

**Law for Partial Amendment of
the Law of the Central Bank of Venezuela
2002**

The Law for Partial Amendment of the Law of the Central Bank of Venezuela was published in Official Gazette of the Bolivarian Republic of Venezuela N° 5606 Extra, of Friday October 18th, 2002.

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The National Assembly
of the Bolivarian Republic of Venezuela
decrees the following

Law for Partial Amendment of
the Law of the Central Bank of Venezuela

Article 1. Article 65 is hereby amended as follows:

Article 65. The Central Bank of Venezuela shall close and settle its accounts on June 30th and December 31st every year.

Article 2. Article 71 is hereby amended as follows:

Article 71. Ten per cent (10%) of all the semi-annual net profits of the Central Bank of Venezuela, whatever their origin or nature, shall be funneled to the General Reserve Fund, whose quantitative limit shall be set by the Board, upon reasoned grounds.

The Board of the Bank shall instruct, provided a reasoned decision, that the remaining semi-annual net profits, upon deduction of the reserves set forth in the preceding paragraph as well as those voluntary ones, which shall by no means exceed a five per cent (5%) of the said profits, be turned over to the National Treasury in the occasion thus determined by the Board within six (6) months of the respective closing of the fiscal term.

Calculation of the profits to be turned over to the National Treasury shall be based on the semi-annual net profits realized and collected pursuant to the Regulations of the Banking Superintendence and Other Banking Institutions. The remaining profits of the Central Bank of Venezuela shall be turned over to the National Executive on a scheduled basis and pursuant to the goals and deadlines set forth in the Macroeconomic Coordination Agreement.

Article 3. A new Transitory Provision, under number Ninth, is hereby included. It shall read as follows:

Ninth: In order to enforce article 71, as amended, the Central Bank of Venezuela shall close and settle the respective fiscal term on September 30th, 2002 and shall turn over liquid and collected profits to the National Treasury within the period thus set forth in the abovementioned article.

Likewise, a new fiscal term shall commence on October 1st, 2002 and terminate on December 31st, 2002, and profits shall be turned over to the National Treasury pursuant to the aforementioned conditions.

Article 4. A new Transitory Provision, under number Tenth, is hereby included. It shall read as follows:

Tenth: Article 65 of this Law shall become effective as of January 1st, 2003.

Article 5. Pursuant to article 5 of the Official Publications Law, it is hereby ordered that the Law of the Central Bank of Venezuela, passed on September 4th, 2001 and published in Official Gazette of the Republic of Venezuela under N° 37296, dated October 3rd, 2001, be printed anew in a single text to include the amendments passed herein, and that in the respective single text, numbering be corrected and the signatures, dates and other passage and enactment data be replaced by the ones herein.

Given, signed and sealed in the Federal Legislative Palace, seat of the National Assembly, in Caracas, on this the seventeenth day of the month of October, two thousand and two. Year 192 since Independence and 143 of the Federation.

WILLIAN LARA

President

RAFAEL SIMÓN JIMÉNEZ

First Vice President

NOELI POCATERRA

Second Vice President

EUSTOQUIO CONTRERAS

Secretary

ZULMA TORRES DE MELO

Deputy Secretary

Given at the Miraflores Palace, in Caracas, on this the seventeenth day of the month of October, two thousand and two. Year 192 since Independence and Year 143 of the Federation.

Be it executed

(L.S.)

HUGO CHÁVEZ FRÍAS

Countersigned

The Executive Vice President

(L.S.)

JOSÉ VICENTE RANGEL

Countersigned

The Interior and Justice Minister

(L.S.)

DIOSDADO CABELLO RONDÓN

Countersigned

The Foreign Affairs Minister

(L.S.)

ROY CHADERTON MATOS

Countersigned

The Finance Minister

(L.S.)

TOBÍAS NÓBREGA SUÁREZ

Countersigned

The Defense Minister

(L.S.)

JOSÉ LUIS PRIETO

Countersigned

The Production and Commerce Minister

(L.S.)

RAMÓN ROSALES LINARES

Countersigned

The Agriculture and Land Minister

(L.S.)

EFRÉN DE JESÚS ANDRADES LINARES

Countersigned

The Advanced Education Minister

(L.S.)

HÉCTOR NAVARRO DÍAZ

Countersigned

The Education, Culture and Sports Minister

(L.S.)

ARISTÓBULO ISTÚRIZ ALMEIDA

Countersigned

The Health and Social Development Minister

(L.S.)

MARÍA URBANEJA DURANT

Countersigned

The Labor Minister

(L.S.)

MARÍA CRISTINA IGLESIAS

Countersigned

The Infrastructure Minister

(L.S.)

ISMAEL ELIÉZER HURTADO SOUCRE

Countersigned

The Energy and Mines Minister

(L.S.)

RAFAEL DARÍO RAMÍREZ CARREÑO

Countersigned

The Environment and Natural Resources Minister

(L.S.)

ANA ELISA OSORIO GRANADO

Countersigned

The Planning and Development Minister

(L.S.)

FELIPE PÉREZ MARTÍ

Countersigned

The Science and Technology Minister

(L.S.)

NELSON JOSÉ MERENTES DÍAZ

Countersigned

The Information and Communications Minister

(L.S.)

NORA MARGARITA URIBE TRUJILLO

Countersigned

The State Minister

(L.S.)

JOSÉ FRANCISCO NATERA MARTÍNEZ

Countersigned

The Presidential Secretariat Minister

(L.S.)

RAFAEL VARGAS MEDINA

**THE NATIONAL ASSEMBLY
OF THE BOLIVARIAN REPUBLIC OF VENEZUELA**

DECREES

The following,

“LAW ON THE CENTRAL BANK OF VENEZUELA”

**TITTLE I
CENTRAL BANK OF VENEZUELA BYLAWS**

**Chapter I
Juridical Nature**

Article 1. The Central Bank of Venezuela is a legal entity of public law that is a part of the National Authority , with constitutional rank, and full public and private capacity.

Article 2. The Central Bank of Venezuela is autonomous to make and implement policies within its scope of competency, and performs its duties in a coordinated manner with the general economic policy to achieve the loftiest objectives of the State and the Nation. In the performance of its duties, the Central Bank of Venezuela is not submitted to the guidelines issued by the Executive.

Article 3. The patrimony of the Central Bank of Venezuela is made up of the initial capital, the General Reserve Fund, undistributed profits and any other patrimonial account.

The patrimony of the Central Bank of Venezuela may not be assigned or transfer.

Chapter II Domicile

Article 4. The domicile of the Central Bank of Venezuela is the city of Caracas.

Chapter III Purpose and Functions

Article 5. The main purpose of the Central Bank of Venezuela is to achieve price stability and preserve the currency value.

The Central Bank of Venezuela shall contribute to the sound development of the national economy, based on the principles of the social and economic system of the Republic.

Article 6. The Central Bank of Venezuela shall contribute to the Latin American and Caribbean integration by establishing the necessary mechanisms to expedite the coordination of macroeconomic policies.

Article 7. For the proper achievement of its objective, the Central Bank of Venezuela shall perform the following functions:

1. Make and execute the monetary policy.
2. Participate in the design of the foreign exchange policy and execute it.
3. Regulate the credit and the interest rates of the financial system.
4. Regulate the currency and promote the adequate liquidity of the financial system.
5. Centralize and manage the international monetary reserves of the Republic.
6. Participate in, monitor and regulate the foreign exchange market in the terms it may agree to with the Executive.
7. Watch over the proper functioning of the country's payments system and set the operating rules thereof.
8. Exercise the exclusive power to issue currency.
9. Advise the national public powers in connection with the matters within its

competency.

10. Exercise the rights and take on the obligations of the Republic at the International Monetary Fund, pursuant to the provisions set forth in the respective agreements and in the Law.
11. Participate in, regulate and perform operations in the gold market.
12. Compile and publish the main economic, monetary, financial, exchange, price and balance of payments statistics.
13. Perform other operations and services pertaining to central banks, pursuant to the law.

TITTLE II DIRECTION AND ADMINISTRATION OF THE CENTRAL BANK OF VENEZUELA

Chapter I Board of Directors and Executive Management

Article 8. The President will be in charge of the direction and administration of the Central Bank of Venezuela, and he/she shall also act in the capacity as chair person of the Board of Directors and as legal represent of the Bank.

Article 9. The President of the Central Bank of Venezuela is the main representative and executive authority of the Bank, his/her office requiring an exclusive dedication. He/she shall be designated by the President of the Republic for a seven-year (7) term, following the procedure set forth herein in relation to the integration of the Board of Directors, and shall be ratified by the majority vote of the National Assembly Representatives. Should the National Assembly consecutively reject two (2) candidates, the President of the Republic shall appoint the President of the Bank, whose designation shall be ratified by the National Assembly.

Article 10. The duties of the President of the Central Bank of Venezuela are as follows:

1. Direct the Bank, manage its affairs and act as authorized spokesperson. Being the spokesperson of the Bank and the Board of Directors is a function that may be performed by a director authorized by the President for such purpose.
2. Exercise the legal representation of the Bank, except for the judicial matters, in which case the representation shall be performed by a judicial representative or representatives, as well as by the attorneys-in-fact designated by the Board of Directors. Nevertheless, the Bank may be served summons or given judicial notice through the President.
3. Represent the Central Bank of Venezuela at the domestic and international institutions and entities in which its participation is provided for, without prejudice to the possibility that the President may temporarily delegate this representation to the First Managing Vice President or to any of the directors or Vice Presidents.
4. Ensure compliance with the Central Bank of Venezuela Law, Bank-related legislation and the decisions issued by the Board of Directors.

Article 11. The First Managing Vice President shall assist the President of the Central Bank of Venezuela, perform the functions that the President or the Board of Directors expressly delegates to him/her and attend the Board of Directors meetings, with the right to speak but not to vote, acting as the Secretary of the Board of Directors. Its office requires an exclusive dedication.

Article 12. The First Managing Vice President shall be designated by the Board of Directors, upon a proposal by the President of the Central Bank of Venezuela for a six-year (6) term, and may be removed from office through a reasoned decision made by the Board of Directors, upon proposal of the President of the Bank.

Article 13. The President of the Central Bank of Venezuela shall propose to the

Board of Directors the candidates for Division Vice Presidents. The Division Vice Presidents may be removed from their offices through a reasoned decision made by the Board of Directors only. The Vice Presidents shall be responsible for the various technical areas assigned to them by the respective Regulation. They report to the First Managing Vice President and advise him/her in connection with the matters within their respective areas, and, should that be the case, they shall advise the President and the Board of Directors. The Division Vice President is an office requiring a full-time dedication.

The First Managing Vice President and the Vice Presidents shall comply with the eligibility requirements set forth in Article 18 and not incur in the incompatibilities provided for in Article 19.

Article 14. The First Managing Vice President shall act in the temporary absence of the President. In case of permanent or temporary absence of the First Managing Vice President, the Board of Directors shall appoint a Division Vice President to replace him/her.

The First Managing Vice President shall temporarily act in the absolute absence of the President until a new designation occurs. The new designation shall be made within ninety (90) days following such absence. Within the first thirty (30) days of such term, the President of the Republic shall submit the new designation to the National Assembly's consideration, in the terms set forth herein.

For purposes hereof, a temporary absence shall mean any uninterrupted absence not exceeding four (4) months or six (6) months of total accumulated absence within the term of one year (1). For absolute absence shall be understood any absence exceeding the aforementioned term.

In any event, acting in the absence of any of the aforesaid offices involves the exercise of the authority, responsibilities, powers and duties of the absent official.

Chapter II Board of Directors

Article 15. The Board of Directors of the Central Bank of Venezuela is made up of the President of the Bank and six (6) Directors, five (5) of whom shall be full-time members designated for a seven (7) year term. One of the Directors shall be a Minister of the economic cabinet, designated by the President of the Republic with an alternate. The Finance Minister may not be a member of the Board of Directors. The Board of Directors and the First Managing Vice President will represent the Nation's interest only.

The members of the Board of Directors, including the President of the Bank, may be ratified in their offices. If their terms expire, and they are not ratified, the President and the members of the Board of Directors shall remain in their offices until their respective substitutes are designated, which designation shall be made in a term not exceeding ninety (90) days.

Within the first thirty (30) days of such term, the President of the Republic shall submit the respective designation of the President of the Bank for consideration by the National Assembly, abiding by the procedure set forth in Article 9.

Article 16. The President of the Republic shall be responsible for the designation of the President and four (4) Directors of the Bank, one of whom will be the Minister mentioned in the preceding article. The National Assembly, in turn, shall designate the two (2) remaining Directors by a majority vote.

The members of the Board of Directors of the Central Bank of Venezuela, except for the Minister, shall be designated upon compliance with the public procedure concerning the evaluation of their merits and credentials for office. The Directors designated by the National Assembly, the procedure shall provide that for each vacant office, at least three candidates will be considered.

Article 17. The National Assembly shall create a merits and credentials evaluation committee, which will be responsible for verification and evaluation of

credentials and suitability requirements of the candidates who will make up the Board of Directors. Such committee will be made up by two (2) representatives elected by the Assembly, two (2) representatives designated by the Executive, and one (1) representative appointed by the National Academy of Economic Sciences.

In applying the public procedure, the merits and credentials evaluation committee shall complete, at least, the following stages:

- a. Prepare a list of eligible candidates, which shall contain, at least, three candidates for each vacant office.
- b. Gather information on each candidate in a curriculum vitae allowing for clearly and unequivocally verification of compliance with the requirements for office, and detect any conflict of interests which may prevent the sound performance of duty.
- c. Publish in, at least, one (1) newspaper with circulation nationwide, a resume of the candidates within ten (10) business days following the closing date of the postulation process.

Article 18. To become a member of the Board of Directors of the Central Bank of Venezuela the candidates are required to

1. Be Venezuelan citizens and have no impair to fully exercise civil and political rights.
2. Have a renowned knowledge in economic, financial and banking matters or in areas related to the nature of the duties to be performed, with an experience of at least ten (10) years.
3. Never have been declared on bankruptcy or condemned for fraud or perjury against legal authority, or for crimes against property or against the National Treasury. They are likewise required no to be legally impaired to engage in commerce or perform a public office.
4. Not to have blood relationship up to the fourth degree or in-law

relationship up to the second degree with the President of the Republic or his/her spouse, or with the Minister responsible for the finances or his/her spouse, or with the President of the National Assembly or his/her spouse, or with a member of the Board of Directors or his/her spouse.

Article 19. The office of President or Director is not compatible with the following:

1. Engagement in political activism or participation as director in political organizations, professional associations, unions or academic corporations.
2. Entering into commercial contracts with the Bank and negotiate with the Bank personal business or other party business for the purposes of entering into such contracts, either by him/herself or through a third party, during the term of office and for two years after expiration of commission.
3. Being a shareholder or a director in financial corporations, holding stock or securities issued by the financial market or financial institutions or related companies.
4. Performing activities which may lessen the independent and unbiased nature of the office, or may lead to conflict of interests or allow the use of privileged information.

Article 20. Within two (2) years following expiration of commission, the President, the First Managing Vice President and the members of the Board of Directors may not perform any managerial and consulting activities or legal representation in private entities when such activities are incompatible with their former office, and will remain bound to the secrecy duty set forth herein. During such term, the Central Bank of Venezuela will provide the former officials an indemnification equivalent to eighty per cent (80%) of their last base salary. The right to indemnification set forth herein shall not be applied to the Minister who has been a member of the Board of Directors or to former directors who have been retired, removed from office or who have resigned to office provided that

the latter occurs within less than three years in office.

Article 21. The Board of Directors shall exercise the highest direction of the Central Bank of Venezuela, and particularly shall have the following duties:

1. Watch over compliance with the purposes and objective of the Central Bank of Venezuela.
2. Issue and execute the guidelines of the monetary policy and establish the mechanisms for the implementation thereof, as well as make the adjustments resulting from the follow-up and evaluation of such policy. In this connection, the Board of Directors will exercise the powers conferred to the Central Bank of Venezuela concerning bank reserves and other monetary policy instruments. In the exercise of such power, the Board of Directors may establish distinctions to determine the bank reserve requirements or other regulation instruments, applicable to banks and other financial institutions, in accordance with the selective criteria it may determine for such purposes, as well as special bank reserves in the cases it may deem advisable.
3. Regulate the organization and functions of the Bank, in accordance herewith.
4. Approve administrative and personnel policies and their respective regulation to improve the functioning of the Bank and approve the Board of Directors internal system.
5. Approve the accounting policy of the Bank.
6. Designate the Division Vice Presidents, and remove them from office through a reasoned decision that complies with the requirements set for due process.
7. Establish the remuneration policy of the Bank's personnel, including the Directors, the First Managing Vice President and the Division Vice Presidents, subject to the operating budget approved by the National Assembly.
8. Designate general and special attorneys-in-fact.
9. Approve the Bank's strategic plan and the annual draft income and expense budget for the Central Bank of Venezuela, which will be governed by this Law and, in general, by other laws governing the matter. The Board of Directors

will send the draft operating income and expense budget to the National Assembly for approval. The Board of Directors shall also follow-up and evaluate the budget execution.

10. Establish internal control and management systems for the Central Bank of Venezuela and watch over their sound functioning.
11. Set the discount, rediscount or interest rates that will apply for the operations of the Central Bank of Venezuela.
12. Regulate the interest rates of the financial system, in accordance with the provisions herein.
13. Extend more than once the terms indicated in the instruments subjected to discount or rediscount or against which the Bank has made advance payments or granted loans.
14. Authorize the printing, issuance, demonetization and destruction of currency.
15. Participate in the foreign exchange policy design, pursuant to the respective agreements that may be entered into with the Executive, as well as establish the mechanisms for the execution of the aforesaid policy.
16. Set, upon agreement with the Executive, the price in Bolivars that shall govern the purchase and sale of foreign exchange.
17. Supervise and issue the functioning rules for the various payment systems of the country, either operated by the Central Bank of Venezuela or not, in order to ensure their efficient functioning, within the highest security levels for the participants and the public in general. The Central Bank of Venezuela shall be the sole entity authorized to enter into agreements to set the rules for bilateral and international payment systems.
18. Open and close offices, branches and agencies. Order the organizations of corporations.
19. Authorize the purchase or sale of real properties required for the development of the activities of the Central Bank of Venezuela.
20. Review on a selective and regular basis, at least every three (3) months, the assets and liabilities kept by the Central Bank of Venezuela.
21. Create and dissolve commissions and committees required or that have been

required for the proper functioning of the Bank, as well as follow-up such commissions and committees.

22. To appoint the persons who will administer those institutions on which the Central Bank of Venezuela has interests and on those provided by the Law.
23. Classify the degree of confidentiality of the Central Bank of Venezuela information to which other institutions may have access, as well as authorize the disclosure thereof in cases when it becomes strictly necessary, pursuant to this Law. The degree of confidentiality shall be limited to cases which objectively may involve a threat to the monetary security and stability or any other damage to public interest.
24. File with the National Assembly a report on the annual policies and on the performance, goals and results of the Central Bank of Venezuela, as well as regular reports on the behavior of macroeconomic variables in the country and on any other subjects which may be requested, in the terms set forth herein. The President of the Central Bank of Venezuela will attend the National Assembly when required or invited to special meetings on this subject.
25. Ensure the rendering of the services within its competency and exercise the other powers provided for by the Law.
26. Approve the financial statements and the Bank's annual and policies report, as well as the examiners' reports.
27. Elect two (2) examiners and their alternates and determine their remuneration.

Article 22. The Board of Directors regular meetings shall be held at least once a week, following due call issued by the President. The meetings shall be compulsorily held when requested by three (3) Directors. Special meetings shall be held whenever the Board of Directors may decide so.

Article 23. The quorum shall be validly met with the presence of the President or the person who may represent him together with the presence of three (3)

Directors. Unless otherwise provided for by the law, the decisions shall be made by the majority vote. The President will have a tie-breaking vote.

Article 24. The Board of Directors of the Central Bank of Venezuela is autonomous as to the performance of its duties, the definition of the Bank policies and the execution of its operations, in the terms set forth by the Law, except for those matters for which this Law requires the concur or approval of the Executive.

Article 25. The President or elected Directors shall be removed from office when incurring in the following events:

1. Failure to meet the requirements set forth herein to become a member of the Board of Directors.
2. Incur in the incompatibilities set forth herein.
3. Failure to attend without cause the Board of Directors regular meetings for three (3) consecutive times.
4. Lack of probity, defamation or harmful action against the reputation or the interests of the Central Bank of Venezuela or the Republic.
5. Failure to comply with the Board of Directors decisions or agreements.
6. Serious damage caused to the patrimony of the Central Bank of Venezuela or the Republic due to willful misconduct or gross negligence.

Article 26. For the events mentioned in preceding Article, the President of the Republic, the President of the Central Bank of Venezuela or, at least, two (2) of its Directors may initiate a procedure for the removal of any of the Directors. For such purposes, the request for removal shall be sent to the Board of Directors, which in turn, within a term not exceeding sixty (60) days, following due consideration and completion of the procedure, shall send the records to the

National Assembly for decision. The removal shall be decided by the vote of two-thirds (2/3) of the National Assembly Representatives.

Article 27. The Directors are responsible for the decisions made in the performance of their duties. Likewise, they will be held liable for the decisions made by the Board of Directors, unless they have refused to vote or voted otherwise on the matter resolved. The refusal to vote or the dissenting votes shall be recorded in the minutes together with their respective written explanation, if any.

Failure to comply with the Bank's purpose and goals without fair cause will result in the removal of the Directors through a decision which shall be adopted by the vote of two-thirds (2/3) of the National Assembly members. In any case, the removal shall not apply to those Directors who have stated their dissenting or negative vote with respect to the decisions that has given rise to the breach.

Chapter III Workers of the Bank

Article 28. The personnel working for the Central Bank of Venezuela, in accordance with the Law, by-law or contract governing their service, shall consist of hired officials or civil servants, protection, custody and security employees and workers.

The officials or civil servants working for the Central Bank of Venezuela shall be governed by the regulations issued by the Board of Directors for such purposes, and, in an ancillary manner, by the Civil Service Career Law or by any succeeding law.

The regulations issued by the Board of Directors will set forth the civil service career system for the Central Bank of Venezuela officials or employees, including

acceptance rules, promotion, transfer, suspension and termination of employment and any other rules which may be deemed appropriate. Such regulations will provide at least for the employees' rights pertaining to payment in lieu of notice, severance pay, vacations, profits-sharing and indemnification for dismissal without cause unjustified firing, as set forth in the Organic Labor Law.

The provisions of this Article shall apply to the Minister designated as a Director of the Central Bank of Venezuela by the President of the Republic.

The protection, custody and security personnel of the Central Bank of Venezuela, considering the nature of their work, shall be governed by any special regulation which the Board of Directors may issue.

The personnel hired to perform special works or activities other than the regular works performed by civil servants, the non-permanent personnel or persons who replace officials or civil servants on temporary, short-term basis, shall be governed by the respective contract and, in an ancillary manner, by the Organic Labor Law.

The blue-collar workers of the Central Bank of Venezuela shall be governed by the Labor Organic Law.

Article 29. The personnel of the Central Bank of Venezuela has the right to strike, unionize and is entitled to collective bargaining, as set forth by the Constitution of the Bolivarian Republic of Venezuela and the Labor Organic Law.

For purposes of keeping uninterrupted the essential activities and services performed by the Central Bank of Venezuela, the Board of Directors will define through an agreement, and after hearing the opinion of the respective union representative, the specific tasks not subject to suspension caused by strikes or labor conflicts, pursuant to the labor legislation in force.

Article 30. The President of the Bank shall be responsible for the personnel management of the Central Bank of Venezuela, and may perform such duty through the First Managing Vice President.

TITLE III. OPERATION OF THE CENTRAL BANK OF VENEZUELA

Chapter I. General Provisions

Article 31. The management of the Central Bank of Venezuela shall be based on the principle of transparency. In this connection, and without prejudice of its institutional responsibilities, it shall kept informed the National Executive Power and other State entities, the public and private economic agents, either domestic or foreign, and the population at large on a timely and reliable basis about the execution of its policies, the decisions and resolutions of its Board of Directors, the reports, publications, research and statistical data allowing for better information concerning the evolution of the Venezuelan economy, without prejudice of the applicable confidentiality rules in accordance with the Constitution.

In compliance with the foregoing, the Central Bank of Venezuela shall meet on regular basis to discuss the monetary policy and shall publish the minutes of such meetings in the media it may deem appropriate, including the use of state-of-the art information systems.

Article 32. During the first month of each semester, the Board of Directors of the Central Bank of Venezuela shall approve the guidelines of the monetary policy together with the goals and action strategies considering the objectives set by the Bank.

For such purposes, the Bank shall analyze and evaluate the medium and long-term prospects and scenarios for the various development alternatives of the Venezuelan economy and the international environment supporting its strategy. For this, the Bank shall previously gather from public and private entities the necessary information.

Article 33. The design of the exchange system shall be regulated by the respective exchange agreements which the National Executive, represented by the Finance Minister, and the Central Bank of Venezuela, represented by its President.

Article 34. Without prejudice of the provisions of Article 10, number 3 hereof, the Central Bank of Venezuela shall designate one (1) or more judicial representatives who will be officials who can be freely elected or removed by the Board of Directors. The judicial representatives are the only one officials, except for duly appointed attorneys-in-fact, who are duly empowered to judicially represent the Central bank of Venezuela, and therefore, the Bank will be served summons or given judicial notice through any of the persons performing such office.

The judicial representatives are empowered to carry out any act they may deem advisable to defend the rights and interests of the Central Bank of Venezuela, without any other limitation than their accountability duties. They will require an authorization in writing issued by the president of the Central Bank of Venezuela to agree, compromise, desist, submit to arbitrators either governed by equitable principles or by the law, as well as make bids in auctions and post bonds in connection therewith.

Article 35. The Central Bank of Venezuela is exempt from payment of any tax, fee, duty or any other payment to the National Treasury, except for indirect taxes applicable to the commercialization of goods produced by the Bank. Likewise, the Bank has tax immunity with regard to taxes created by the states, the Caracas Metropolitan District and the municipalities.

In general, for these purposes the Central Bank of Venezuela is hereby equaled to the National Treasury Office and, therefore, it enjoys franchises and privileges enjoyed by such office.

Article 36. The Bank shall not

1. Agree to validation or monetary financing of deficitary tax policies.
2. Grant direct credits to the National Government, or guarantee the obligations of the Republic, States, Municipalities, autonomous institutes, State-owned companies or any other public or mixed entity.
3. Grants loans or advances without a special guaranty, except for mutual agreements entered into with other central banks, regional clearing houses or regional Latin American banks.
4. Grant current account credits.
5. Grant loans for long-term investments, even with mortgage guaranty, or aimed at creating or raising permanent capital of banks, savings and loans devices, other entities existing or which may exist in the country or of ventures of any other nature.
6. Grant advance payments or loans, or make discounts or rediscounts on credits due or extended.
7. Discount or rediscount credits or make advance payments against them, when the financial statements of debtors are not available or when such financial statements have been prepared more than one (1) year before. However, when the credit has been produced by a bank or any other

- financial institution, the general balance of the bank or financial institution or the financial statements of the issuer or the last endorsing entity will suffice, provided they have not been prepared more than one (1) year before.
8. Extend for more than one time the terms stated in the documents which have been subject of discount or rediscount or against which advance payments have been made or loans have been granted.
 9. Guarantee the placement of securities.
 10. Be the holder of shares in corporations of any nature, have any interest in such corporations or participate, either directly or indirectly, in the management thereof, except for corporations whose main purpose is directly linked with activities that are specific or necessary for the operations of the Bank, and except for cases of corporations which the Central Bank of Venezuela has received as payment for credits it may have granted or acquired under the execution of guaranties to safeguard its assets.
 11. Grant loans or advance payments to the President, First Managing Vice President, Vice Presidents; employees of the Central Bank of Venezuela, as well as their respective spouses, or purchase long-term credit documents of the President of the Republic or of the Ministers. The loans which the Central Bank of Venezuela may grant to its officials as a part of the credit assistance policy that the Bank is bound to implement through the Employees Credit, Pension and Retirement Fund, provided for herein, will be an exception to this provision.
 12. Grant loans to any bank, firm or corporation where any of the Directors, First Managing Vice President, any of the Vice Presidents of the Central Bank of Venezuela, or the spouses of any of them, may have an interest of any nature.

13.Acquire real estate, except for those which may be required for the performance of the Central Bank of Venezuela activities or for its offices, for executive officers of the Bank and for similar purpose, as well as the real estate received in the safeguard of its assets as payment of credits which the Bank may have granted, and the real estate acquired under guaranty agreements.

14.Accept properties or property rights from third parties as trustee, for administration purposes of for the performance of any other operation similar in nature.

Article 37. the properties which the Central Bank of Venezuela may receive to safeguard its assets, in payment of credits it may have granted or that it has acquired in compliance with guaranty agreements, shall be sold within the term of three (3) years from the acquisition date. If within the aforesaid term, the Central Bank of Venezuela has not been able to sell them, the National Executive may extend such term for an equal number of years once the Bank has filed a report stating the reason why such sale operation has not been performed. The Central Bank of Venezuela shall liquidate the aforementioned properties within the extended term.

The liquidation of properties referred to herein may be performed by the Central Bank of Venezuela by means of a public bidding process for which the Board of Directors shall issue the respective rules.

Chapter II. Information, Security and Protection

Article 38. Any employee of the Central Bank of Venezuela, even when the employment has been terminated, shall keep secret the privileged and

confidential information which he/she may have learned in the performance of his/her duties. The breach of such duty by the Bank's officials and employees shall be penalized in accordance with the provisions of the Personal Bylaws of the Bank or the national legislation on civil service, and in the case of the Directors in accordance with Article 25 hereof.

The secrecy duty likewise applies to all persons who, for any reason, have accessed classified information, and particularly, those persons performing control duties or attending the meetings with the Bank's management either in the exercise of a right or following an invitation to attend.

Article 39. The Central Bank of Venezuela Board of Directors may classify certain pieces of information as secret or confidential, when the anticipated dissemination or public disclosure of the monetary, fiscal or financial policy may cause damage to the general interest or, as the case may be, to the effectiveness and efficiency of the measures adopted.

The Central Bank of Venezuela shall satisfy the requests by the citizens in the exercise of the right to access the administrative records and files provided for in Article 143 of the Constitution, except for documents or information classified as secret and confidential.

Article 40. The Central Bank of Venezuela Board of Directors shall issue the rules for the automated treatment of personal data in order to protect the personal rights provided for in the Constitution.

Article 41. The National Assembly and the Commissions thereof may access the information and documents classified as secret or confidential, following a request addressed to the President of the Central Bank of Venezuela. The president of the National Assembly may request in a reasoned manner abidance

by the procedure and compliance with the duties statutorily provided for secret meetings.

Article 42. The Central Bank of Venezuela will have a protection and security system of its own, which shall be responsible for the security of the Bank personnel, properties and premises.

In accordance with this Law and its Regulations, the Protection, Custody and Security body will have its own Bylaws which shall be approved by the Central Bank of Venezuela Board of Directors.

Article 43. Without prejudice of the scope of competencies corresponding to the General Attorney's Office and to the bodies of the public power, the Bank's security personnel shall cooperate in the investigation of felonies which may occur in the premises watched by such personnel. The appropriate judge shall determine the validity of the proving acts gathered by the Protection, Custody and Security Body of the Bank.

Chapter III. Operations of the Central Bank of Venezuela with the Government

Article 44. The Central Bank of Venezuela may be keeper of the National Treasury funds as it may agree to with the National Executive.

The Central Bank of Venezuela may open and keep sub account in foreign exchange in favor of the National Treasury in accordance with the law and the agreements which may be entered into with the National Executive.

Article 45. The Central Bank of Venezuela may be financial agent for the National Executive in its credit operations both domestic and external.

The Central Bank of Venezuela, in its capacity as financial agent, shall advise in planning and scheduling the public credit operations provided for in this Article, and shall manage the placement, repurchase and purchase of securities, contracting and service of such credits, as the case may be. These services shall be for free, without any other obligation for the National Executive than reimbursing the expenses incurred by the Bank in the performance of such activities.

The Executive through the Finance Minister shall agree with the Central Bank of Venezuela the terms under which the performance of services and operations provided for herein which are excepted from the application of this article.

Article 46. The Central Bank of Venezuela shall:

1. File on regular basis with the National Executive reports on the monetary and financial situation, both domestic and external, and propose the relevant recommendations whenever it deems it appropriate.
2. Coordinate with the National Executive the fiscal, monetary and exchange policies considering the objectives provided for in the agreements which may be entered into with the National Executive.
3. Issue a reasoned financial opinion to the finance Ministry when the Republic and the prospect public credit operations require so, in the terms and conditions indicated in the Law.
4. Issue judgments in the cases provided for in the law.

Article 47. The Central Bank of Venezuela may receive income and execute payments of the entities making up the Treasury system in accordance with the agreements which for such purposes the Bank may have entered into with the Republic. Likewise, the bank may receive deposits from the National

Government, from the states, municipalities, autonomous institutes, state-owned companies and international organizations in the terms and conditions agreed to.

Chapter IV. Operations of the Central Bank of Venezuela with Banks and Financial Institutions

Article 48. The Central Bank of Venezuela may perform the following operations with banks and financial institutions:

1. Receive sight and term deposits and necessarily the cash reserves which may be determined pursuant to the Law. The sight deposits and the cash reserves will constitute the base for the clearing house system which shall work in accordance with the rules issued by the Venezuela Central Bank.
2. Accept the custody of physical and/or unmaterialized securities in the terms agreed to with the banks and financial institutions.
3. Purchase and sell gold and foreign exchange.
4. Purchase and sell in an open market securities or other financial instruments as provided for herein.
5. Make advance payments against gold either coined or in ingots, under the conditions which the Central Bank of Venezuela may establish.
6. Grant credits for up to thirty (30) days subject to only one extension for an equal term, with credits being guaranteed with instruments related to operations of lawful commercial nature and other securities whose acquisition is permitted to banks and financial institutions. The aforesaid credits may adopt the form of discount, rediscount, advance payment or repo in the conditions which the Board of Directors of the Central Bank of Venezuela may determine. The Board of Directors may establish special conditions for the operations provided for herein when such the guaranties for such operations are credit instruments resulting from operations aimed

at financing the agriculture, livestock, forestry and fishing projects determined by the National Executive.

7. Perform repo operations either as a reporter or reported party in the conditions that the Board of Directors of the Central Bank of Venezuela may determine.
8. Discount and rediscount bills of exchange, promissory notes or other instruments resulting from operations under the agricultural and livestock activities which the National Executive may determine, considering the respective maturity, statute of limitations and expiration terms. For these purposes, the Central Bank of Venezuela may establish rediscount quotas of the aforesaid credit instruments in order to satisfy agricultural, livestock, forestry and fishing programs determined by the National Executive.
9. Perform other operations expressly authorized herein.

The Central Bank Board of Directors shall set the basis to determine the market value or the equivalent thereof when the securities which will serve as guaranty for the credits referred to in number six (6) of this Article are not subject to trading.

Exceptionally, following the favorable vote of six (6) members of the Board of Directors, the term established in number six (6) of this article may be increased to ninety (90) days and extended only once for an equal term, only in case of strict requirements concerning the immediate liquidity of the respective bank or financial institution.

Article 49. The Central Bank of Venezuela is the only body empowered to regulate the interest rate in the financial system. In the exercise of such power, it may set the maximum and minimum rates that banks and other financial institutions -either state-owned or private, ruled under the General Law

Governing Banks and Other Financial Institutions or under any other laws- may charge for credits granted or pay for deposits received.

The Central Bank of Venezuela is hereby empowered to set the maximum and minimum fees and surcharges caused by accessory operations and the various services which it may classify as directly or indirectly related to the aforementioned credit and savings operations. The Bank may effect this setting even when the accessory services or operations are performed by other individuals or corporations than banks and credit institutions. It is likewise empowered to set the fees which said banks or credit institutions may charge for the various services they may render. The modifications in interest rates and fees shall apply only for future operations.

Article 50. For purposes of regulating the banks credit general volume and prevent inflationary trends from worsening, the Central Bank of Venezuela may set the maximum growth percentages of loans and investments for specific terms, as well as portfolio limits for such loans and investments.

These measures may be established in a selective manner by sectors, zones, banks and financial institutions or by any other selection criterion which the Board of Directors may deem fit.

Article 51. The banks and financial institutions are bound to provide the Central Bank of Venezuela with the reports which may be required in connection with their financial status or any of their operations. Said obligation is conveyed to any individual or corporation as determined by the Board of Directors considering the nature of their activities and the respective relation to the Bank's functions.

Article 52. The amounts corresponding to legal cash reserve kept in the Central Bank of Venezuela by banks or any other financial institution cannot be attached.

Article 53. The banks and other financial institutions shall keep the legal cash reserve which the Central Bank of Venezuela may determine based on its monetary policy.

Said cash reserve shall be made up of legal tender, unless said cash reserves refer to obligations in foreign currency in which case same shall be made up by the currency approved by the Central Bank of Venezuela.

Article 54. The portion of the cash reserve deposited with the Central Bank of Venezuela may be rewarded by reasons of monetary and financial policy in the terms and conditions which, for such purpose the Venezuelan Central Ban Board of Directors may establish.

Article 55. The Central Bank of Venezuela shall establish the manner to calculate so as to determine the situation of the cash reserve, the exemptions and the items that may not be estimated, as well as the interest rate that the banks and other financial institutions shall pay for the amount not covered of said reserve.

Chapter V. Operations of the Central Bank of Venezuela with the public

Article 56. The Central Bank of Venezuela may perform directly with the public, within the limits set by the Board of Directors, the following operations:

1. Receive deposits of any kind.
2. Perform the operations specified in numbers 2, 3, 4, 6, 7, 8 and 9 of Article 48.

Article 57. The Central Bank of Venezuela may issue securities and trade them in accordance with the regulations governing each issuance. The securities referred to in this Article may be bought back by the Central Bank of Venezuela

and placed again in the market prior to the maturity date. Until they are placed again in the market or until the maturity date, as the case may be, said securities will remain recorded in a temporary account belonging to the accounting system of the Bank.

Article 58. In order to comply with the monetary policy, the Central Bank of Venezuela may purchase and sell in open market securities and other financial instruments that are massively issued as the Board of Directors may determine. The operations provided for herein will be performed in market conditions and, in no event, as a way to obtain direct financing. The securities shall be offered by third parties other than the issuing entity, except for those issued by the Central Bank of Venezuela.

TITLE IV. ECONOMIC SYSTEM OF THE CENTRAL BANK OF VENEZUELA

Chapter I. Plan and Budget of the Central Bank of Venezuela

Article 59. The direction and internal management of the Central Bank of Venezuela shall be ruled by a Strategic Institutional Plan for several years, which in considering the objectives set forth in Article 5 hereof, outlines the strategic framework of the Bank, evaluates and proposes the streamlining of its internal capabilities and sets forth the operating measures for the execution and follow-up of the plan.

For these purposes, the most current techniques and methodological procedures shall apply in order to guarantee continuous automation, more participation of the organizational units of the Bank, follow up national and international environment and permanent update with the new trends in the theory and practice of central banks and internal impact thereof.

In the preparation of the Strategic Plan of the Central Bank of Venezuela the Bank must make sure that the budget is proportional to the financial expression of the plan.

Article 60. The budget exercise of the Central Bank of Venezuela commences on January 1, and ends on December 31 each year.

Article 61. The annual budget of the Central Bank of Venezuela shall be made up by the income and expense budget of the monetary policy and financial investments and operating income and expenses budget.

For purposes hereof, operating expenses shall be understood as current and capital expenses related to the management of the Bank.

Article 62. the Board of Directors shall approve the instructions for the preparation and execution of the Budget.

Article 63. The draft operating income and expenses budget of Central Bank of Venezuela shall be sent for discussion and approval to the national Assembly during the first fortnight of October of the year preceding the year to which the budget is referred.

The monetary policy and financial investments budget shall not be subject to analysis by the National Assembly.

When the operating expenses budget provides for items exceeding the budget year, timely information shall be included in the budget for the respective and succeeding years.

Article 64. During the discussion of the Central Bank of Venezuela budget, the National Assembly may not directly amend the items or allocations provided for in the draft budget. Should it be deemed advisable, the National Assembly shall

return the draft budget to the Board of Directors of the Central Bank of Venezuela with recommendations for amendment.

In case the National Assembly fails to approve the Central Bank of Venezuela budget prior to December 15 of the respective year, the budget corresponding to the preceding year will be then renewed for the new year.

Chapter II

Economic Exercise, Financial Statements and Reports

Article 65. The Central Bank of Venezuela shall close and settle its accounts on June 30th and December 31st every year.

Article 66. Within thirty (30) business days following the closing of each year, the Central Bank of Venezuela shall publish the financial statements corresponding to the year ended.

Article 67. Within the first fifteen (15) business days of each month, the Central Bank of Venezuela shall publish the financial statements of the month ended.

Article 68. The financial statements of the Bank, both biannual or monthly, shall be publish in one (1) newspaper circulating nationwide and access to data shall be expedited through the Bank's electronic resources. The annual financial statements shall be published in the Official Gazette of the Bolivarian Republic of Venezuela.

In preparing said states, the Bank shall abide by the accounting rules and principles issued by the Superintendency of Banks and Other Financial Institutions.

Article 69. Regardless of its publication, the Board of Directors shall send to the

National Assembly and the National Executive, the financial statements and the Examiner's reports within ninety (90) days following the closing of the annual exercise.

The Central Bank of Venezuela shall prepare and publish within first six (6) months each year, the annual economic report corresponding to the preceding year and the respective analysis thereof and other data allowing for an updated information on the national economy and its most important variables. This report shall be approved by the Board of Directors of the Central Bank of Venezuela.

Chapter III Examiners

Article 70. The examiners appointed in accordance with this Law shall prepare and file their reports within forty-five (45) days following the closing of each exercise, which shall be sent to the National Executive and the National Assembly together with the financial statements.

Chapter IV Profits and Reserves

Article 71. Ten per cent (10%) of all the semi-annual net profits of the Central Bank of Venezuela, whatever their origin or nature, shall be funneled to the General Reserve Fund, whose quantitative limit shall be set by the Board, upon reasoned grounds.

The Board of the Bank shall instruct, provided a reasoned decision, that the remaining semi-annual net profits, upon deduction of the reserves set forth in the preceding paragraph as well as those voluntary ones, which shall by no means exceed a five per cent (5%) of the said profits, be turned over to the National Treasury in the occasion thus determined by the Board within six (6) months of the respective closing of the fiscal term.

Calculation of the profits to be turned over to the National Treasury shall be based on the semi-annual net profits realized and collected pursuant to the Regulations of the Banking Superintendence and Other Banking Institutions. The remaining profits of the Central Bank of Venezuela shall be turned over to the National Executive on a scheduled basis and pursuant to the goals and deadlines set forth in the Macroeconomic Coordination Agreement.

Article 72. In case the balance of the undistributed profit accounts and capital

reserves, mentioned in the preceding Article result insufficient to cover the financial unbalance of an economic exercise, the Republic shall make the necessary contributions.

For purposes of this Article, the aforementioned contributions shall be made through allocation of the respective credits in the budget for the subsequent fiscal year. In case the situation of the fiscal accounts does not allow the realization of the budgetary allocation, the National Assembly shall authorize a special issuance of national public debt bonds in market conditions and with a maturity term not exceeding five (5) years.

TITLE V

CONTROL AND RELATIONS OF THE CENTRAL BANK OF VENEZUELA WITH THE PUBLIC POWERS

Chapter I Relations with the Executive Power

Article 73. The relations between the National Executive and the Central Bank of Venezuela shall take place through the Finance Minister.

Article 74. The Finance Minister, through the National Treasurer, shall send to the Central Bank of Venezuela the following information:

1. Daily movement of income and outcome, regular and extraordinary, of the National Treasury.
2. Upon commencement of each week, an estimate of the regular and extraordinary income and outcome foreseen for the subsequent four (4) weeks. The national Treasurer shall revise on daily basis this estimate and give notice to the Central Bank of Venezuela of any change in the same.
3. Within the first fifteen (15) days of the fiscal year, an estimate of the aforementioned income and outcome for the four (4) quarters of the respective exercise, which shall be updated within the first two (2) weeks of

each month, with regard to the term that has not been completed yet.

The Planning and Development Ministry shall inform the Central Bank of Venezuela on the preparation and execution process of the Nation's Plan in order to hear the latter's opinion in issues falling within its competency. The aforementioned Ministry shall furnish the Bank with the Information that the latter may require in accordance with the Law.

Article 75. The Central Bank of Venezuela shall timely inform the National Executive, or upon request by the latter, in connection with the behavior of economy and with the measures taken within its field of competency, even though the reports have not been published yet in the terms set forth herein.

Article 76. The Board of Directors of the Central Bank of Venezuela or its President, should it become necessary, or on his/her own initiative or upon demand by the Finance Minister, shall advise the National Executive on the measures it may deem appropriate so that the goals and objectives set forth in the policies agreements may be achieved or for essential purposes of the State.

Chapter II

Relations with the National Assembly

Article 77. The Central Bank of Venezuela shall report its actions, goals and results of its policies to the National Assembly in accordance with the terms hereof.

Article 78. The Board of Directors shall send a summary of its decisions to the National Assembly no later than thirty (30) days after decisions have been made, unless the Board requests and obtains a longer term from the National Assembly.

Article 79. For the first forty-five (45) days of each year, the Board of Directors of the Central Bank of Venezuela, through its President, shall render a report to

the national Assembly on accomplishments, compliance with goals and policies, as well as on the behavior of macroeconomic variables of the country and the circumstances influencing such accomplishments and an analysis that expedites the evaluation of the country.

Article 80. Regardless of the reports issued on regular basis, the National Assembly may request from the Central Bank of Venezuela the information it may deem advisable, as well as request that the President of the Bank appears before the Assembly.

Whenever the National Assembly requires confidential information, in cases of absolute necessity for the performance of its duties, the information shall be addressed directly to the President of the National Assembly who shall be responsible for the disclosure thereof. The members of the National Assembly accessing such information shall be bound by the secrecy duty set forth herein.

Chapter III

Relations with the General Comptroller's Office

Article 81. The General Comptroller's Office is responsible for subsequent control of the Central Bank of Venezuela activities. In this connection the control shall never occur prior to the execution of the decisions of the Bank.

Article 82. The General Comptroller's Office may perform its duties based on the principles of sincerity, timeliness, efficiency and effectiveness of the Central Bank of Venezuela management and shall refer only to the proper execution of the operating budget.

The principles referred to in the preceding paragraph involve the adequate performance of the comptrolling duties, without prejudices of the objectives, goals and results of the Central Bank of Venezuela management.

Article 83. In the exercise of its powers, the General Comptroller's Office of the Republic will access confidential information in cases of absolute necessity for the performance of its competency in accordance with the Law.

The General Comptroller's Office officials who may access the aforementioned type of information shall fulfill the secrecy duty set forth herein.

Article 84. The General Comptroller's Office of the Republic may not include in its management reports confidential data in connection with the Central Bank of Venezuela, nor it may disclose them or deliver them, except for cases in which the National Assembly or the National Executive may require so, after hearing the opinion of the Bank.

Chapter IV Other Controlling Bodies

Article 85. The Superintendency of Banks and Other Financial Institutions shall inspect and monitor the activities of its competency which may be conducted by the Central Bank of Venezuela. Therefore, for better compliance with his/her duties, the Superintendent of Banks may attend the Board of Directors meetings where he/she will not be entitled to vote yet he/she will have the right to express opinions.

The guaranties provided for in Articles 83 and 84 hereof are applicable to the Superintendency of Banks and Other Financial Institutions in the performance of its duties.

Article 86. The public entities performing controlling duties on the Central Bank of Venezuela may address to the President of the Bank the recommendations they may deem appropriate for a better functioning of the Bank, according to the scope of their competencies.

The auditing firms shall disclose the aforementioned recommendations solely in the final reports they issue for the National Executive.

Chapter V

External Audit

Article 87. The financial statements of the Central Bank of Venezuela shall be examined annually by means of an external audit which shall focus on the operating and administrative accounts of the Bank, and excluding the budget for monetary policy and the financial investments made by the Bank.

The external auditors shall be independent. The National Executive, after hearing the opinion of the Central Bank of Venezuela, shall select through a public bidding process the specialized national or foreign firm which will conduct the audit. The firm may not be hired for more than three (3) audits during the subsequent three-year period and this limitation will apply to any other company which could replace it or which keeps a direct relation with the firm through its owners or directors.

The cost of the external audit shall be accounted in the Central Bank of Venezuela budget.

Article 88. In no event, the external auditors can access confidential information in accordance with the National Constitution and the laws governing this matter, or information that has been classified as confidential by the Board of Directors of the Bank. Auditors shall keep confidential all the information available to them during the audit of the Central Bank of Venezuela, and their reports are likewise confidential.

TITLE VI

MACROECONOMIC COORDINATION

Article 89. The Central Bank of Venezuela and the National Executive shall act in a coordinate manner in order to promote and defend the economic stability of the country, avoid a vulnerable economy and watch over the monetary and price stability so as to ensure social well-being and human development, consistently with the goals set in the framework of the economic policies and particularly with the guidelines of the economic and social development plan of the Nation.

The macroeconomic coordination between the Central Bank of Venezuela and the National Executive will be regulated pursuant to this Law, provisions indicated in other laws and any other which may be established on macroeconomic coordination.

Article 90. The macroeconomic coordination will be based on an Annual Policy Agreement entered into by the National Executive through the Finance Minister and the President of the Central Bank of Venezuela. The agreement shall be strict and consistent with the goals set as far as economic policy is concerned.

The annual agreement will help conciliate the policies of both bodies so that the macroeconomic objectives set may be attained.

The agreement shall contain, inter alia, the ranges of the macroeconomic objectives which must be assured, which shall be aimed at ensuring the economic growth, price stability by means of a target inflation rate, the fiscal and external balance. Likewise, the agreement shall evaluate the social impact of the economic policies which shall be implemented to achieve the aforementioned objectives.

The Central Bank of Venezuela will be autonomous to define and implement the set of instruments and policy variables which shall ensure the closest relation among its fiscal, monetary and exchange activities.

The agreement shall set forth the responsibility of each body in the definition of its objectives, as well as the method and mechanisms to measure the macroeconomic objectives which shall be achieved.

The annual policy agreement may not include in any event monetary policies that validate or finance deficitary fiscal policies.

The disclosure of the agreement shall be made upon approval of the national budget by the National Assembly.

Article 91. Any controversy which may arise between the Central Bank of Venezuela and the Finance Ministry as to the preparation and execution of the agreement shall be resolved by the National Assembly, including the establishment of a special accountability system for the bodies involved.

Article 92. The maximum responsible of the policy agreement shall inform the National Assembly within the first forty-five (45) business days of each semester in connection with the execution of policies and actions provided for in the Agreement and the scope of the objectives set. They shall explain and evaluate, as it may correspond to each body, the impact on the performance of the Agreement of the influence of the deviation of variables external to the Venezuelan economy. Likewise, prior to the filing of the new agreement, they shall account to the National Assembly on the effectiveness of the instruments used, the economic conditions under which the agreement has been performed and the attainment of the goals set.

Article 93. The public and private sector entities are bound to timely furnish all the statistic information required by the Central Bank of Venezuela to design the

participation of the Bank under the Annual Policy Agreement, as well as to prepare the reports provided for herein.

TITLE VII

THE NATIONAL MONETARY SYSTEM

Chapter I

Issuance and Circulation of Money

Article 94. The Bolivar is the legal tender of the Bolivarian Republic of Venezuela. In case a common legal tender is instituted within the framework of the Latin American and Caribbean context, the country may adopt the currency provided for in the agreement which for such purposes the Republic has signed.

Article 95. It is the exclusive right of the Central Bank of Venezuela to issue notes and coin legal tender money in the whole territory of the Republic. No public or private institution, regardless of its nature, may issue money.

Article 96. The coins and the paper money issued by the Central Bank of Venezuela shall have the denomination, dimensions and colors which the Board of Directors may agree.

For coinage, the Central Bank of Venezuela is hereby empowered to employ the metal or metal alloys it may deem appropriate and advisable, in accordance with its value, endurance and other intrinsic properties, as well as set the weight and standards.

Article 97. The original elements used in the notes and coins production process of the Central Bank of Venezuela shall be listed and subsequently destroyed, pursuant to the procedures and abiding by the security measures which may be established for such purposes. The aforementioned destruction will not proceed if the Board of Directors of the Central Bank of Venezuela decides that such originals will be used for filing and likely exhibition purposes. In this cases the

necessary custody shall be kept.

Article 98. The Central Bank of Venezuela may produce coins for numismatic or commemorative purposes and in this connection the Bank is free to establish the issuance characteristics and the distribution or commercialization thereof.

Article 99. The Central Bank of Venezuela shall regulate the coinage and commercialization of coins with numismatic, commemorative or any other purposes.

Article 100. The Central Bank of Venezuela may produce non monetary species with value and other security instruments, whose design and other properties may be designed by the Bank itself or by third parties.

Article 101. The BCV may place in circulation notes and coins only through the purchase of gold, foreign exchange and through the performance of other operations authorized by this Law.

Article 102. The coins and notes returning to the Bank by reason of sale of gold, foreign exchange or other assets or by reason of payment of credits will be removed from circulation and may not be placed in circulation again, unless new operations as specified in the preceding article are performed.

Article 103. The Central Bank of Venezuela shall organize throughout the national territory the necessary services to ensure the supply of notes and coins and to ease the exchange by the public of the monetary species of legal tender for other representing an equal value.

The banks and other financial institutions authorized to receive deposits in legal tender shall be bound to render the service of monetary species exchange in their offices, branches or agencies, pursuant to the regulations that for such

purpose the Central Bank of Venezuela may issue.

In order to prevent the shortage of coins and guarantee an adequate service, the Central Bank of Venezuela may require that the banks and other financial institutions keep in their various offices, branches or agencies at the public's disposal a minimum stock of coins in the amounts which the Central Bank of Venezuela may determine for each kind of coin, in the understanding that said banks or financial institutions shall immediately replenish the minimum stock required to meet the public's demand, which in all events shall be met.

Article 104. The coins and notes issued by the Central Bank of Venezuela shall have the releasing and settling power without any limitation whatsoever in the payment of any public or private obligation, without prejudice of special provisions in laws providing for the payment of tax, fees or obligations in a specific manner and without prejudice of the right to stipulate special forms of payment.

Article 105. The Central Bank of Venezuela may instruct the demonetization of the issuance of money in circulation, in whole or in part, thus reimbursing the holders of the value of the species subject of the measure.

Article 106. The import, export or trade of Venezuelan or foreign currencies are subject to the regulations set forth by the Central Bank of Venezuela.

Article 107. The acceptance of perforated or altered coins and notes, or the notes that are worn out to the extent of having lost the printed matter on both sides, is not compulsory.

Article 108. Without prejudice of the applicable criminal provisions, counterfeited coins and notes, wherever they are, shall be seized and placed at the disposal of the appropriate authority for purposes of criminal prosecution. In

the respective decision, the Court shall order the destruction of the instruments employed to commit the aforementioned felony and shall order the delivery of the counterfeited coins and notes to the Central Bank of Venezuela so that they get expunged and, should that be the case, so that the Central Bank of Venezuela may use the materials thereof.

Chapter II

External Convertibility, Exchange Operations, and International Reserves

Article 109. Legal tender coins and notes shall be freely convertible to the bearer and on sight. The payment thereof shall be made by the Central Bank of Venezuela through checks, drafts or transfers against funds in foreign currency deposited in first class banks abroad and which may be freely used.

Article 110. The Central Bank of Venezuela shall regulate in the terms agreed to with the National Executive, the negotiation and trade of foreign exchange in the country, the funds transfer both in national legal tender or in foreign exchange, either from the country to abroad and conversely, and the international payment agreements.

In the regulation issued for such purposes, the Central Bank of Venezuela may set the requirements, conditions and procedures in relation to the matters referred to herein.

The Central Bank of Venezuela shall be represented at the special commissions which the National Executive may create to hear and decide on the matters that the exchange agreements may determine.

Article 111. The exchange agreements that the Central Bank of Venezuela may enter into with the National Executive shall set forth the profit margins for the

Central Bank of Venezuela, on the one hand, and the Banks and other Financial Institutions taking part in the purchase and sale of foreign exchange, on the other hand.

Article 112. The exchange agreements entered into by the National Executive and the Central Bank of Venezuela shall govern all the matters relating to the exchange system in the country. They may set out limitations or restrictions to the free convertibility of the legal tender whenever they deem it necessary for the sake of the system's stability, the continuity of the international payments the country must make or to counteract capital movements that may result inconvenient for the nation.

Article 113. The foreign exchange which may be obtained by reason of hydrocarbons export shall be sold exclusively to the Central Bank of Venezuela at the exchange rate in force for each operation. The value in Bolivars of the foreign exchange received from that source shall be deposited in the respective account in the Bank.

The Central Bank of Venezuela shall supply Petróleos de Venezuela S.A., or the entity which may subsequently be created to manage the oil industry, the foreign exchange requested by said corporation to meet its needs pursuant to the foreign exchange budget approved by the Shareholders Meeting of the aforesaid corporation for the respective fiscal year, and in accordance with the quarterly program which the corporation shall file with the Bank within the last fifteen (15) days of each quarter.

Petróleos de Venezuela S.A., or the entity which may be subsequently created to manage the oil industry shall not keep funds in foreign currency above the limit previously authorized by the Board of Directors of the Central Bank of Venezuela for purposes of its operating payments abroad which shall be reflected in the general balance of the corporation. Likewise, it shall inform the use and

destination of the funds referred above on quarterly basis or upon request by the Bank.

Article 114. The international reserves kept by the Central Bank of Venezuela shall be represented, in the proportion deemed advisable by the Board of Directors, as follows:

1. Gold in coins or ingots, kept in its own vaults and in financial institutions abroad ranked as first class institutions following internationally accepted criteria.
2. Sight or term deposits and securities issued by financial institutions abroad ranked as first class institutions following internationally accepted criteria.
3. Sight or term deposits and securities issued by foreign public entities and international financial institutions in which the Republic may have shares or interest and which may be easily realized or traded.
4. Special Drawing Rights or any other international fiduciary currency.
5. Net credit position in the International Monetary Fund.

The Central Bank of Venezuela may perform operations with the intent of diminishing the existing risks in the international financial markets where the country reserves are invested.

Chapter III

Liabilities, Accounts and Instruments in Foreign Currency

Article 115. Unless specially provided otherwise, the payments in foreign currency shall be made by delivering the equivalent value in legal tender, at the

exchange rate in force in the place of the payment date.

Article116. In the accounting ledgers of the public or private offices and in all the ledgers of mandatory use, pursuant to the Commercial Code, the amounts shall be expressed in Bolivars. Nevertheless, entries may be made for international exchange operations contracted in foreign currency, provided that the respective conversion into Bolivars is made. Likewise, ancillary ledgers for the same type of operation can be kept, with indications and records in foreign currency.

Article117. All official bulletins, writings, records or documents filed with the courts and other public offices concerning international exchange operations in foreign currency, shall also contain the equivalent value in Bolivars.

Article118. Quotations of or references to documents that have been executed or that are to be effective abroad, may express pecuniary amounts in foreign currency, without indication of their equivalent in Bolivars.

TITTLE VIII

PENALTY SYSTEM

Article 119. All individuals and corporations are subject to this Law. The reference to banks and other financial institutions shall be understood in its broadest sense and, in any case, shall include the entities governed by the General Law on Banks and other Financial Institutions.

Article 120. The Central Bank of Venezuela has the power to administratively punished, by means of resolutions, those who fail to comply with the obligations set forth herein and in the aforementioned resolutions.

Article 121. The penalties provided for herein shall apply without prejudice of the criminal and civil actions that may arise, as well as the compensation for damage or loss that may be determined.

The penalties set forth herein shall be imposed and settled by the Central Bank of Venezuela, according to the procedure established in the law. The resolutions on this matter may be appealed in the terms provided for by the law.

Article 122. The banks and other financial institutions that breach the resolutions of the Central Bank of Venezuela concerning interest rates will be fined with up to one per cent (1%) of their paid-in capital and reserves, and, in case of failure to timely submit the reports on their financial statements or on any of their operations, the applicable fine will be of up to a half per cent (0.5 %) of said paid-in capital and reserve. Furthermore, when proven misrepresentation of information, the penalties set forth in this Article shall be raised by an additional one per cent (1 %).

Article 123. Failure to comply with the general prudential rules or with the regulations on foreign currency which the Central Bank of Venezuela may issue to guaranty the provisions of the General Law on Banks and Other Financial Institutions, shall be subject to the penalties which the Board of Directors may previously issue, which cannot exceed the amount corresponding to the value of each operation.

Article 124. Whoever imports or trades Venezuelan or foreign legal tender, without prior compliance with the regulations issued by the Central Bank of Venezuela on this matter, shall be penalized with a fine equivalent to the value of the respective operation.

Subject to the same penalty shall be those who, failing to comply with the

regulations issued by the Central Bank of Venezuela, coin or trade coins for numismatic, commemorative or any other purpose. The coins subject of that breach will be seized.

Article 125. Whoever performs operations concerning the negotiation or trade of foreign exchange in the country, funds transfer or import, export, purchase or sale of gold, either in coins or in ingots, melted, manufactured or in any other manner, without complying with the regulations issued by the Central Bank of Venezuela shall be fined with the amount corresponding to the value of each operation.

Article 126. Whoever refuses to receive legal tender for the satisfaction of pecuniary obligations, in the terms set forth herein, shall be fined with an amount triple to the amount they have refused to receive.

Article 127. Without prejudice of the other responsibilities which may be incurred, whoever breaches the secrecy duty set forth herein shall be fined with an amount of up to four thousand (4,000) tax units.

In case the breaching party is a member of the personnel working for the Central Bank of Venezuela, the breach may further cause removal from office or dismissal, as the case may be.

If the breaching party is the auditing firm in the performance of the external audit provided for herein, said firm, additionally, may not conduct audits in the Central Bank of Venezuela for ten (10) years following such breach.

In the cases above, the Board of Directors of the Central Bank of Venezuela shall be the appropriate entity to determine the amount of the fine and deliver the release documents. The National Executive, the National Assembly and the Superintendency of Banks and Other Financial Institutions shall be given notice

of said penalty for the appropriate purposes.

TITLE IX

SPECIAL JURISDICTION

Article 128. The appropriate court to hear the actions brought against the decisions made by the Board of Directors of the Central Bank of Venezuela shall be the Supreme Court of Justice.

TEMPORARY PROVISIONS

First: The provisions contained herein shall be immediately applicable from the date when this Law becomes effective. Nevertheless, the administrative procedures in-progress will continue until final conclusion. Likewise, the personnel bylaws and other provisions issued by the Board of Directors in the scope of its competencies are hereby ratified.

Second: Within the year following the effective date hereof the Regulation provided for in Article 21, number 3, hereof shall be approved.

Third: The current President and Directors of the Central Bank of Venezuela shall keep performing their duties until completion of the term of office they were appointed for by the President of the Republic.

Fourth: Upon expiration of the commission of the Directors, the new Directors shall be appointed within ninety (90) days, as follows:

1. The National Assembly shall appoint two (2) Directors whose term expires first.
2. The President of the Republic shall appoint the other three (3) remaining

Directors when the term of each of them expires.

Fifth: The provisions of the personnel bylaws governing the employees of the Central Bank of Venezuela, and the Personnel Management Regulation governing the protection, custody and security personnel shall remain effective provided they are not contrary to this Law. Within eight (8) months from the effective date hereof, the updated drafts of the two aforesaid instruments to the new legal system shall be approved.

Until issuance of the legislation on pensions and retirement plans applicable to the Central Bank of Venezuela personnel, the Board of Directors shall determine a percentage of the total wages paid in the respective previous semester, which shall be deposited in the Medical, Pensions and Retirement Plan Fund. Said amount shall be charged to the Bank's current expenses.

Sixth: The exchange agreements entered into by the National Executive and the Central Bank of Venezuela remain in full force and effect in all that is not contrary to this Law and as long as they are not replaced by new agreements.

Seventh: Within three (3) months from the effective date hereof, the Board of Directors shall prepare the confidential information registry pursuant to the provisions hereof.

Eighth: The provisions of Title VI, Macroeconomic coordination, Articles 89, 90, 91, 92 and 93 hereof, shall apply as long as the respective Macroeconomic Coordination Law has not been passed.

Ninth: In order to enforce article 71, as amended, the Central Bank of Venezuela shall close and settle the respective fiscal term on September 30th, 2002 and shall turn over liquid and collected profits to the National Treasury within the period thus set forth in the abovementioned article.

Likewise, a new fiscal term shall commence on October 1st, 2002 and terminate on December 31st, 2002, and profits shall be turned over to the National Treasury pursuant to the aforementioned conditions.

Tenth: Article 65 of this Law shall become effective as of January 1st, 2003.

DEROGATORY PROVISION

The Central Bank of Venezuela Law, dated December 4, 1992, published in Official Gazette of the Republic of Venezuela number 35106, as well as all the provisions contrary to this Law, are hereby derogated.

Given, signed and sealed in the Federal Legislative Palace, seat of the National Assembly, in Caracas, on this the seventeenth day of the month of October, two thousand and two. Year 192 since Independence and 143 of the Federation.

WILLIAN LARA

President

RAFAEL SIMÓN JIMÉNEZ

First Vice President

NOELI POCATERRA

Second Vice President

EUSTOQUIO CONTRERAS

Secretary

ZULMA TORRES DE MELO

Deputy Secretary

Given at the Miraflores Palace, in Caracas, on this the seventeenth day of the month of October, two thousand and two. Year 192 since Independence and Year 143 of the Federation.

Be it executed

(L.S.)

HUGO CHÁVEZ FRÍAS

Countersigned

The Executive Vice President

(L.S.)

JOSÉ VICENTE RANGEL

Countersigned

The Interior and Justice Minister

(L.S.)

DIOSDADO CABELLO RONDÓN

Countersigned

The Foreign Affairs Minister

(L.S.)

ROY CHADERTON MATOS

Countersigned

The Finance Minister

(L.S.)

TOBÍAS NÓBREGA SUÁREZ

Countersigned

The Defense Minister

(L.S.)

JOSÉ LUIS PRIETO

Countersigned

The Production and Commerce Minister

(L.S.)

RAMÓN ROSALES LINARES

Countersigned

The Agriculture and Land Minister

(L.S.)

EFRÉN DE JESÚS ANDRADES LINARES

Countersigned

The Advanced Education Minister

(L.S.)

HÉCTOR NAVARRO DÍAZ

Countersigned

The Education, Culture and Sports Minister

(L.S.)

ARISTÓBULO ISTÚRIZ ALMEIDA

Countersigned

The Health and Social Development Minister

(L.S.)

MARÍA URBANEJA DURANT

Countersigned

The Labor Minister

(L.S.)

MARÍA CRISTINA IGLESIAS

Countersigned

The Infrastructure Minister

(L.S.)

ISMAEL ELIÉZER HURTADO SOUCRE

Countersigned

The Energy and Mines Minister

(L.S.)

RAFAEL DARÍO RAMÍREZ CARREÑO

Countersigned

The Environment and Natural Resources Minister

(L.S.)

ANA ELISA OSORIO GRANADO

Countersigned

The Planning and Development Minister

(L.S.)

FELIPE PÉREZ MARTÍ

Countersigned

The Science and Technology Minister

(L.S.)

NELSON JOSÉ MERENTES DÍAZ

Countersigned

The Information and Communications Minister

(L.S.)

NORA MARGARITA URIBE TRUJILLO

Countersigned

The State Minister

(L.S.)

JOSÉ FRANCISCO NATERA MARTÍNEZ

Countersigned

The Presidential Secretariat Minister

(L.S.)

RAFAEL VARGAS MEDINA