



## **RESOLUTION No. 65/2003**

**Whereas:** Decree-Law No. 172 of Banco Central de Cuba, on May 28<sup>th</sup>, 1997, states in Article 12 that Banco Central de Cuba can issue other means of payment different from the national currency, at the convenience of the country, which shall be legal tender during the period of time and for the transactions approved by this institution.

**Whereas:** The above-mentioned Decree-Law No. 172, in Article 36 paragraphs a) and b), states that the Minister President of Banco Central de Cuba, in the exercise of his executive functions, can issue resolutions, instructions and whatever other provisions deemed necessary for executing the functions of Banco Central de Cuba, which shall be binding on all state economic entities, companies, bodies and agencies; economic organizations and associations or organizations of another nature; cooperatives, the private sector, and the population; as well as financial institutions;

**Whereas:** The present circumstances of deep economic international crisis demand a maximum effort in the efficient use of the financial resources, in order to guarantee the continued economic and social development of the country, even under this adverse international environment. With this purpose, Banco Central de Cuba proposed to the highest level of the government of the country, the measures provided in this Resolution, which have been deeply analyzed and authorized.

**Whereas:** He who resolves was appointed Minister of Government and President of Banco Central de Cuba by Resolution of the State Council on June 13<sup>th</sup>, 1997.

**THEREFORE:** Making use of the powers conferred on me:

### **I RESOLVE:**

**First:** To establish the use of convertible peso as the only means of payment to denominate and execute the transactions that are currently carried out between Cuban entities in United States dollars or other foreign currency

To the effects of this Resolution, the term "Cuban entities" comprises: state enterprises, trading corporations with 100% Cuban capital, budgeted entities and any other Cuban entity that currently operates in foreign currency, excluding only those which have been created under Law No. 77 "Law of Foreign Investment" of September 7<sup>th</sup>, 1995, or other entities expressly empowered by Banco Central de Cuba, hereinafter BCC.

**Second:** To the effects of this resolution, the term “Cuban Financial Entities” shall be used to design Banks and other Non Banking Financial Institutions with 100% Cuban capital, which have a license of BCC, in accordance with Decree-Law 172 of May 28<sup>th</sup>, 1997.

**Third:** Cuban entities shall convert to convertible pesos all their assets, liabilities and capital accounts, nominated in foreign currencies, at the rate of exchange of one convertible peso per one United States dollar; with the exception of the assets and liabilities with foreign or mixed capital entities, which shall remain nominated in foreign currency.

**Fourth:** The Cuban Financial Institutions shall convert to convertible pesos all their assets, liabilities and capital accounts nominated in foreign currencies at the rate of one dollar per one convertible peso; with the exception of the assets and liabilities in foreign currency with the population and with foreign or mixed capital entities. The excess of liquidity in foreign currency resulting as a consequence of this conversion shall be sold to BCC by the banks in convertible pesos at the rate of one convertible peso per United States dollar. BCC shall be able to make an exception with the banks, total or partially, in respect to this obligation.

**Fifth:** BCC shall authorize the limit of liquidity in foreign currency that each bank can keep to operate its accounts in foreign banks.

**Sixth:** All the transactions between Cuban entities that are currently denominated and carried out in United States dollars or any other foreign currency shall be denominated and carried out in convertible pesos, including credits and other funds that Cuban Financial Institutions grant to the rest of the Cuban entities.

**Seventh:** The Cuban entity which operates accounts in convertible pesos and requires foreign currency to pay a commercial transaction or settle a debt or any other purpose duly authorized, shall submit, within the time stipulated in the corresponding proceeds, an application to buy foreign currency in the bank in which it operates.

**Eighth:** The authorizations to purchase foreign currency shall be issued by BCC. In no case shall BCC use the mechanism of approval to hinder or obstruct the taking-up of the guarantee granted by Cuban financial entities to foreign entities, nor to impede nor obstruct the availability of the necessary funds to settle the debts assumed by Cuban financial entities with foreign entities.

**Ninth:** Revenues received by Cuban entities in foreign currency will be automatically converted in convertible pesos by the banks when deposited in their convertible pesos account.

**Tenth:** In order to contribute to the balance between supply and demand of foreign currency, a charge for the purchase of foreign currency with convertible pesos shall be applied.

**Eleventh:** Banks shall sell to BCC the total amount of foreign currency bought from Cuban entities or received for their operations, and should purchase from BCC all the foreign currency that they may sell to Cuban entities or that they may need to carry out their own operations. BCC may exempt banks, partially or completely, from this obligation.

**Twelfth:** The Banks shall redeem to BCC, with the frequency that it determines, the total amount of the charges they receive for the sale of foreign currency.

**Thirteenth:** BCC shall have the possibility to authorize Cuban entities to commit external flows to pay duly approved financial facilities received from foreign institutions. If, for this purpose, it is required to operate a banking account abroad, the Cuban entity should apply for the corresponding license from BCC. The excess of the flows pledged to guarantee the repayment of the above-mentioned financial facilities, shall be entirely transferred by the corresponding Cuban entity to its accounts in convertible pesos with Cuban banks

**Fourteenth:** Whenever a Cuban entity has to keep a foreign banking account in order to receive funds from any financial facilities it has obtained, or whenever it has to use such facilities without a previous transfer to its accounts in convertible pesos, a license from BCC shall be required, for which the Cuban entity shall carry out the proceeds already established.

**Fifteenth:** The fact that a Cuban entity is empowered to commit external flows or to make transactions from overseas under paragraphs THIRTEENTH and FOURTEENTH, does not exempt such entity from the system of approvals nor from the charge established in this Resolution, on which specific rules shall be issued by BCC.

**Sixteenth:** BCC can authorize entities created under Law 77, "Law of Foreign Investment" of 1996, to collect and pay with convertible pesos in their transactions with Cuban entities if they request it.

**Seventeenth:** The timing required to submit the applications to buy foreign currency, the percentages of the charge for the purchase of foreign currency, as well as any other complementary aspect for the execution of the provisions of this Resolution, shall be determined in the instructions to be issued by BCC.

**Eighteenth:** All the licenses granted to Cuban entities for the operation of offshore accounts are repealed, and a period of 15 calendar days is given for the application for new licenses

**Nineteenth:** All of the transactions in foreign exchange by the population, including CADECA's exchanges, the purchases in the commercial network operating in foreign currency and the operations of banking account in foreign exchange, shall be the same as today without any modification at all.

## **TRANSITIONAL PROVISION**

*Single:* The Cuban entities and the entities with foreign or mixed capital owning checks in United States Dollars or any other foreign currency issued by Cuban entities, shall deposit them in its banking account before August 1<sup>st</sup>, 2003. As from August 4<sup>th</sup>, 2003, such checks shall expire, without invalidating the obligations linked to them.

## **FINAL PROVISIONS**

**First:** The First Vice-President of BCC is empowered to issue the complementary instructions required for the correct execution of this resolution.

**Second:** This Resolution shall be in force as from July 21<sup>st</sup>, 2003.

**Third:** Any provisions of BCC opposing to what is provided in this Resolution shall be derogated.

**Let it to be notified:** To the Heads of the Organizations of the Central Administration of the State, to the Presidents of the Counsels of the Popular Administration and to the Presidents of the Cuban Financial Institutions.

**Let it to be communicated:** To the Secretary of the Executive Committee of the Council of Ministers, to the Head of the Group to Enterprise Improvement, to the First Vice-President, to the Vice-Presidents, the Superintendent and the Auditor, to the Director of Exchange Control and Operations, to all of the officers of Banco Central de Cuba, and to any natural or legal persons that should know this Resolution.

**Let it to be published:** In the Gaceta Oficial of the Republic of Cuba.

**Let it to be filed:** the original at the Secretary of Banco Central de Cuba

Done in the City of Havana, July 16, 2003.

This is a true translation from the original in Spanish.