



CENTRAL BANK OF CHILE
LEGAL DEPARTMENT

ORGANIC LAW OF THE MONETARY
COUNCIL AND THE CENTRAL
BANK OF CHILE

ESTABLISHING RULES ON MONETARY AUTHORITY

Nº 1072 - Santiago, June 25, 1973.

Pursuant to the provisions of Decree-Laws 1 and 128 of 1973 and 527 of 1974, the Government Junta of the Republic of Chile has decided to issue the following

Decree - Law:

TITLE I

General Provisions

Article 1º For all purposes of this Law, the term

Bank shall be held to mean the Central Bank of Chile.

Council shall be held to mean the Monetary Council.

Banking Institutions shall be held to mean the Chilean State Bank (Banco del Estado de Chile), commercial and development banks, and banks of any other kind.

Committee shall be held to mean Executive Committee of the Central Bank of Chile.

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- Committee** : shall be held to mean Executive Committee of the Central Bank of Chile.

T I T L E I I

Monetary Council

Article 2º A Monetary Council shall be established, comprising the Ministers of Economic Coordination, Finance, (and) Economy, Development and Reconstruction, the Director of National Planning, the President of the Bank, and a representative of the President of the Republic.

This Council shall function in the Central Bank of Chile.

Article 3º The Monetary Council shall determine the policy on monetary and credit matters, capital markets, foreign trade and tariffs, foreign exchange, and savings, in accordance with rules laid down by the Supreme Government.

Article 4º The Chairman of the Council shall be the Minister of Finance or, in his absence, whoever its by-laws ("Reglamento de Sala") specify.

The quorum for holding meetings shall be four members; decisions shall be adopted by a majority of votes, and in case of tie, the chairman shall cast the deciding vote.

Article 5º Each regular member shall designate an alternate representative. The alternate of the President of the Bank shall be the Vice-President, and the alternate of the representative of the President of the Republic shall be appointed by the latter. Each alternate representative may attend all meetings but shall be entitled to vote only in the absence of the corresponding regular member.

The representatives of the Minister of Economic Coordination, of the Minister of Finance, of the Minister of Economic, Development and Reconstruction and of the Director of National Planning must be officials of the particular Ministries or Organisms.

In case of absence, vacancy or disability of the Vice-President of the Bank, he shall be replaced by whoever acts as his subrogate.

The functions of alternate representative shall be subject to the conflict-of-interest provisions laid down in the second paragraph of Article 29º.

The regular representative of the President of the Republic shall likewise be subject to the aforesaid conflict-of-interest provisions.

Article 6^o The Council, when it deems advisable, may designate permanent or temporary information or advisory committees.

Article 7^o The Superintendent of Banks shall be entitled to attend meetings of the Council, with the right to speak.

Article 8^o The Council shall appoint a Secretary, who shall serve entirely at its pleasure, and who shall act as recording officer for its decisions and proceedings.

The Secretary shall be responsible for the administrative operation of the Council and shall carry out such other assignments as the latter may entrust to him.

Article 9^o In accordance with the rules established by the Supreme Government, the Council shall have the following powers:

- a) To Determine monetary policy;
- b) To Determine credit policy;
- c) To Determine the policy governing domestic and external indebtedness;
- d) To Determine the policy and lay down regulations governing capital markets and the issue and placement of transferable securities, commercial paper, negotiable instruments, and, generally, any other instruments which may be sold to the public;
- e) To Determine the policy for attracting money from the public, through savings accounts, current accounts, or in any other way, and preparing national savings plans;
- f) To Determine the policy on interest rates;
- g) To Determine the policy on cash reserves and mathematical reserves of banking, financial and credit institutions;
- h) To Determine the policy on foreign exchange; and
- i) To Determine the policy on foreign trade and tariffs. In exercising the power referred to in this item, the Council shall also, when appropriate, be joined by the Minister of Foreign Relations.

Article 10º The Council shall guide the activities of banking institutions and of companies or entities carrying out financial operations, with a view to properly coordinating them, in keeping with the requirements of the national economy.

Article 11º The policies determined by the Council shall be binding on agencies having the regulatory powers required to implement such policies.

The Council shall be responsible for supervising and enforcing these policies and regulations thereunder through the appropriate inspection and audit agencies.

T I T L E I I I

Nature, Purpose, Domicile and Capital of the Central Bank of Chile

Article 12º The Central Bank of Chile is an autonomous institution with the status of a juridical person and an indefinite life, which shall be governed by this Law and its Rules and Regulations ("Reglamento"), and shall conduct its business with the Government through the Ministry of Finance.

Insofar as they are compatible with the objectives of the Bank as laid down in this Law and insofar as not provided for herein, the provisions of the General Law on Banks shall also be applicable to it.

Article 13º The objective of the Central Bank of Chile shall be to foster an orderly, progressive development of the national economy through policies on monetary, credit, capital markets, foreign trade and international exchange, saving, and on any other matters entrusted to it by law.

Article 14º In spite of the fact that it is an institution under public law, the Central Bank of Chile shall not be considered as part of the Central Government, nor shall general or special regulations, laid down or to be laid down for the public sector, be applicable to it, and consequently both the Bank and its staff shall be governed by regulations of the private sector.

Article 15º The Central Bank of Chile shall have its domicile in the city of Santiago and may establish offices throughout the national territory. The establishment of an office outside this country shall require the approval of the Monetary Council.

Article 16º The authorized capital of the Bank shall be fixed by Supreme Decree, following a report by the Office of the Superintendent of Banks. The initial capital shall be \$ 50,000,000 (fifty million pesos).

T I T L E I V

Powers and Operations of the Bank

Article 17º It shall be the exclusive power of the Central Bank to issue notes and to mint coins in accordance with the provisions of Title VIII of this Law.

Article 18º The following are regulatory powers of the Central Bank:

1. Prescribe the rules and terms governing banks and financial and credit institutions, whether public or private, in respect of attracting funds from the public for deposit, be it as a mutual loan, for participation, assignment or transfer of commercial paper or in any other form, and also to regulate, quantitatively and qualitatively, credits granted and other operations carried out by these institutions, without prejudice to the provisions of Article 9º (d).

The following shall at all events be held to be included hereunder: financial institutions, saving and credit cooperatives, saving and loan associations and any individual or enterprise that habitually engages in operations with the public to attract and place funds.

Such rules as may be prescribed to regulate the attracting of funds or the credits granted by these entities must be general, and no other discriminations shall be in order, except by type of financial activity or entity, or with regard to distribution of credit in the different regions of this country, or as a result of the fact that institutions are involved which, owing to the date of their establishment, cannot be governed by the generally applicable standard regulations.

2. Fix maximum bank interest rates for indexed or nonindexed operations in accordance with the law.

3. Fix the interest rates referred to in Article 8 of Law Nº 3777 on Current Bank Accounts and checks and the maximum interest rates that may be paid on demand and time deposits.

4. Fix such cash reserves and mathematical reserves as banks and other entities mentioned sub 1 must maintain in proportion to their deposits and (other) liabilities.

The cash reserves or mathematical reserves required by the Central Bank must be general for the various categories or types of banks or entities participating in the financial market. Without prejudice to the preceding provisions, when determining cash reserves or mathematical reserves for a particular category of banks or institutions, different rules may be laid down owing either to the nature of deposits or liabilities, to parts of the sum total of cash category thereof, or to the various currencies in which they are expressed, or to the fact that an institution is involved which because of the date of its establishment cannot be governed by the generally applicable regulations. Provided that these resolutions are of a general nature, it may also determine different cash-reserve or mathematical-reserve ratios by relating them to the purposes of specific loans and discounts or to the region in which they are effected.

5. Authorize banks to charge their customer fees for maintaining current bank accounts.

6. Determine the maximum fees and costs which banks and other entities mentioned sub 1 of this article may charge.

Before taking any decisions on the matter referred to in this article, the Central Bank must consult with the Office of Superintendent of Banks as to their applicability. The Office of the Superintendent shall give such instructions as may be necessary for their implementation.

Article 19^o The Central Bank shall have the following powers in the area of financing and coordination of the banking and financial system:

1. Grant to banking institutions, to finance companies, and to other financial entities, public or private, that are authorized by law to engage in credit operations and in attracting financial resources from the public, emergency loans for a period not to exceed 90 days. In order to grant these loans for more than fifteen days or to renew loans that have already been granted, a report shall be required, from the Office of the Superintendent or from the pertinent audit-and-supervision agency, on the need for them and the actual existence of the circumstances underlying the loan. The Central Bank may subject the granting of such loans to compliance by the applicant with certain rules of financial management. Once these requirements are agreed to, any violation thereof

shall be subject to administrative sanction by the Office of the Superintendent or by the pertinent audit-and-supervision agency, following notification of the party concerned, by means of a fine payable to the Government of up to the equivalent of the loan amount, without prejudice to other legal or contractual sanctions.

2. Open lines of credit and enter into credit contracts, grant refinancing and discount and, rediscount bills of exchange, promissory notes and other negotiable instruments in national or foreign currency, only in respect of the entities mentioned in the foregoing article sub 1.

3. Determine the various rates of interest applicable to operations carried out by the Central Bank. These rates may exceed the maximum rates determined in conformity with item 2 of the preceding article.

4. Assign instruments from its portfolio of loans and discounts or of investments to the entities mentioned sub 1 in this article.

5. Act as clearing house for the banks in Santiago and in the remaining cities of the Republic in which the Central Bank has a branch and laying down rules for the operation of clearing houses in other market centers.

6. Accept deposits in national or foreign currency from the entities indicated sub 1 hereinabove.

Subject to a unanimous decision by the Committee, the Bank may accept deposits from other State enterprises or institutions.

7. Receive securities or property as a guarantee pursuant to such terms as may be laid down by the Committee, and

8. Act as surety for the Government, singly or severally, pursuant to an unanimous decision by the Committee members.

Article 20^o The following shall be powers of the Central Bank vis-a-vis the Government:

1. Act as fiscal agent in all matters compatible with the purposes of the Bank.

2. Grant credits to the Government on the strength of special laws. In any event, credits granted in any one calendar year may not exceed the ceiling on Government indebtedness vis-a-vis the Bank that has been approved by the Council for that year. In order to exceed such ceiling, an unanimous decision by the members of the Council shall be required.

Unless expressly provided otherwise by law, the Committee may be required that the Government debts be embodied wholly or

in part in instruments issued by the General Treasury of the Republic pursuant to such terms as will be determined by the Bank.

Article 21^o The following shall be powers of the Central Bank in international matters, foreign trade and international exchange operations:

1. Participate as representative of the Government of Chile, and with the latter's guarantee, in the International Monetary Fund, in the International Bank for Reconstruction and Development, the Andean Development Corporation, and in such other agencies as may be specified by law, and do business with them.

2. Implementing the provisions contained in treaties or conventions entered into by the Government which are in keeping with the purposes of the Bank, and provisions contained in agreements to which the Bank itself is a party.

If such treaties or agreements entered into the Government establish reciprocal credits, and if in accordance with their stipulations it is necessary to settle a debit balance, the National Government shall place the corresponding foreign exchange at the disposal of the Bank against delivery by the latter of the amounts in (Chilean) currency received by it from the beneficiaries.

3. Contract abroad credits of all kinds, through lines of credit or loans or in any other form, and assigning or transfer them to the banking institutions.

4. Exercise the powers and authority granted to the Central Bank or to the Executive Committee by law in matters of foreign trade and international exchange.

5. Carry out foreign exchange operations and authorize banks and financial institutions as well as individuals to carry out such operations. Banks and financial institutions as well as individuals shall be required to act in these matters in keeping with the instructions and regulations of the Central Bank.

6. Buy, sell, export and import gold, without being subject to restrictions, fees, or fiscal taxes of any kind.

The power to import and export gold may be suspended only by the President of the Republic following a report by the Monetary Council.

Article 22^o The Central Bank shall have the following powers as regards the issue of securities and open-market operations:

1. Issue and market instruments for its own account. The Bank shall determine the amounts, rates of interest, maturities,

types of currencies and other terms pursuant to which the issue and payment of these instruments shall be carried out. Such instruments may be adjustable in accordance with such index as will be determined by the Bank, and may be nominative, order or bearer instruments. The pertinent order shall be published in the Official Gazette. It may also redeem them through extraordinary amortization by drawing of lots when circumstances make it advisable to do so, and if it deems this advisable, may purchase issued bonds in the market.

Notwithstanding the foregoing provisions, instrument may be issued without being subject to fixed time limits for amortization.

The Bank may place the instruments referred to sub 1 hereinabove with the public, and especially with governmental institutions, semigovernmental institutions and autonomously administered institutions or State enterprises, with banking institutions, financial institutions, saving and loan associations, insurance companies, mutual funds management companies, and capitalizations companies, without these entities being subject to the limitations or prohibitions contained in the laws applicable to them.

Instruments of indebtedness contracted in accordance with the terms of this item, and for which provision is expressly made in the relevant issue decision, must be accepted at par by the General Treasury of the Republic or by the Customs Offices in payment of any tax, levy, duty, lien or service in either national or foreign currency.

Instruments for period in excess of one year must be issued in accordance with rules to be laid down by the Monetary Council.

2. Buy and sell in the open market, for monetary control purposes, government bonds, bonds of public agencies, or securities guaranteed directly or indirectly by the State.

3. Buy and sell in the open market, for the same purposes as mentioned sub 2 hereinabove, bonds or debentures or other fixed-income securities, in accordance with such rules as will be laid down in the Regulations under this Law. The Regulations must contain rules providing that this authority be implemented in a general manner in the market, as it may not be implemented exclusively for securities issued by specific institutions or enterprises.

Article 23º The Central Bank may acquire and maintain such real property as will be necessary to operate its offices and related services.

It may also acquire and maintain real property transferred in payment of credits granted in the course of its operations, whether obtained directly from the debtor or through judicial action.

The Bank shall sell real property acquired in payment of liabilities.

Article 24^o The Central Bank may carry out any transactions, contracts, or banking and commercial operations that will be necessary to meet its objectives, pursuant to the powers and authority conferred upon it under this Title and without prejudice any other legal limitations.

Article 25^o Except for the cases expressly permitted in this or other laws, the Central Bank may carry on money credit operations only with the persons or entities mentioned in Article 19 (1) and in Article 20, whether they are established in this country or abroad, so that it shall be prohibited from effecting such operations with any other person either directly or indirectly, under an agency form of contract or in any other form.

T I T L E V

Executive Committee and Other Authorities of the Bank

Article 26^o The Executive Committee shall be responsible for the management and administration of the Bank without prejudice to any other functions entrusted to it by law. It shall likewise be incumbent upon it to exercise all the powers or rights granted to the Central Bank by this or other laws.

Article 27^o The Committee shall be composed of the President, the Vice-President and the General Manager of the Bank; a quorum shall be a majority of its members, and its decision shall be adopted by the majority of those attending. The Chairman shall cast the deciding vote in the event of a tie.

Compensation for the members of the Executive Committee shall be fixed by the Monetary Council.

The members of the Committee shall be appointed by the President of the Republic through a supreme decree of the Ministry of Finance and shall be considered as heads of office for legal purposes.

Article 28° In case of vacancy, absence or other inability to discharge their duties, the members of the Executive Committee shall be substituted in the following manner:

- a) The President by the Vice-President;
- b) The Vice-President by the General Manager, and
- c) The General Manager by the official of the Bank next in line according to the order established by the Executive Committee.

Article 29° The duties of the incumbent members of the Executive Committee and of their surrogates shall be incompatible with any employment, work or service compensated with government or municipal funds and with the duties, whether or not remunerated, of a member of the board of directors, a manager, or an employee of government institutions, semigovernmental institutions, autonomous agencies, State enterprises and, in general, of all Public Services created by law, as well as of public or private enterprises, corporations or entities in which the State, its enterprises, corporations or institutions, whether centralized or decentralized, have a controlling interest or an evenly shared capital investment, or which they represent or in which they have a share on the same terms. This incompatibility shall not be applicable in cases in which the laws provide that a member of the Executive Committee shall be a member of a specific board of directors or managements nor in respect of teaching assignments.

The aforesaid duties shall likewise be incompatible with ownership, management, employment or services, on a remunerated basis, in banking, financial or credit institutions, whether public or private, and with engaging in foreign trade either as an individual enterprise or as a partner, director, manager, authorized agent, employee or advisor, on a remunerated basis, of corporations or enterprises the purposes of which is import, export or execution of foreign-exchange operations.

Any or all the incompatibilities affecting the members of the Executive Committee may be extended by the Committee to specific employees of the Central Bank in view of the liabilities inherent in their duties.

At all events, the incompatibility established in the first paragraph of this article shall not be applicable when it is so ordered by the President of the Republic through a Supreme Decree setting forth the relevant reasons.

Article 30° No member of the Committee may intervene in or vote on credit operations, investments or other transactions in which he or any enterprises or individuals with whom he maintains ties of partnership, employment or intervention in the relevant management have an interest; the same prohibition shall apply in respect of transactions or operations in which relatives of his up to the third degree of blood relationship or second degree of relationship by marriage, inclusive, have an interest.

Dicisions designed to produce effects of a general nature shall not be held to be included in these prohibitions.

Article 31° The Executive Committee may hire such staff as it deems necessary within the scope of the table of organization approved by the Monetary Council, and fix their remuneration, duties and obligations. It shall be incumbent upon the same Committee, exercising the powers of both paragraphs of Article 7 of the Code of Civil Procedure, to represent the Bank in court without prejudice to the provisions of Article 33, third paragraph of this Decree-Law.

Article 32° The Committee may delegate its powers of administration, operation and representation to the President, the Vice-President, the General Manager, other Managers, Assistant Managers and officers of the Bank, and for specific cases it may grant special powers to third parties.

Article 33° The President of the Bank shall act as its out-of-court representative and shall be subrogated, in case of absence, vacancy, or disability, by the Vice-President. The President and the Vice-President shall have the powers and perform the duties indicated to them by the Committee.

The General Manager shall represent the Bank in court pursuant to the terms of Article 8 of the Code of Civil Procedure, and he shall carry out the immediate administration of the Bank in accordance with the powers conferred and instructions imparted by the Committee.

Article 34° The Secretary and the General Auditor of the Bank shall be appointed by the Committee. The appointment or dismissal of these officials must be decided by a unanimous vote of the (Committee) members. In case of absence, vacancy or inability to discharge their duty, they shall be subrogated by the officials next in line according to the order indicated to this end by the Committee.

It shall be incumbent upon the Secretary to act in his capacity as such at the meeting of the Executive Committee, and he shall serve as recording officer for the purpose of attesting to the veracity and authenticity of the proceedings and documents of the Bank.

The General Auditor shall be entrusted with the audit and immediate supervision of all the departments of the Bank. The inspectors shall act under the directives of this official. The General Auditor shall communicate in writing to the General Manager such observations as he may deem advisable on the operations of the Bank. If they are not acted upon, he shall so report to the Committee.

At all events, the General Auditor shall send a copy of all his observations directly to the Office of the Superintendent.

T I T L E V I

Procedure for Complaint and Publicity

Article 35º Complaints against the decisions or resolutions as adopted by the Executive Committee of the Central Bank in the exercise of the powers laid down in Articles 18, 19, 21 and 22 and against the rule prescribed by the Monetary Council in the exercise of the powers laid down in Article 9 (d), if they are deemed illegal, may be filed with the Court of Appeals of Santiago by the party concerned in the manner and pursuant to the terms set forth under this Title.

The time limit for filing such complaints shall be 10 days from the date of notification of the decision, regulation order or resolution in respect of which a complaint is lodged; when the appeal is filed, a deposit slip in favor of the court, equivalent to 10 per cent of the total amount of the operation or of the damages claimed must be attached and for purposes of calculating said percentage, the higher value shall be used.

At all events, the minimum amount of deposit referred to in the preceding paragraph may not be less than the equivalent, in (Chilean) currency, of five annual minimum wage units for the Province of Santiago at the time the complaint is filed.

Article 36º The party filing the complaint shall specify with preciseness in his brief the law he supposes to have been violated, the manner in which such violation has been brought about, the reasons for which he has suffered damages as a result of such

decision, claim, order or resolution and the amount at which he estimates such damages.

The Court shall reject the appeal outright if the brief does not meet the requirements set forth in the preceding paragraph or if no proof is submitted that the prior deposit prescribed in the foregoing article has been made.

Article 37° If the Court of Appeals declares the complaint to be admissible it shall give six-day notice to the Central Bank.

When the Bank has answered the complaint within the prescribed time limit or acknowledged default, the Court shall hear the opinion of its district attorney,s ("Fiscal") and shall pass judgment within 30 days.

Article 38° If the Court of Appeals rejects the complaint, it shall declare the amount of the deposit referred to in Article 35 to have accrued to the benefit of the government.

Article 39° If the claim is accepted, the sum of money deposited shall be refunded to the complainant, who may appear before ordinary court of justice to claim, in conformity with the general rules, compensation for damages sustained by him and to demand that such penal sanctions as may be appropriate be applied.

Article 40° Such resolutions or decisions of a general nature as may be adopted by the Executive Committee on matters of foreign trade and of international exchange and also on the fixing of rates of interest and mathematical reserves referred to in Article 18 (2), (3) and (4) of Article 18, and characteristics of the notes (and) coins or on any other (matters) which, in the opinion of the aforesaid Committee, need to be publicly known, must be published in the Official Gazette.

Like publicity shall be given to such resolutions of general application as may be adopted by the Monetary Council on matters of capital markets and issues and placement of transferable securities, commercial paper, negotiable instruments and, in general, any other instruments capable of being placed with the public, and to all such resolutions or decisions as it is deemed necessary to publish in this manner.

For all legal purposes, the date of adoption of the particular decision or resolution shall be that of its publication.

The Executive Committee's resolutions or decision of a special nature relating to matters of foreign trade and international exchange shall be made known to the parties concerned and to the public by including them in a list which shall be posted for three days within the premises in which the Committee operates and in a place to which the public has access. For all legal purposes, the date of adoption of such decision or resolution shall be that of this inclusion in the relevant list, which must be posted within 5 working days following its adoption.

TITLE VII

Gold and Foreign Currency Reserves

Article 41º The Central Bank of Chile shall maintain a reserve fund in gold (or) in foreign currency or in both.

Article 42º This reserve fund may consist of:

- a) Gold coins or bars or foreign currencies available in cash at the Bank proper;
- b) Gold coins or bars or foreign currencies deposited with foreign banks of recognized reliability that are designated by the Committee through a unanimous vote of its members.

Gold bars included in the reserve must be of such weight and fineness as will be established by the Committee.

Article 43º Proceeds in (Chilean) currency from an increase in the value of the gold or foreign-currency reserves as a result of a change in the par value of the currency shall be earmarked in such proportion as will be fixed by the Committee for the following purposes:

1. Amortizing or settling liabilities of the Government vis-a-vis the Central Bank and
2. Increasing the reserve funds envisaged in this Law.

Article 44º The Central Bank may order the Chilean Mint ("Casa de Moneda de Chile") to strike gold coins without quantitative limitation in keeping with the relevant tariff, and that agency shall give it preferential attention vis-a-vis other entities or individuals.

TITLE VIII

Currency

Article 45^o The Central Bank may make contracts within or outside this country for the printing of banknotes and the minting of coins.

Article 46^o The banknotes and coins shall have their value expressed in the currency unit in force, multiples or submultiples thereof, and shall have such characteristics as will be specified by the Committee through a decision which shall be published in the Official Gazette.

Article 47^o The banknotes and coins issued by the Central Bank shall be the sole means of payment with legal-tender status qualifying as lawful currency. They shall be legal-tender throughout the territory of the Republic and shall be accepted at their face value. The provisions of this article shall not be applicable to gold coins.

Article 48^o The Central Bank shall withdraw from circulation the banknotes that are in poor condition.

When two fifths of a note is missing but the remaining portion is intact, the Bank shall pay its face value.

If less than three fifths of it is destroyed and more than the remaining two fifths remains intact, it shall be exchanged for one half of its face value, provided that its series and number can be verified.

The Bank shall not be required to exchange damaged banknotes that are not covered by the foregoing provisions.

Article 49^o Banknotes definitively withdrawn shall be canceled in such manner as will be determined by the Committee, and shall as from that moment cease both to have legal-tender status and to be lawful currency.

In any event, such cancellation must be uniform at all the offices of the Bank and must be carried out in the presence of officials specially designated by the Committee for this purpose, and a record shall be kept which shall serve as evidence of actual cancellation.

TITLE IX

Reserve Funds and Surpluses of the Bank

Article 50º A balance sheet of the Bank's operations shall be drawn up at the end of each financial year, and it shall contain such revaluations as will be determined by the Committee. Such surpluses as may result in any one financial year, after effecting such write-offs and setting aside such reserves as may be decided by the Committee, shall be used by the latter for the following purposes:

a) Setting up reserve funds to cover risks involved in its investments, exchange operations or any other contingency, in such proportion as it will determine;

b) The remainder, which shall belong to the government shall be used preferably to pay the Government's outstanding debts vis-a-vis the Bank.

Article 51º A unanimous decision by the members of the Committee shall be required in order to debit the reserve funds.

The exclusive purpose of such debits shall be to cover losses already sustained.

TITLE X

Audit and Supervision of the Bank

Article 52º The auditing and supervision of the Central Bank shall be incumbent exclusively upon the Office of the Superintendent of Banks.

Article 53º The Central Bank shall be required to submit to the Superintendent of Banks such reports and statements as he may request, the balance sheet, and an annual report.

Article 54º A monthly statement containing such data as will be determined by the Superintendent of Banks must be submitted to that official.

The balance sheets and statements of the Bank shall be available to the public in the Bank's offices in Santiago as well as at its branch offices and shall be published in the Official Gazette within such time limits as will be fixed by the Office of the Superintendent of Banks.

The balance sheets and statements must have an appendix showing the (amount of) new Government indebtedness vis-a-vis the Central Bank incurred since the first of January of the year to which they relate.

T I T L E X I

Miscellaneous Provisions

Article 55° The Central Bank shall be exempt from all duty, tax or assessment, both domestic and external, except for the following levies: territorial tax on real property, sales tax, tax on services and general tariff rates on remittances of funds or post and telegraphic money orders, and customs duties. Banknotes, coins, metals, paper and any other material used to print banknotes or to mint coins shall be exempt from all tax or levy, irrespective of its nature.

Article 56 DFL (Decree with Force of Law) N° 247 of March 30, 1960, as amended, is (hereby) revoked.

Article 57° The following amendments shall be made in the Law on Export and Import Trade and Foreign-Exchange Operations, the wording of which was laid down in Economy Decree N° 1272 of September 7, 1961:

a) Article 23 shall be replaced by the following:

“ARTICLE 23° Persons who violate the requirements laid down in Articles 7, 8 and 9 of this Law or who fail to comply with the rules prescribed by the Central Bank of Chile in connection with the same provisions shall be subject to the penalties of medium-degree imprisonment to maximum-degree minor penitentiary and a fine accruing to the Government, equivalent to twice the amounts not returned.

Persons making maliciously false statements in the papers they submit in connection with their foreign trade operations governed by this Law shall be subject to the penalties of medium-degree imprisonment to maximum-degree minor penitentiary and a fine accruing to the Government, equivalent to twice the amount of the operation.

At all events, in case of the crimes referred to in the preceding paragraph, the Executive Committee may optionally levy on the violator a fine accruing to the Government, the amount of which may be neither in excess of 500 per cent nor less than 200 per cent of the sum total of the particular operation. In such event no penalty of any kind for the same reason may be applied against the violator, nor may the penal action be brought to which the fifth paragraph of this article relates.

In case the party committing the crime is a juridical person, the corporal punishments prescribed in the first and second paragraph of this article shall be applied to such party's manager or legal representative.

The crimes referred to in this article may be investigated only upon Executive Committee presentment.

Nationalized foreigners convicted for violating this Law shall be deprived of their naturalization papers and may be expelled from the national territory."

b) The second paragraph of Article 24 shall be replaced by the following:

"This fine shall accrue to the benefit of the Government and may not exceed 200 per cent nor be less than 1 per cent of the total sum of the operation."

c) The third paragraph of Article 24 is (hereby) revoked.

d) The words "reduced to (Chilean) currency" and the comma preceding them shall be deleted from Article 25.

e) Article 26 shall be replaced by the following:

"ARTICLE 26º The fines referred to in Articles 23, 24 and 25 of this Law shall be applied in the same currency in which the penalized operation was carried out or was intended to be carried out, or in United States dollars at the option of the authority applying them. These fines must be paid in (Chilean) currency at the exchange rate of the banking market applicable on the date of payment.

Decisions of the Executive Committee imposing such fines, shall be enforceable, and in the proceeding no objection shall be admissible except in respect of payment. Upon payment of the fine and within five days from the date of adoption of the decision the party so affected may file a complaint with the Court of Appeals of Santiago, from whose decision there shall be no appeal of any Kind." and

f) Articles 27, 28 and 30 are (hereby) repealed.

Article 58º Article 3 of Law Nº 15192 shall be amended as follows:

a) Replace in the first paragraph the words "equivalent to five times the amount of the operation" by the following: "which may be neither in excess of 500 per cent nor less than 100 per cent of the amount of the operation."

b) Add after the first paragraph the following new paragraphs:

"In any event, the Executive Committee of the Central Bank may optionally levy on the violator a fine accruing to the Government, the amount of which may be neither in excess of 500 per cent nor less than 100 per cent of the amount of the operation. In such event no other penalty for the same reason may be applied against the violator, and proof that the corresponding sum has been paid shall definitively weaken any criminal action referred to in the fifth paragraph of this article.

Such decision of the Executive Committee imposing the fine shall be enforceable, and in the proceeding no objection shall be admissible except in respect of payment. Upon payment of the fine and within five days from the date of adoption of the decision, the party so affected may file a complaint with the Court of Appeals of Santiago, from whose decision there shall be no appeal of any kind.

The fines referred to in the preceding paragraphs shall be applied in the same currency in which the penalized operation was carried out or was intended to be carried out, or in United States dollars at the option of the authority applying them, and must be paid in (Chilean) currency at the exchange rate of the banking market applicable on the date of payment."

Article 59^o Law N^o 3777 on Current Banking and Checkings Accounts shall be amended in the following manner:

a) Replace Article 8 by the following:

ARTICLE 8^o Banks may charge fees and credit interest to current accounts in accordance with such rules as may be laid down by the Central Bank."

b) The final sentences in Article 39 are (hereby) repealed: "Such return must be made prior to three o'clock in the afternoon on the day of such exchange. Once this deadline has passed, the bank drawn upon may not claim restitution from the Bank that gave it in exchange."

Article 60^o The following laws and legal provisions are (hereby) repealed: Law 7397, Law 9869, Article 1 of Law 7140, Article 15 of Law 7200, Article 137 of Law 14171, as amended, Article 16 of Law 16528 and Article 27 of Law 3896 on General Warehouses.

Article 61º Articles 9 and 16 of Law Nº 17318 are (hereby) repealed. The references made by Article 1 of Law Nº 16407 and Article 46 bis of Law Nº 4657 and by other legal or regulatory provisions to the National Savings Commission are likewise repealed (hereby), without prejudice to the powers conferred by this Law upon the Monetary Council and upon the Executive Committee of the Central Bank in respect of the matters dealt with by such provisions.

Article 62º Any references made by laws and regulations to the Board of Directors and directors of the Central Bank shall be understood as references made to the Executive Committee and to the members of the Committee, respectively.

Transitional Articles

Article 1º The Central Bank may acquire such of its class "B", "C" and "D" shares as are outstanding, and to this end it shall take such steps as will lead to such purchase at such price and on such conditions as will be stipulated by mutual agreement with the individual owners of such shares within ninety days from publication of this Law.

Upon expiration of the time limit indicated, the aforesaid shares shall be declared as being of public use and shall be expropriated and become null and void merely by operation of the law.

In the absence of agreement between the Central Bank and the owner, compensation shall be fixed in conformity with the procedure of Title XV of Book IV of the Code of Civil Procedure, and the owner concerned may initiate relevant action.

Article 2º The capital referred to in Article 16 shall be made up of the present capital account and of such amount as may have to be transferred from its present reserve funds, and from that time on, the shares issued in conformity with DFL 247 of 1960 shall be worthless, save for the purchase or expropriation authorized in the preceding article. The excess of the present reserves shall remain as such, and from it shall be deducted the amounts needed to effect payment for the shares purchased or to effect compensation payments.

Article 3º (Fixed-) income securities issued by the Central Bank during the effective period of DFL Nº 247 of 1960 shall continue to enjoy the exemptions granted them under the aforementioned law.

Let this be registered at the Office of the Controller General of the Republic, published in the Official Gazette and inserted in the Official Compilation of the said Controller's Office.- AUGUSTO PINOCHET UGARTE, Army General, President of the Republic.- JOSE T. MERINO CASTRO, Admiral, Commander-in-Chief of the Navy.- GUSTAVO LEIGH GUZMAN, Air (Force) General, Commander-in-Chief of the Air Force of Chile.- CESAR MENDOZA DURAN, General, Director General of the Police Corps ("Carabineros").- Jorge Cauas Lama, Minister of Finance.

I am transcribing this for your information.

Very truly yours,

Pedro Larrondo Jara, Navy Captain (AB)

Assistant Secretary of Finance



... securities issued by the Central
... of DFL N° 247 of 1960 shall con-
... was granted them: under the afore-men-

... the Office of the Controller General
... in the Official Gazette and inserted in
... of the said Controller's Office. AUGUSTO
... Army General, President of the Republic
... NO, Admiral, Commander-in-Chief of the
... CHESMAN, Air (Force) General, Command-
... of Chile. CESAR MENDOZA DURAN,
... of the Police Corps ("Carabineros"),
... Minister of Finance

... this for your information.

Very truly yours,

Pedro Larraeche Jara, Navy Captain (AB)
Assistant Secretary of Finance



