprive the interested banks of their right to exceed those limits for the purpose of increasing their reserves for contingencies.

However, when a bank's reserve for contingencies decreases, and for the sole purpose of restoring the minimum fixed in the preceding paragraph, the National Bank may order that up to 50 per cent of the annual net profits of said bank be set aside for that purpose.

Art. 122. The banks may not give out reports or information relative to their deposits and other transactions, except to the depositor, debtor or beneficiary, or to their legal representatives, or to whoever holds a power of attorney to dispose of the account or to intervene in the transaction; except in the case of a judicial order issued in a lawsuit in which the depositor is a party or has been accused, or in cases in which the law expressly authorizes the State or the National Bank. The officials and employees of the banks shall be responsible for violation of the secrecy thus established and the banks shall be required, in case of the disclosure of a secret, to make good the damages or losses such action may cause.

Art. 123. The banking establishments shall send to the National Bank, within five days following the date thereof and in conformity with the form to be approved by the latter, a balance sheet as of the close of operations on the last working day of every month.

In closing operations on December 31 each year, the banks shall prepare a general balance sheet in the manner and according to the specifications of the National Bank. Said balance sheet shall be presented to the National Bank within the time limit it may fix and once approved it shall be published for the account of the interested bank, in the *Gaceta Oficial* of the Republic and in one of the newspapers having widest circulation.

Art. 124. The National Bank shall order the inspection of banking establishments whenever it deems proper and at least once a year.

For the purposes of this Article, the banks will be obliged to furnish whatever reports or data may be requested by the National Bank and to exhibit for proper examination such books, documents, correspondence and other records as may be necessary.

The information will be confidential and secret, except in the case that the National Bank accepts the facts as the basis for the resolutions it might adopt.

Art. 125. The National Bank may resolve to intervene in a banking establishment in those cases where it may be necessary for the better protection of the interests of the creditors, and especially when any of the following circumstances obtain:

- (a) If the bank defaults in its current obligations;
- (b) If it persists in violating its own by-laws, the law or the rulings issued by the National Bank;
- (c) If it manages its business in an unlawful, insecure and irregular manner leading to the conclusion that proper security for the creditors does not exist;
- (d) If the bank does not maintain accurate accounts, for the purpose of concealing its true position;
- (e) If it persists in keeping below the legal limit the reserves which guarantee its own deposits or the portion of these reserves which it should deposit at the National Bank;
- (f) If it should repeatedly refuse to allow itself to be inspected or to furnish data requested by the National Bank concerning its condition or business;
- (g) If the capital of the bank should drop to an alarming extent.

Intervention will be suspended when the cause that has led to it has ceased.

CHAPTER IV. BANKS ALREADY ESTABLISHED

Art. 126. Natural or juridical persons who, on the effective date of this Law, are habitually engaged, on a full or partial scale, in the transactions listed in Article 99, may continue operating in the national territory without changing the status of their business or their manner of operating, except where the National Bank may consider it necessary in the public interest. The persons included in this Article must nevertheless apply for and obtain registration in the Registry which will be kept for this purpose by the National Bank.

Art. 127. To obtain the registration referred to in the preceding Article, the interested parties, within thirty days following the notification to be made to that effect by the National Bank, must submit an application together with a balance sheet as of the close of operations for the preceding month, a certificate of registration in the Mercantile Registry, and such other data as may be necessary or desirable. In the case of a juridical per-

son, a certified copy of the instrument of incorporation and, as the case may be, a certificate from the Registry of Companies must likewise be submitted.

Art. 128. The National Bank, once it has ascertained that the banking establishment concerned has fulfilled all the requirements prescribed in this Law, and that it is not necessary to change the conditions of the business or its method of operating, shall effect the registration and deliver the proper certificate, provided the bank has complied with the provisions of Article 5, if it should be obliged to do so.

In other cases the National Bank, without prejudice to its use of the powers granted it in Article 125, shall suspend registration until the banking establishment concerned makes such changes in its business practices and manner of operating as have been deemed necessary in the public interest.

Art. 129. Banking establishments authorized to continue operating in the national territory shall be subject to the provisions of Articles 105, 106, 109, 111, 112, 113, 114, 115, 116, 120, 121, 122, 123, 124 and 125 of this Law.

When the form of full partnership, a special partnership or a limited liability company is adopted, the provisions of Articles 117 and 118 of this Law shall be understood to be applicable to the full partners, special partners and those of limited liability, as well as to the managers, administrators or employees; and when the form of a corporation is adopted, the provisions of Articles 117, 118 and 119 shall be applicable to the members of the board of directors or administrative council, and to the managers, executive officers or employees.

CHAPTER V. GENERAL PROVISION

The banks may discount bills of exchange or other credit documents of the kind mentioned in Article 48 of this Law, with a maturity of more than ninety days, Paragraph One of Article 178 and Section 2 of Article 212 of the Commercial Code being thus amended.

TITLE V. PENAL PROVISIONS

CHAPTER I. FELONIES

Art. 130. Persons who hold or have held positions of any category in the National Bank or in another banking concern shall be obliged to make a statement before the officers of the National Bank in charge of supervisory matters. These officers, in the exercise of said powers, as well as in the inspection of commercial or savings banks, shall have the status of public officials and if the persons obliged to make statements before them refuse to do so, they shall be subject to the penalty for an act of serious disobedience.

Art. 131. Persons who, before an officer of the National Bank with supervisory authority, declare or report falsely, refuse to report or withhold fully or partially their knowledge of affairs of the bank under inspection or investigation, shall be penalized by imprisonment of two months and one day to two years.

Art. 132. A penalty of imprisonment of from four to eight years shall be imposed upon an officer of the National Bank having supervisory authority who, in reporting the results of his investigations or inspections of said National Bank or of other banking institutions, sets forth facts, data, antecedents or declarations that are untrue, and when he omits, changes or alters the declarations or information he has received.

Art. 133. Anyone who effects the issue of National Bank notes in violation of the rules established in Chapter IV, Section 3, of Title I of this Law, or who again places in circulation notes that should have been perforated and burned, shall be penalized by imprisonment of from two to twenty years and a fine of one to five hundred quotas.⁴

Art. 134. Those who issue notes or other similar documents payable to bearer and at sight shall be penalized by imprisonment of from six months and one day to four years.

Art. 135. Anyone who, in advertisements, printed matter, merchandise or products of any class which he may manufacture, sell or distribute to the public, reproduces in facsimile, and without intent to counterfeit, the banknotes of the National Bank shall be penalized by imprisonment of from one month and one day to six months, or a fine of thirty-one to one hundred and eighty quotas, or both.⁵

CHAPTER II. INFRACTIONS

Art. 136. The placing of inscriptions, stamps, drawings, advertisements or marks or writing of any kind on the banknotes or coins of the national currency is hereby prohibited. Those who violate this provision shall be penalized by imprisonment of from one to thirty days, or a fine of one to thirty quotas, or both.⁶

Art. 137. Counterfeited notes of the National Bank that are presented at State, Provincial or Municipal offices or banks shall be rendered useless by placing thereon any of the following words: "counterfeit," "altered," or "null." Likewise, counterfeited coins will be perforated so as to be

⁴ For the implications of the term "quota" in this context, see the Penal Code of Cuba (1936), which provides in Art. 59B that personal fines shall be expressed in terms of "quotas". These shall be fixed daily by the Court. In fining the offender, the judge shall take into account his financial status (property, income, dependents).

rendered useless, without prejudice to the provisions of Article 354 and Chapter II, Section One, of Title VII of the Social Defense Code, respectively.

Officials and employees of the State, the Provinces, the Municipalities, the National Bank and the commercial banks who violate the provisions of the preceding paragraph as regards the rendering useless of counterfeited notes or coins which go through their hands will be penalized by imprisonment of from one to thirty days, or a fine of one to thirty quotas, or both.⁵

Art. 138. Those who provoke slight disorder in the offices of the National Bank shall be penalized by imprisonment of from one to thirty days, or a fine of one to thirty quotas, or both.⁶

CHAPTER III. FINAL PROVISIONS

First. Infringement of the provisions of Articles 122 and 124 of this Law shall be penalized in accordance with the provisions of Article 398-A of the Social Defense Code.

Second. Other infringements of this Law not specifically penalized shall be subject to a fine of two hundred to five hundred quotas.⁷

TRANSITIONAL PROVISIONS TO TITLE I

First. When this Law is promulgated, the Executive Power shall appoint the President of the National Bank and the Director of the Currency Stabilization Fund, who, together with the Minister of Finance and two temporary delegates to be freely appointed, one by the Cuban banks and the other by the foreign banks operating in the national territory, shall compose the Organization Committee of the National Bank.

The Committee shall appoint the person who is to act as its Secretary and shall determine his compensation.

The Executive Power shall determine the compensation to be paid to the President of the National Bank and to the Director of the Currency Stabilization Fund until such time as the salaries of these officers are definitely established.

Second. The Organization Committee, until such time as the members of the Board of Directors take office, shall discharge the following duties:

- (a) Notify the State and the persons and entities listed in Article 99 that subscription to National Bank stock has been opened;
- (b) Issue temporary certificates representing the shares subscribed and receive 10 per cent of their par value; and

⁵ See footnote 4, above (p. 667).

(c) Adopt any other measure that may be deemed necessary to prepare for the installation and organization of the National Bank and to assure the beginning of its operations on September 1, 1949, or before that date, if the Organic Budgetary Law, the Tribunal of Accounts Law and the Law creating the Court of Constitutional and Social Guarantees have been enacted.

Third. Within ten working days following the formation of the Organization Committee, the State shall contribute to it 10 per cent of the capital stock that it is to subscribe under the terms of Article 5 of this Law.

Fourth. The Organization Committee shall publish a notice in the *Gaceta Oficial* so that the persons and entities included under Article 99 of this Law may present to it, within ten working days, such data and information as may be necessary to determine the number of shares which they are to subscribe. With these data in its possession, the Committee shall advise each banking establishment of the amount of capital it is to subscribe in order that it may make its subscription within ten working days counted from the date of the notification, and to pay at the time of subscription 10 per cent of the par value of the shares subscribed.

Fifth. Payment of the remaining 90 per cent of the capital will be made at the time determined by the Board of Directors of the National Bank, and within fifteen days following the notice given to subscribers to this effect. In any case the full capital of the National Bank must be paid up before the date on which the Bank begins operations.

Sixth. The Organization Committee shall deposit in the banking establishment or establishments it may select for that purpose the proceeds of the sale of shares, as subscription takes place.

Seventh. Until the Banco de Fomento Agrícola e Industrial de Cuba is established by law, the President of the Republic, with the concurrence of the Council of Ministers, shall appoint the Director referred to in Article 23(d) and his alternate. This appointment shall be approved by the Senate of the Republic.⁸

Eighth. The Organization Committee, once the time established in the Fourth Transitional Provision has elapsed, shall call a Stockholders' Meeting in order that it may proceed to elect the Directors to represent the banks, and their alternates, in the manner described in Article 24 of this Law. For purposes of the staggering of terms of the Board of Directors provided for in the Eighth General Provision of Title I of this Law, one of the Directors elected at this time and his alternate shall hold office for a term of one year and the other, together with his alternate, for a term of three years, the decision as to which of them will hold office during either term to be determined by the drawing of lots.

⁶ See footnote 3, above (p. 635).

The Director and his alternate referred to in the preceding Transitional Provision shall be appointed for a term of two years or until the Banco de Fomento Agrícola e Industrial de Cuba is created and its President elected or designated, should this occur before the expiration of said term.

The Directors shall take office within fifteen days following the date of their appointment and once the Board of Directors has been organized, the Organization Committee shall turn over to it the assets and liabilities of the National Bank and dissolve itself, transferring to the Board of Directors the responsibility for carrying on the work of organizing the Bank.

Ninth. Once the Board of Directors has been formed, it may exercise the necessary powers to carry out the inauguration and organization of the National Bank so that it may begin its operations on September 1, 1949, or before that date if the Organic Budget Law, the Law of Tribunal of Accounts and the Law creating the Tribunal of Constitutional and Social Guarantees have been enacted.

The National Bank is expressly prohibited from engaging in operations of any kind before the date referred to in this provision, except in the event that the Laws herein listed have been enacted.

Tenth. Within fifteen working days prior to the date that has been set for the National Bank to begin operations, the stockholder banks shall deposit therein the proportion of their legal reserves mentioned in Articles 60 and 61 of this Law. The deposit shall be made in national currency and in currency of the United States of America in the proportion in which the deposits guaranteed by these reserves existed on that date.

Eleventh. The expenses of printing the notes required to replace the silver certificates in circulation shall be borne by the State.

Twelfth. The expenses which the National Bank is to defray during its organization period and the losses it may incur during the first year of its operations shall appear in an assets account under the title of "Organization Account," to be amortized in successive years with that part of the net profits which Article 71 of this Law sets aside for the accumulation of a Reserve Fund.

Thirteenth. The Board of Directors shall be empowered to engage the services of such Cuban or foreign technicians as it may deem necessary for the best organization and operation of the National Bank.

TRANSITIONAL PROVISIONS TO TITLE II

Commencing on the date the National Bank begins its operations, Articles 1, 2, 3, 4, 5, 6, 7 and 8, and Paragraph 2 of Article 9, of Law No. 5 of May 2, 1942 shall be repealed.

The Treasury Certificates of Indebtedness or Treasury Notes referred to in the first paragraph of Article 9 of Law No. 5 of May 2, 1942 and in other

legal regulations which permit their issuance may continue to be issued even after the date on which the National Bank begins operations, within the limits and fulfilling the requisites and conditions established in Article 52 of this Law, for loans to the State. The total amount of the Treasury Certificates of Indebtedness or Treasury Notes which the State discounts with other banking entities or which are placed by subscription among private individuals shall be computed by the National Bank within the maximum advances it may make.

These Treasury Certificates of Indebtedness or Treasury Notes may be issued only for the purpose of meeting expenses of the budget in effect and no taxes other than those estimated as revenue for the corresponding fiscal year may be pledged for their redemption.

TRANSITIONAL PROVISIONS TO TITLE III

Silver certificates and silver one-peso pieces shall continue to be legal tender until such time as the National Bank exchanges them.

TRANSITIONAL PROVISIONS TO TITLE IV

The banks existing when this Law becomes effective must fulfill the requirements as to capital and reserves for contingencies established in Article 105, within one year from the date on which the National Bank begins operations. For the proper proportion between actual capital plus reserves for contingencies and sight deposits, the banks may choose between increasing their capital or reserves for contingencies or reducing their deposits. Likewise, the banks shall be authorized to invest the amount of capital and reserves for contingencies which, in accordance with Article 105, they must have when the National Bank begins operations, in first-class Cuban or foreign public securities. Said investments shall be exempt from the payment of the tax on the exportation of money and the holding of balances abroad and the certificates representing these investments shall be held in the national territory even in the case of foreign securities, and they shall be properly identified before the Ministry of Finance for purposes of tax exemption.

FINAL PROVISIONS

First. Paragraph 2 of Article 4 of Law No. 7 of April 5, 1943 shall be worded as follows:

"The amounts which each bank has remitted abroad, insofar as they do not exceed the amount fixed by the National Bank of Cuba, shall also be excepted from the provisions of the preceding Article."

Second. The Law on Relations between the Powers of the State is amended in order to convene Congress to a Special Session, which will commence on February 1, 1949, for the purpose of taking cognizance of and discussing the bills on the Organic Budgetary Law, Tribunal of

Accounts, Tribunal of Constitutional and Social Guarantees, and the Law on the Accounts of the State, Provinces, and Municipalities and the Autonomous Organizations subject to supervision of the Tribunal of Accounts.

Third. Article 5 of Law No. 2 of 1946, as amended by Law No. 2 of October 30, 1948, shall have a third paragraph added thereto reading as follows:

"The Senate and the House of Representatives shall likewise meet in special session when called by virtue of any law mentioning the matter or matters for which the session is called and stating the time at which it is to be held."

Fourth. Once this Law is published in the *Gaceta Oficial* of the Republic, the Congress shall remain in special session from February 1, 1949 until the beginning of the Regular Session and, thereafter, from the end of the Regular Session until August 31 of the same year, for the sole purpose of discussing the following matters:

- (a) The Organic Budgetary Law;
- (b) The Tribunal of Accounts;
- (c) The Tribunal of Constitutional and Social Guarantees; and
- (d) The Law on the Accounts of the State, Provinces, and Municipalities and the Autonomous Organizations subject to supervision by the Tribunal of Accounts.

Fifth. All laws, decrees, decree-laws, resolution-laws, regulations and other legal provisions in conflict with the fulfillment of this Law are hereby repealed.

Sixth. This Law shall become effective upon publication in the *Gaceta Oficial* of the Republic.

Acceptance of Bretton Woods Agreements

Cuba has published the Bretton Woods Agreements in the *Gaceta Oficial* (extraordinary edition) of May 31, 1946, as follows: pages 1-20, Articles of Agreement of the International Monetary Fund (in Spanish); pages 21-36, Articles of Agreement of the International Bank for Reconstruction and Development (in Spanish). Both Agreements were approved by the Senate of the Republic on May 7, 1946 and ratified by the Executive Power on May 9, 1946.

Cuba signed the Articles of Agreement of the Fund and of the Bank in Washington, D.C., on December 31, 1945 and deposited the Instruments of Acceptance relating to these Agreements on March 14, 1946.

Cuba withdrew from membership in the Bank effective November 14, 1960.

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