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Whereby the regulations to which the Banco de la República should be subject for the exercise of its functions, for the Government to establish the international exchange regimen, the issuance of the Banco's Byelaws, and the exercise of the inspection, surveillance, and control functions thereof, and whereby the entities to which the Foment Funds administered by the Banco are to be surrendered, and some other dispositions are set forth.

The Congress of Colombia,

HEREBY DECREES:

TITLE I
ORIGIN, NATURE, AND CHARACTERISTICS

Article 1: Nature and Corporate Purpose. Banco de la República is a legal entity of the public law, which will continue functioning as a state-owned body of the constitutional rank, with a legal regimen of its own, with its own and special nature, and with administrative, patrimonial, and technical autonomy. Banco de la República will exercise the functions of a central bank in accordance with the dispositions set forth in the Political Constitution and in the present Law.

Article 2: Purpose. Banco de la República, on behalf of the State, will see to the maintenance of the national currency's acquisitive capacity as provided in the standards set forth in Article 373 of the Political Constitution and in the present Law.

Paragraph: To fulfill the above purpose, the Board of Directors of the Banco will adopt specific inflation goals that will always be below the last recorded results, will use instruments of the policies at its charge and will issue the recommendations conducive to the same purpose.

Article 3: Legal Regimen: The Banco de la República is subject to a legal regimen of its own. In consequence, the determination of its organization, structure, functions, and attributions, and of any contracts the Banco is a part of, will be governed exclusively by the standards contained in the Political Constitution, in this Law and in the Byelaws. For the cases not provided thereby, any and all mercantile and civil operations and, in general, the acts of the Banco of a non-administrative nature, will be governed by the standards of the private law.

The Banco will be entitled to perform all banking and commercial acts, contracts, and operations either in Colombia or abroad that are necessary for the fulfillment of its corporate object, in keeping with the powers and attributions granted thereto by the Constitution, this Law, and its Byelaws.

Article 4: Monetary, Exchange, and Credit Authority: The Board of Directors of Banco de la República is the monetary, exchange, and credit authority and, as such, will carry out the functions provided in the Constitution and in this Law, under dispositions of a general nature. Such functions will be exercised in coordination with the general economic policy provided in the macroeconomic program approved by the National Council for the Economic and Social Policies (CONPES), provided that the said policy does not compromise the State's constitutional responsibility, through Banco de la República, of seeing to the maintenance of the national currency's acquisitive capacity.

Article 5: Schedule and Reports to the Congress: Within ten days after the initiation of each period of ordinary sessions, the Board of Directors of the Banco through its Manager will render a report to the National Congress, on the execution of the monetary, exchange, and credit policies, including at least the general guidelines of the cited policies, an assessment of the results achieved in the previous period, and the objective, purposes, and goals thereof for the subsequent period, and in the mid-term. Similarly, a report will be rendered on the policy for the administration and composition of the international reserves, and of the financial situation of the Banco and its perspectives.

In any case, if in the course of a period a substantial change should occur in the said policies with respect to the report rendered by the General Manager to the Congress, an additional report will be rendered to the Congress no later than fifteen (15) days afterwards indicating the origin of the situation and explaining the adopted measures.

The Congress may request to the Banco de la República any other reports it may deem necessary for the appropriate fulfillment of its functions.

Likewise, the Third Committees of the Senate and the House of Representatives may summon the General Manager the members of the Board of Directors of the Banco de la República for them to explain the contents of the report and any decisions they have made,

as provided under Articles 233 and 249 of Law 5 of 1992.

Paragraph: The reports referred to under sections 1 and 2 above will be presented by the General Manager to the Third Committees of the Senate and the House of Representatives in exclusive sessions called for that purpose, which will be held within the period determined in this article. Any non-compliance will be deemed as a negligent conduct. The Committees will debate and evaluate the reports and will deliver their conclusions to the respective Plenums, within one month after the presentation of the reports.

TITLE II

FUNCTIONS OF THE BANCO AND ITS BOARD OF DIRECTORS

CHAPTER I

BANK IN CHARGE OF THE ISSUANCE, DETERMINATION, AND CHARACTERISTICS OF THE LEGAL TENDER

Article 6: Monetary Unit: The monetary unit and account unit of the country is the Colombian Peso issued by the Banco de la República.

Article 7: Exercise of the Power to Issue. The Banco de la República exercises in an exclusive and non-delegable manner the State-owned attribute of issuing legal tender composed of banknotes and metal coins.

Paragraph: The Banco de la República may order either in the country or abroad the coinage of legal metal coins for commemorative or numismatic purposes, as set forth under special laws, and to establish its alloys, and determine their characteristics.

Article 8: Characteristics of the Legal Tender. The legal tender will express its value in Colombian Pesos in accordance with the denominations determined by the Board of Directors of the Banco de la República, and will be the only legal means of payment with unlimited releasing power.

Article 9: Production and Destruction of the Species Constituting the Legal Tender. The printing, importation, coinage, change, and destruction of the species constituting the legal tender, are the Banco de la República's proprietary and exclusive functions, which will be fulfilled as provided under the general rules issued by the Board of Directors. This power comprises the power of establishing the alloys and to determine the characteristics of the metal coins. The Board of Directors will have a special organization and operation regimen for the Mint.

Article 10: Removal of Banknotes and Metal Coins: The Banco de la República may remove banknotes and coins from circulation, which will cease to have legal course once the term for the exchange set forth in the act of announcement of the substitution has lapsed.

El Banco de la República is solely obliged to exchange the banknotes in the manner and in the cases determined by the Board of Directors.

Article 11: Supply of Banknotes and Metal Coins: The Banco de la República will adopt the necessary measures to ensure the supply of banknotes and metal coins in its diverse denominations. The credit entities authorized to receive deposits in National Coins will be obliged to have banknotes and coins available to ensure their supply, in accordance with the standards set forth to that effect by the Board of Directors of Banco de la República.

CHAPTER II

BANKER AND LAST-INSTANCE MONEYLENDER FOR CREDIT ENTITIES

Article 12: Functions: The Banco de la República, in its capacity as a banker and last-instance moneylender for both public and private credit entities, will be entitled to:

- a) Grant transient liquidity support by means of discounts and rediscounts in such conditions as the Board of Directors may determine;
- b) Act as an intermediary for external credit lines for its placement through the credit entities; and,
- c) To provide them with trust, deposit, clearing, and draft services, and such other services as the Board of Directors may determine.

CHAPTER III

FUNCTIONS IN RELATION WITH THE NATIONAL GOVERNMENT

Article 13: Functions: The Banco de la República may perform the following functions in relation with the National Government:

- a) At the request of the Government, the Banco may act as a fiscal agent for the acquisition of both internal and external credits, and in such operations as may be compatible with the purposes of the Banco.
- b) Grant credits or warranties in favor of the State under the conditions set forth in Article 373 of the Political Constitution.
- c) Receive in deposit funds pertaining to the Nation and to the public entities. The Board of Directors will indicate the cases and conditions in which the Banco will carry out these operations.

d) Serve as an agent to the Government in the issuance, placement, and market administration of public debt bonds.

e) Provide the National Government and such other public entities as the Board may determine with the technical assistance required in matters pertaining to the nature and functions of the Banco.

Paragraph: These functions will be performed by the Banco prior execution of the corresponding contracts with the National Government or other public entities, which will be subject to the regulations provided in this Law.

CHAPTER IV

ADMINISTRATION OF THE INTERNATIONAL RESERVES AND POWERS ON INTERNATIONAL MATTERS

Article 14: Scope of the Administrative function: The Banco de la República will administer the international reserves as provided to the public interest, to the benefit of the national economy and with the purpose of facilitating the payments that the country needs to do abroad. The administration comprises the management, investment, deposit in custody, and disposal of the reserved assets. The investment of these assets will be made in accordance with the criteria of security, liquidity, and profitability in assets denominated in freely-convertible reserve currencies or in gold. The Board of Directors of the Banco de la República will order contributions to international financial organisms on the account of the international reserves, provided that such contributions also constitute reserve assets.

The Banco de la República will not be entitled to grant credits from the international reserves.

In its capacity as administrator of the international reserves, Banco de la República will carry out risk-coverage operations. To this effect, the Banco may allocate part of the assets to margin or guarantee deposits or with the purpose of making direct payments for the acquisition of risk-coverage instruments in the market.

The international reserves of Banco de la República are unattachable.

Banco de la República may enter into contracts of non-monetizable payment balance credits.

Paragraph: The operations provided in this article will be carried out in accordance with the conditions indicated by the Board of Directors of the Banco.

Article 15: Powers on International Matters: Banco de la República will be the State representative before the diverse international financial organisms in which the State has made or makes capital contributions accounted for as international reserves.

Neither the national Government nor other State authorities will dispose of the reserves for different purposes. Likewise, Banco de la República will be the communication channel with the other international financial organisms.

Banco de la República may develop with the organisms cited in this article and with other foreign, such relations as may be derived from its central bank functions, or which may facilitate the international payment and credit operations.

Paragraph: The Board of Directors will establish the criteria that will guide the decisions adopted by Banco de la República when acting as a representative to the State before the various international financial organisms.

Furthermore, in such capacity, the Banco will act in coordination with both the general economic policy and with the Government's international policy.

CHAPTER V

FUNCTIONS OF THE BOARD OF DIRECTORS AS MONETARY, CREDIT, AND EXCHANGE AUTHORITY

Article 16: Powers: The Banco de la República will study and adopt the monetary, credit, and exchange measures aimed at regulating the circulation of money and, in general, the liquidity of the financial market and the normal operation of the internal and external payments of the national economy, taking care of the stability of the value of the currency. To such effect, the Board of Directors will:

- a) Set forth and regulate the exchange of the diverse categories of credit entities and, in general, of all entities receiving payable at sight, term, or savings deposits, either indicating or not its remuneration and establishing the penalties due to the infringement of the regulations on this matter. To this effect, such considerations as class and term of the operation subject to the float. The cash float will be represented in deposits at the Banco de la República or in cash.
- b) Order open market operations with its own securities, with public debt bonds, or with those authorized by the Board of Directors, in these cases in local or foreign currency, to determine the intermediaries for these operations and their requirements. In the development of this power, the Banco may order repurchase operations (repos) to regulate the liquidity of the economy.

c) Indicate, by means of general standards, the financial conditions to which the public entities authorized by law to acquire or place bonds must abide in order to ensure that these operations are carried out at market conditions. Absent the compliance of these conditions, the respective bonds will not be offered or placed.

d) Establish, in the course of exceptional situations and for periods that added up during the year do not exceed one hundred and twenty (120) days, certain limits to the growth of the portfolio and to the other active operations performed by the credit entities, such as endorsements, guarantees, and acceptances.

e) Indicate in the course of exceptional situations and for periods that added up during the year do not exceed one hundred and twenty (120) days, the maximum interest rates that credit entities are allowed to charge or to pay to their clients in connection with both active and passive operations, without inducing negative real rates. The maximum interest rates that may be agreed upon for foreign currency operations will remain subject to the decision of the Board of Directors. These rates may be different taking into account such aspects as the type of operation, the destination of the funds, and the place of their application.

Credit entities charging interest rates in excess of those indicated by the Board of Directors will be subject to such administrative penalties as may be established by the Board in a general manner for these cases.

f) Set forth the methodology for determining the value of the Constant Purchasing Power Unit (UPAC) in local currency, intending that it also reflects the movements of the interest rate in the economy.

g) Regulate the interbank credit to attend to the transient liquidity requirements of the credit entities.

h) Exercise the functions of exchange regulation provided in paragraph 1º of Article 3º, and in Articles 5 to 13, 16, 22, 27, 28 and 31 of Law 9 of 1991.

i) Order the intervention of Banco de la República in the exchange market as currency purchaser or seller, or by the issuance and placement of titles representative thereof. Similarly, determine the exchange rate management policy exchange rate, in mutual agreement with the Minister of Finances and Public Credit. In case of a disagreement, the State's constitutional responsibility to see to the maintenance of the acquisitive capacity of the currency shall prevail.

j) Issue a prior favorable opinion for the monetization of foreign currency originated in the payment of the transient surpluses referred to in Article 31 of Law 51 of 1990.

k) Issue an opinion, when deemed necessary and during the legislative period, on the amount of the resources for both internal and external credit included in the budget project in order to fulfill the provisions of Article 373 of the Political Constitution.

Paragraph 1: The functions provided in this Article will be performed by the Board of Directors of Banco de la República without prejudice of those allocated to the National Government by the Constitution and the Law.

Paragraph 2: The General Treasury of the Republic will not be managed with a monetary control criterion.

Paragraph 3: The Districts and Municipalities may exercise the powers provided in paragraph b) of Article 5 of Law 86 of 1989 to directly finance the works and acquisitions mentioned in that law. The respective City Councils will regulate the collection of the resources provided in the cited law and establish the date to initiate such collection.

CHAPTER VI DISPOSITIONS COMMON TO THE ABOVE MATTERS

Article 17: Subjection to the Acts of Banco de la República: Without prejudice of the obligations of other natural persons or entities, all financial institutions, open market operations intermediaries, and exchange market intermediaries must abide by the acts of the Board of Directors of Banco de la República in its capacity as monetary, exchange, and credit authority.

The surveillance on the fulfillment of such acts will be exercised by the Colombian Banking Authority (Superintendencia Bancaria) or the Colombian Exchange and Securities Authority (Superintendencia de Cambios) as the case may be, which will establish the corresponding penalties for such persons that do not comply.

Article 18: Provision of Information to Banco de la República: For information other than the information normally to be provided to the Banking Authority, the financial institutions and the open market operations and exchange market intermediaries, will have the obligation to provide to Banco de la República all such general and particular information as the Banco may require on their operations, as well as those data that allow to estimate their financial situation. On this information the Banco will maintain its duty of reserve.

The Banco will interrupt any or all operations of the institutions that infringe the provisions of these articles.

Similarly, for the fulfillment of its functions, Banco de la República may require all other State organizations and dependencies to cooperate and to provide any information deemed necessary and these bodies are under the obligation to comply.

Article 19: New Financial Operations: As provided in Article 8^o of Law 45 of 1990, the Board of Directors of the Banco may request through the Banking Authority the interruption of New Financial Operations performed by the institutions under the surveillance of that Authority, whenever they are contrary to the monetary, exchange, or credit policy.

Article 20: Current Banking Interest Rate and Liquidation of the UPAC: The Board of Directors may request the Superintendente Bancario to certify the current banking interest rate whenever the Banco deems it necessary by reasons of substantial variations in the market.

The Banco de la República will calculate and report on a monthly basis to the savings and housing corporations, for each one of the days of the following months, the values in local currency of the Constant Purchasing Power Unit (UPAC), according to the corresponding methodology.

CHAPTER VII RELATED ACTIVITIES

Article 21: Securities Deposit: Banco de la República may administer a securities deposit with the purpose of receiving in deposit and administration any bonds issued, guaranteed, or administered by the Banco itself, and all those securities other than shares constituting either mandatory or substitutive investments in charge of the entities subject to the inspection and surveillance of the Banking Authority.

The entities subject to the inspection and surveillance of the Banking Authority and the persons owing or administering the bonds or securities referred to in the above paragraph will have access to the services of the securities deposit of Banco de la República, in the conditions established by the Board of Directors of Banco de la República.

For the purposes provided in this article, Banco de la República may participate in partnerships organized for the purpose of administering deposit or clearing systems, or systematized securities information systems in the capital market.

Article 22: Opening Current Accounts: The Banco may open banking current accounts or enter into deposit contracts with public or private entities, whenever this becomes necessary for the performance of their operations with the Banco, according to a qualification made by the Board of Directors.

The Board of Directors of the Banco will have the exclusive power to establish the conditions applicable to the banking current accounts and to the deposits referred to in this article.

Article 23: Clearing Houses: Banco de la República may provide interbank clearing services, without prejudice of credit entities having the right to participate in the organization of checking clearing houses constituted as technical and administrative services corporations, subject in this case to the surveillance of the Banking Authority.

The National Government will regulate the operation of the checking clearing houses.

Article 24: Precious Metals: Banco de la República will perform operations of purchase, sale, processing, certification, and exportation of precious metals.

Without prejudice of the free competition provided in Article 13 of Law 9 of 1991, Banco de la República will purchase all nationally produced gold offered thereto.

The Board of Directors will regulate the manner how Banco de la República will carry out the above operations.

Article 25: Cultural Functions: The Banco will continue performing only those cultural and scientific functions currently in course.

The Administration Council will establish the conditions of mode, time, and place for the performance of these activities subject to the annual budget approved by the Board of Directors.

Paragraph: Any expenses directed to the operation and structure of the Banco for the performance of the cultural and scientific functions currently developed will be ordinary operational expenses of the Banco.

TITLE III

GENERAL STANDARDS FOR ISSUING THE BYELAWS OF THE BANCO

CHAPTER I

GENERAL ASPECTS

Article 26: Adoption and Issue of the Byelaws: The project for the Byelaws of the Banco and its future amendments will be prepared by the Board of Directors for the revision and approval by the Government. For these purposes, the Government will issue under a Decree the respective Byelaws and the corresponding reforms, as provided in the Constitution and the Law.

Article 27: Content of the Byelaws: The Byelaws of the Banco de la República will regulate, at least, the following matters:

a) Name, main domicile, secondary domiciles, net worth.

b) Directive and administrative bodies.

c) Accounting year and financial statements. The Byelaws will establish the accounting periods of Banco de la República and the financial statements that must be elaborated at the end each year. In any case, Banco de la República will make an account cut off at least once a year, as of the Thirty First day of December, and will adhere to the following rules for the determination of its results and the elaboration of its financial statements:

1. The following are the Banco's income and expenses:

a) Those derived from the purchase, sale, investment, and management of the international reserves and from the purchase and sale of precious metals alloyed to gold.

b) All those related to its activities as a central bank, including those derived from open market operations and from the coinage and printing of monetary species.

c) Those related to its industrial and cultural activities.

d) Personnel, maintenance, general services and other operational expenses and investments for the performance of the activities developed by the Banco.

e) Those other pertaining to its existence as a legal entity.

2. Banco de la República will make the financially and accounting identification of all income and expenses corresponding to its main activities, by means of appropriate systems such as

the establishment of cost centers or its separation by areas of responsibility. To this effect, the Banco's main activities are as follows:

- a) Monetary operation;
- b) Credit operation;
- c) Exchange operation;
- d) Precious metals purchase and sale operation;
- e) Cultural activity;
- f) Industrial activity.

A profit and loss statement including all the income, expenses and costs of the Banco will be presented at the end of each business year, together with the balance sheet. In any case, an accurate report on income, expenses, costs, and net result of each one of the above-said activities will be rendered jointly, as a supplementary schedule

3. No expense the resources for which are not incorporated to the Budget approved by the Board of Directors on a periodic basis at the initiative of the General Manager will be incurred. Prior to the approval of the said budget by the Board, the Fiscal Policy Council (Confis) will render an opinion on its incidence on the public finances.

4. The international reserves will be accounted for at the market rate. The changes in the value of the international reserves will not affect the income or expenses of the Banco.

5. The returns from Treasury Bonds issued by the Government for the substitution of the Nation's public debt with the Banco de la República will be accounted for as income by the Banco. To that effect, the service of these bonds will be attended to with resources from the National Budget and will not be guaranteed by Banco de la República.

6. Banco de la República may grant credit to its officials and employees derived from the ordinary performance of their employment relations, subject to the general rules set forth by the Board of Directors.

7. The financial statements of the Banco will be published in a nationwide circulating newspaper within one month after the date of their approval by the Board of Directors, prior authorization by the Banking Authority.

8. The Banco will not be subject on matters of readjustment to the historic cost referred to by Decree Law 2911 of 1991 and the other dispositions issued to this respect.

d) Reserves. The Board of Directors will create or increase a monetary and exchange stabilization reserve with the profits of each exercise. This reserve will have the purpose of absorbing eventual losses incurred by the Banco, before resorting to the pertinent allocations established in the annual Budget law.

e) Profits, Losses and Transferences to the National Government. Any remaining profits of Banco de la República, once the reserves have been allocated in the manner provided in the above paragraph, will belong to the Nation. The losses of the business year will be covered by the Nation, provided that they are not covered by the reserves established in the previous paragraph.

The profits of Banco de la República will not be distributed or transferred to the Nation if the losses from previous years have not been totally covered by its reserves.

In any case, the net result of the Banco de la República operations will be projected on an annual basis, and this will be incorporated to the annual Budget law. To this effect, any profits projected to be received by Banco de la República will be incorporated to the Income Budget; likewise, the necessary allocations will be made in case a deficit is anticipated in Banco de la República and up to the concurrence thereof and of the losses accumulated from previous business years.

Any profits or losses, as the case may be, will be paid in cash within the primer quarter of each year.

f) Employment regimen in matters not provided by the law.

g) Inabilities and incompatibilities of the Banco's employees.

h) Auditing Functions.

CHAPTER II BOARD OF DIRECTORS

Article 28: Composition: As provided under Article 372 of the Political Constitution, the Board of Directors will be composed of seven (7) members, as follows:

a) The Minister of Finances and Public Credit, who will preside the Board;

b) The General Manager of the Banco, and

c) Five (5) more full-time members, exclusively dedicated to their post, appointed by the President of the Republic.

The members of the Board of Directors exclusively represent the general interest of the Nation.

Article 29: Qualifications: The following are the requirements to be a full-standing member of the Board:

- a) To be a Colombian natural and citizen in full standing.
- b) To have a professional degree.
- c) Having held public or private positions with recognized efficiency and honesty, having exercised the profession or having been a member of a faculty in good standing, in any case, for a period of no less than ten (10) years, on matters related with general economics, international trade, currency, banking, public or private finances, or the economic law.

Article 30: Inabilities to Becoming a Full-standing Member of the Board of Directors: The following persons will not be members of the Board of Directors:

- a) Those having been condemned by judgment to serve time in prison at any time, with the exception of political or negligent crimes.
- b) Those having been penalized with dismissal from office by an authority exercising functions of inspection and surveillance on grounds of faults against the ethics in the exercise of the profession, during the ten (10) previous years.
- c) Those having a double nationality, with the exception of those who are Colombian by birth.
- d) Those who, within the year before their appointment, have been legal representatives, with the exception of the regional or branch managers, to any institution subject to the inspection and surveillance of the Banking and/or Securities & Exchange Authorities, or shareholders thereof with a participation of above the 10% of the capital subscribed in the same period of time.
- e) Those bound by marriage or permanent marital union, or by a second degree of consanguinity, a first degree of affinity, or a first civil or legal degree, with the other members of the Board of Directors or with the legal representatives, with the exception of the regional or branch Managers, or members of the boards of directors of credit entities.

Paragraph: The inability provided in paragraph d) above, will not apply to those persons who have acted in the year before their election as legal representative to the Banco de la República.

Article 31: Incompatibilities of the Members of the Board of Directors: The members of the Board of Directors will not:

- a) Exercise their profession or any other office during the period of the exercise of their position, with the exception of the university chair.
- b) Enter into contracts with the Banco, either by him/herself or by third parties or in the name of a third party, or conduct its own or third party's business before the Banco, during the exercise of its position, plus one year following his/her withdrawal from office.
- c) At any time, intervene in matters of a particular and concrete nature which he/she would have transacted during the performance of his/her functions and in relation with his/her position.
- d) Intervene at any time in activities of political or electoral proselytism, without prejudice of the exercise of the free right to vote.
- e) Be the legal representative, director or shareholder of any institution subject to the inspection and surveillance of Banking and/or Securities & Exchange Authorities with a participation of above 10% of the subscribed capital, during the performance of his/her position.
- f) Those who have held the position as members of the Board will not only be entitled to become legal representatives, or members of the Board of Directors—with the exception of Banco de la República—of any institution subject to the surveillance of Banking and/or Securities & Exchange Authorities, one year after their withdrawal from office.
- g) Full-standing members of the Board of Directors of Banco de la República cannot hold, during the period for which they were elected, the positions of Minister, Director of an Administrative Department, or Ambassador. In case of resignation, this incompatibility will persist for one (1) year after withdrawal from office.

Paragraph 1: The incompatibilities of the present article do not apply to the use of goods or services offered by the Banco to the public or to its officials or other employees in equality of conditions.

Paragraph 2: The incompatibilities provided in paragraphs b) and e) of this article, will not apply to the Minister of Finances and Public Credit when under a legal power he/she acts on behalf of the Nation or by mandate thereof as a legal representative or director to any institution subject to the surveillance of the Banking and/or Securities & Exchange Authorities.

Paragraph e) of the present article will not apply to the General Manager of Banco de la República with respect of his/her participation in the Board of Directors of the Financial institutions Guarantee Fund.

Article 32: Without prejudice of what is provided under Articles 30 and 31 of this law, the provisions of Articles 6 to 10 of Decree 2400 of 1968 will apply to the members in full-standing of the Board of Directors of the Banco.

Article 33: Functions of the Board of Directors. In addition to the powers provided in the Constitution and this law as monetary, exchange, and credit authority, the Board of Directors will be in charge of the conduction and performance of the functions of the Banco in its capacity as maximum Government body. To that effect, they will hold the following powers.

- a) To approve the Financial Statements and Results Statements corresponding to the accounting year of the Banco and the project for the constitution of the reserves and for the distribution of profits, no later than two (2) months following the cut-off of the fiscal year.
- b) To approve and review on a periodic basis the annual budget of the Banco submitted to their consideration by the General Manager, prior favorable opinion rendered by the High Fiscal Policy Council (Confis), on the incidence thereof on the public finances.
- c) To approve the establishment or closure of branches and agencies of the Banco subject to the conditions provided in the Byelaws.
- d) To set forth its own set of rules and regulations.
- e) To remove the General Manager in the cases provided in Article 30 and in the event that he/she fails to appear without cause at two (2) or more consecutive sessions.
- f) The other situations provided in this Law and those set forth by the Byelaws.

Article 34: Appointment and Term of the Members of the Board. The members of the Board of Directors of Banco de la República, other than the Minister of Finances and Public Credit and the General Manager, will be appointed by the President of the Republic for four-year (4) terms commencing on the date of the first effective appointment of the Board to enforce the partial renewal provided in the Political Constitution, once the first term lapses, the President of the Republic will replace two (2) members of the Board within the first month of each period. The remaining members will continue in office as provided under Article 372 of the Constitution. No member of the Board will remain for more than three (3) consecutive periods commencing on the date when this Law becomes effective.

Transient Paragraph: The very first Board of Directors in full-standing will be appointed within the month following the passing of this Law.

Article 35: Absolute Absences of the Members of the Board. In the case of the absolute absence of one the members of the Board, the President of the Republic will appoint his/her replacement for the rest of the period.

Absolute absences are defined as death, accepted resignation, dismissal decreed by a judgment passed by a competent authority, and absence for no cause from two (2) continuous sessions.

Paragraph: In the event of a sick leave of one of the members of the Board, either at his/her request or at the request of the other members, the President of the Republic will appoint his/her replacement for the time needed.

CHAPTER III

FUNCTIONS AND COMPOSITION OF THE ADMINISTRATION COUNCIL

Article 36: Administration Council. The Administration Council of Banco de la República will be composed of the five (5) members in full standing of the Board of Directors and will perform the following duties, prior delegation that that effect by the Board of Directors:

- a) To study and adopt the general administrative and operational policies of the Banco.
- b) To determine the powers the contracting, ordering expenses and investments, and authorizing transferences or otherwise disposing of the assets of the Banco.
- c) Subject to the Byelaws, to determine the wages and benefits of the employees of the Banco, excluded from the field of application of the collective convention, and to indicate the guidelines that the Banco needs to take into account to make decisions on the petitions submitted by its employees.
- d) To study, approve, and implement special projects related to the operation of the Banco.
- e) Such other functions as may be provided in this Law, such others provided by the Byelaws of the Banco on administrative matters, and those allocated by the Board of Directors on matters of Administration and Operation of the Banco.

Paragraph: The General Manager and the Auditor of the Banco will attend the sessions of the Administration Council without voting right.

CHAPTER IV

GENERAL MANAGER

Article 37: Term and Functions of the General Manager. The General Manager of the Banco will be elected by the Board of Directors for a term of four (4) years and may be reelected for up to two (2) additional periods starting on the effective date of this Law.

Without prejudice of the functions performed in his/her capacity as member of the Board of Directors, the General Manager will be the legal representative to the Banco and will carry out the other functions provided in the Byelaws.

The General Manager will have to meet with the same requirements demanded to become a full-standing member of the Board, and the same inabilities and incompatibilities provided therefor will apply, with the exceptions provided in the paragraph of Article 30 and in paragraph 2 of Article 31.

Transient Paragraph: The General Manager will be appointed within the month following the date of inauguration of the first definitive Board of Directors.

CHAPTER V

FIRST SECTION EMPLOYMENT REGIMEN

Article 38: Nature of the Employees of the Banco. The individuals who, under employment exclusivity or subordination conditions, perform tasks owing to the Banco de la República, or other functions attributed thereto by the laws, decrees, and contracts currently in force, are employees at the service of the said entity, classified in two categories, as follows:

a) With the exception of the Minister of Finances and Public Credit, the other members of the Board of Directors hold their office in a capacity as public officers of the central bank and they are engaged under an administrative modality.

The regimen of wages and benefits of the public officials of the central bank will be established by the President of the Republic.

b) The other employees of the Banco will remain subject to the especial employment regime set forth by this Law, the Byelaws of the Banco, the internal set of rules, the Collective Convention, the employment contracts, and, in general, to the dispositions of the Substantive Labor Code not in contradiction with the special regulations of the present Law.

Paragraph 1: The retirees from the diverse official entities administered by the Banco de la República by virtue of the legal regulations and contracts entered into with the National Government will remain subject to the employment regimen corresponding thereto, applied in accordance with the regulations currently in force.

Paragraph 2: The competent authorities of the Banco will not engage persons bound by marriage or kinship within the fourth degree of consanguinity, second degree of affinity, or first civil degree, with officials or employees of the Banco.

Article 39: Special Category. To the effects provided in the Substantive Labor Code, all the officials and employees of Banco de la República, will remain reliance employees.

For the purposes of Article 56 of the Political Constitution, the activity of the central bank is defined as an essential public service.

SECOND SECTION REGIMEN OF BENEFITS

Article 40: Regimen of Wages and Benefits. The regimen of wages and benefits currently in force for the employees and retirees of the Banco will not be impaired as a consequence of the application of the norms of the present Law.

Article 41: Settlement. Any differences arising between an employee or former employee of the Banco and the entity as an employer, provided that it is referred to uncertain and debatable facts, will be resolved by labor settlement.

Article 42: Accumulation of Service Time. Without prejudice of the provisions of Article 7 of Law 71 of 1988, to the effects of the recognition of the full legal retirement pension, the time of service at Banco de la República will be cumulative with the time worked at the service of the Nation, Departments, Districts, Municipalities, decentralized entities, and any official corporation or entity in which the State has a controlling interest.

THIRD SECTION SOCIAL SECURITY

Article 43: Social Prevision Entity. The Banco de la República, with the approval of its Administration Council, may reorganize its existing Social Prevision Entity, with the purpose of attending through it to part or all of the legal, regulatory, and conventional obligations held or acquired on matters of social prevision by the Entity with respect to its employees, workers, and retirees, and to develop programs aimed at the care of the health, education, social welfare, cultural development, and recreation thereof.

Once the Social Prevision Entity is reorganized, it will become a public law entity linked to Banco de la República; its actions and contracts will be governed by the private law and will enjoy the same benefits as those provided in the paragraph 1 of Article 57 of the present Law.

Paragraph: The Board of Directors of the Banco will allocate the resources necessary for the Social Prevision Entity to attend efficiently and safely to the obligations under its responsibility.

Article 44: Agreements between Banco de la República and Instituto de Seguros Sociales (Social Security Institute). In the event that the Social Prevision Entity of the Banco de la República assumes completely all the benefits regimen in favor of its officials, employees, and retirees, including the risks and benefits currently covered by the Instituto de Seguros Sociales, both the Banco and the Institute are authorized to agree upon all such obligations as may involve the transference of the recognition and payment of benefits from an entity to other, as well as the devolution of contributions.

CHAPTER VI PROTECTION AND SECURITY

Article 45: Security System of Banco de la República. Due to the especial nature and care of the functions ascribed to it, Banco de la República will have a security system of its own, the organization and operation of which will be determined by the Byelaws issued by the Government.

Banco de la República may provide its preliminary aid to the clarification of illicit acts affecting the entity or disturbing the conduction of its constitutional, legal, and statutory functions. When appropriate, any preliminary investigations will be submitted to the Fiscalía General de la Nación (Prosecutor General), and will be held as evidences in the appropriate legal proceedings.

TITLE IV

INSPECTION, SURVEILLANCE, AND CONTROL

Article 46: Inspection, Surveillance, and Control. The President of the Republic will perform the functions of inspection, surveillance, and control on the Banco de la República. This attribution includes the competency to supervise the observance of the Political Constitution, the laws and rules that govern the actions of the officials and employees of Banco de la República, to carry out the pertinent administrative investigations, and to apply the corresponding disciplinary regimen.

The above, without prejudice of the internal disciplinary regimen set forth in the Employment Rules and of the powers directly assigned to the States Prosecutor Office with respect of the conduct of the public officials of the Banco, as provided in Article 278 of the Political Constitution.

Article 47: Delegation of the Inspection and Surveillance Functions. The President of the Republic may delegate the exercise of the inspection and surveillance functions to the Superintendente Bancario.

Article 48: Delegation of the Control Function. The President of the Republic is hereby authorized to delegate the exercise of the control function to the Auditor. The Auditor will be appointed by the President of the Republic and will have under his/her responsibility, among other issues, to certify the financial statements of the Banco, to perform the other functions indicated by the Code of Commerce for the Auditor, and to exercise the control on the management and the results of the Entity.

Paragraph: The remuneration of the Auditor will be established following the internal rules of the Banco de la República.

In any case, such remuneration will not be superior to that earned by the members of the Board of Directors in full standing.

Article 49: Requirements for the Auditor. For a person to hold the position of Auditor before the Banco de la República, he/she must be a Colombian national by birth and a citizen in exercise, be more than 30 years old, be a public accountant, and have a university degree or specialization on economic or administrative sciences, certify experience as a university

teacher on accounting sciences or professional practice in the financial sector for a time of no less than five (5) years, and certify such other additional qualities as the Law may demand.

Paragraph: The position of Auditor before the Banco de la República will not be held by a person who has been an administrative employee of the entity or a member of the Board of Directors of the Banco in the year immediately prior to the appointment. Also, this position will not be held by persons within the fourth degree of consanguinity, second degree of affinity, and first civil or legal degree with respect to the members of the Board of Directors. Likewise, the same inabilities and incompatibilities as provided for the members of the Board of Directors of the Banco will apply to the Auditor.

TITLE V GENERAL DISPOSITIONS

Article 50: Decisions of the Board of Directors. The decisions made by the Board of Directors will be adopted by acts of a general or particular nature, according to character of the public function being carried out. Such acts must bear the signature of the Chair and the Secretary to the Board and will be communicated and notified in accordance with the nature of the decision they contain. The other decisions will be governed by the rules of the private law.

Article 51: Procedures Pertaining to Acts of an Administrative Nature. The Banco de la República will be subject to the following rules in all procedures pertaining to acts of an administrative nature:

- a) The acts of a general character will be published in the Bulletin that the Board of Directors authorizes for this purpose;
- b) The acts of a particular character will be motivated, of immediate execution, notified in the form provided in the Contentious Administrative Code and the appeals will be granted in the devolution effect.

Article 52: Contractual Regimen. Credit, discount, and rediscount operations will be documented in securities and, in each case, will always have the responsibility of the discounted or rediscounted institution.

To such effect the endorsement of ownership to Banco de la República of the discounted or rediscounted securities does not extinguish the obligations at the charge of the credit establishment.

Banco de la República will neither authorize any manner of overdrafts nor grant rotating credits or credits for an undetermined amount.

In addition to the provisions of this article, the discount and of rediscount contracts entered into with Banco de la República will be governed by the rules issued by the Board of Directors and by the Code of Commerce on matters not ruled by the Board.

Any contracts entered by the Banco with any public entity have an inter-administrative character and will only require for their validity the signature of the parties and a budgetary record by the contractor entity.

Any other contracts entered into by the Banco de la República will be governed by the private law.

The Banco, in the performance of the international contracts entered into and whose main object is related with economic or financial businesses or operations, may subject to foreign jurisdiction or laws, indicate its domicile, or appoint attorneys abroad.

Article 53: Nature of the Bonds Issued by Banco de la República: Any bonds issued by the Banco ordered by the Board of Directors with the purpose of regulating the monetary or exchange market, have the character of securities and are considered as listed both at the National Securities & Exchange Authority and at the Stock Exchanges and the corresponding public offers will not require the clearance from any other authority.

These bonds will be governed by the general dispositions dictated by the Board of Directors and in the cases not provided thereby, by those contained in the Code of Commerce.

Paragraph: After the year 1999, all open market operations in legal tender will be performed exclusively with public debt bonds.

Article 54: Publicity and Reserve of Documents. The documents containing the actuations and decisions of a general character made by the Board of Directors in its capacity as monetary, exchange, and credit authority, are not subject to any form of reserve.

The other documents of the Banco enjoy the reserve provided in article 15 of the Political Constitution.

Notwithstanding the above, the working documents that have served as a support for decisions made by the Board of Directors in its capacity as monetary, exchange and credit authority, will be publicly accessible unless that by reasons of general interest for the national economy, at the discretion of the Board, should be kept under a reserve that in no case could exceed three (3) years, starting on the date of its elaboration.

Paragraph: All persons at the service of Banco de la República and of the Auditor are obliged to keep the reserve on the issues, organization, and operations of the Banco.

Article 55: Preservation of Documents. The Banco is obliged to preserve, during a minimum period of six (6) years, all of its books, forms, and other accounting documents, as well as any correspondence received or sent.

Once such term lapses, the Banco will be able to destroy them after having microfilmed or otherwise guaranteed their exact reproduction, except for public documents recording its decisions, rules, and actuations in its capacity as monetary, exchange, and credit authority and any contracts entered into with national or international entities of the public law.

The term will start on the date of the last entry made on them or on the final date of their extension, as the case may be.

The preservation of the other documents not included in the above paragraphs will be determined by the Banco.

Public documents may be sent to the General Archives of the Nation.

Article 56: Mint. Both the Mint and the gold-purchasing agencies with all their assets will become the property of Banco de la República. The Banco and the National Government will enter into the pertinent contract. The Banco will pay for acquisition of such assets by assigning to the Government any and all shares it owns at Banco Central Hipotecario.

The contract referred to by this article only requires for its validity and execution the signature of the parties thereof.

Article 57: Tax Regimen and Other Rights. The Banco will be exempted from both the stamp duty, income tax and supplementary taxes.

Any obligations in its favor will enjoy the rights provided in the second paragraph of Article 1.8.2.3.16 of the Financial System Organic Statute.

Article 58: Supplementary Functions. The Board of Directors of Banco de la República will exercise the functions formerly ascribed to the Monetary Board under Articles 2.1.2.2.10e), 2.1.2.3.32., 2.2.1.3.1 to 2.2.1.3.3., 2.2.2.3.3., 2.3.1.1.5., 2.4.3.2.14., 2.4.3.2.25, 2.4.5.4.2., 2.4.6.3.2., 2.4.6.4.1., 2.4.8.2.1., 2.4.10.3.3.a), 2.4.12.1.2., 2.4.12.1.5., 2.4.12.1.7., 4.2.0.4.3.a) and 4.2.0.5.1 of the Financial System Organic Statute.

Article 59: Government Functions. The National Government will exercise the functions formerly ascribed to the Monetary Board under Articles: 1.3.1.3.1., 1.3.1.3.2, 2.1.1.2.6., 2.1.1.2.7., 2.1.2.2.5.d) and h), 2.1.2.2.14., 2.1.2.3.1., 2.1.2.3.30., 2.4.3.2.9., 2.4.3.2.16., 2.4.5.4.3., 2.4.10.3.3.b), 2.4.10.3.4 and 4.2.0.4.3. b) of the Financial System Organic Statute and the following provisions of Law 9 of 1991: Article 4; article 6, concerning the definition of the exchange operations the product of which in foreign currency should not be transferred or negotiated through the exchange market; paragraph of Article 13. ; Articles 14 and 15; Article 19., except the power to establish the value of the minimum reimbursement of coffee for exchange purposes as set forth under Article 22, the competence of which corresponds to the Board of Directors of Banco de la República; and, Article 27 concerning the parallel futures market, to determine the price of farming products.

TITLE VI TRANSIENT DISPOSITIONS

Article 60: Destination of Resources. Within (30) days after the effective date of the present Law, the Special Exchange Account and the contract of administration thereof, entered between the Government and Banco de la República will be terminated. In case the balance of the Account is negative once its income and expenses have been settled, the difference will be covered with resources from the Exchange Stabilization Fund and of the Public Investment Fund and, in case these are insufficient, with resources from the National General Budget; to these effects, the meaning of the final paragraph of section e) of Article 27 of the present Law will apply.

If the difference between income and expenses of the Account is positive, the Account, together with the resources of the Exchange Stabilization Fund, the Public Investment Fund, and the Open Market Operations Stabilization Fund, will be destined to the formation of the money and exchange stabilization reserve.

Article 61: Financial Resources. Within (30) days after the effective date of the present Law, Banco de la República will assign to Instituto de Fomento Industrial (IFI) the Financial Resources under its administration. As a consequence of the above, the IFI will assume the liabilities acquired by Banco de la República as the administrator of the cited resources, up to the concurrence of the totality of the assigned assets.

For the effective administration of the Resources assigned to the IFI, the IFI will be entitled to enter into mercantile trust contracts with its trust affiliate. Should a remnant remains after the liabilities have been covered, the IFI will capitalize it as its own net worth, on behalf of the Nation - Ministry of Economic Development.

Article 62: Shares. The holders of the shares that represent the subscribed and paid up capital of Banco de la República will assign such shares to the Banco at their book value. To such effect, the acquisition thereof is hereby pronounced as public usefulness and social interest.

Article 63: Issuance of Monetary Species. While the technical processes that will allow for the release of monetary species as provided by the Article 6° of this Law are implemented, the Banco will keep manufacturing and issuing the legal tender with the same characteristics currently in force. The banknotes and coins issued or to be issued as provided under this

article, will remain in legal course and with unlimited releasing power until they are replaced by the Banco.

Article 64: Stabilization Fund. The National Government is hereby empowered to arrange for the dissolution and liquidation under a contract entered into with Banco de la República of the Stabilization Fund, a fund organized as an autonomous legal entity as provided under Decree 548 of 1940 and the contract entered into by and between Banco de la República and the Nation on April 2nd, 1940, approved by Executive Decree No. 669 of April 5th, 1940 and amended under Decrees 99 of 1942 and 1689 of 1943.

Paragraph: For the liquidation of the Stabilization Fund, the National Government and Banco de la República will proceed in accordance with the following rules:

1. The Stabilization Fund will deliver to the Instituto Colombiano of Bienestar Familiar all valuables under its custody as a trust administrator of the assets pertaining to foreigners delivered to it under Decrees 59 and 99 of 1942, for the Institute to proceed with the pertinent legal actions in the interest of the judiciary declaration of strayed assets.
2. The obligations of the Stabilization Fund to the National Government corresponding to the value of the balance of the indemnities referred to by Law 39 of 1945 and the balance corresponding to the interests payable referred to in the contract entered into between some departments and municipalities of the Republic of Colombia, the Republic of Colombia, the Banco de la República and the Schorder Trust Company on the first (1st) day of July, year 1948, will be attended to against the participation of the National Government in the net worth of the Fund.

Article 65: Financial System Organic Statute. The National Government will be entitled to incorporate the regulations of the present Law as a Special Title to the Financial System Organic Statute from its article 4.3.0.0.2 onwards.

Article 66: Term and Derogations. The present Law becomes effective on the date of its publication and derogates Laws 25 of 1923, 17 of 1925, 73 of 1930, 82 of 1931, 7 of 1973, except the paragraph of Article 5 of Law 21 of 1963, Articles 25 and 37 of Law 20 of 1975, Article 8° of Law 51 of 1990; Extraordinary Decrees 1189 of 1940, 2206 of 1963 and Legislative Decree 73 of 1983; Articles 219, 220, Article 230a), ordinal b) of paragraph second of Article 231 and paragraph second of Article 235 of Extraordinary Decree 222 of 1983; Autonomous Decrees 2617 and 2618 of 1973, 386 of 1982 and 436 of 1990 and Articles 1.8.6.0.4., 2.1.2.1.28., 2.1.2.1.29., ordinal b) of Article 2.1.2.2.10., 2.1.2.2.11., 2.1.2.3.7., 2.2.2.1.1., 2.4.2.4.3., literal c) of 2.4.3.2.16., 2.4.3.2.30., 2.4.4.2.1., clause 4., 2.4.4.4.4., 2.4.6.3.3., clause 2 of Articles 4.2.0.7.1 and 4.3.0.0.2 of the Financial System

Organic Statute and amends matters pertaining to Law 9 of 1991.

The President of the Honorable Senate of the Republic,

JOSÉ BLACKBURN CORTÉS

The President of the Honorable House of Representatives,

CESAR PEREZ GARCIA

The Secretary General to the Senate

Pedro Pumarejo Vega

The Secretary General to the House of Representatives,

Diego Vivas Tafur

REPUBLIC OF COLOMBIA – NATIONAL GOVERNMENT

THIS IS TO BE PUBLISHED AND ENFORCED.

Bogotá D.C., December 29th, 1992.

CESAR GAVIRIA TRUJILLO

The Minister of Finances and Public Credit

Rudolf Hommes Rodríguez

LIST OF MISPRINTS

The following clarification is made in order to correct an error appearing in Article 59 of Law 31 of December 29th 1992, which was published in the Official Journal No. 40.707 on Monday January 4th 1993:

Page 7, first column, where reads: "(...) 2.1.2.2.14., 2.1.2.3.1., 2.1.2.3.30. (...)", should read:

"(...) 2.1.2.2.14., 2.1.2.3.11., 2.1.2.3.30, (...)", OFFICIAL JOURNAL. YEAR CXXIX. N. 40944. JULY 12TH 1993. PAGE 1.

LIST OF MISPRINTS

The following clarification is made in order to correct an error appearing in Article 66 of Law 31 of December 29 1992, which was published in the Official Journal No. 40.707 on Monday January 4th 1993:

Page 7, second column, where reads: " (...) 7 of 1973, except the paragraph of Article 5 of Law 21 of 1963", should read: "(...) 7 of 1973, except the paragraph of Article 5, Article 5 of Law 21 of 1963". OFFICIAL JOURNAL. YEAR CXXVIII. N. 40808. MARCH 26TH 1993. PAGE 1.