

Bylaws of the Banco Central de Cuba

In accordance with the provisions of Article 2 of Decree-Law 172, "On Banco Central de Cuba," of May 28, 1997, the Board of Directors of the Banco Central de Cuba has adopted the following

Resolution

to approve the Bylaws of the Banco Central de Cuba, attached to this Resolution.

Bylaws of the Banco Central de Cuba

Chapter I

Constitution, Objectives and Place of Business

First: The Banco Central de Cuba, which was created by Decree-Law 172, of May 28, 1997, is an institution constituted as the authority governing, regulating and supervising the banks, nonbanking financial institutions and representative offices established in the country, including the offshore banking center, duty-free zones and industrial parks. As the State Central Bank, it has organic autonomy, an independent legal status and capital of its own and will cover its expenses with its income; it is not responsible for the obligations of the Government or of its agencies, bodies, enterprises and other economic entities, except in those cases in which it expressly assumes them.

Second: Its objectives are to oversee the stability of the national currency's purchasing power; to help the economy to

achieve equilibrium and develop in an orderly way; to have custody of and administer the country's international reserves; to ensure the normal functioning of internal and external payments; to exercise functions related to the discipline and supervision of the banks, nonbanking financial institutions and representative offices whose establishment in the country is authorized; and to carry out any other functions which the laws entrust to it.

Third: The Banco Central de Cuba has its place of business in Havana.

Chapter II

Capital

Fourth: The Banco Central de Cuba has capital amounting to ten million Cuban pesos (\$10,000,000.00), contributed entirely by the Cuban Government.

The capital may be increased by additional contributions made by the Cuban Government or by the express decision of the President of the Banco Central de Cuba, by capitalizing the reserves and by making monetary correction adjustments.

As a prior requisite to increase the authorized capital by the express decision of the President of the Banco Central de Cuba, the proposal must be first submitted to the consideration of and approved by the Board of Directors of the institution.

Chapter III

Issuance of National Currency

Fifth: The Banco Central de Cuba has the exclusive right to issue national currency and the responsibility for printing the bank notes and minting the coins, acting as the only bank in national territory issuing such currency.

The Banco Central de Cuba may issue other means of payment which are different from the national currency, if this is to the country's advantage; in this case, those means of payment will be legal tender during the period of time and in the transactions approved by the Banco Central de Cuba.

Sixth: After hearing the views of the Board of Directors, the President of the Banco Central de Cuba will meet the needs of money in circulation, ordering, with the necessary publicity, the issuance of each series in the amount agreed upon, with sufficient guarantees to prevent its falsification—prosecuting and punishing any falsification of money under the laws in effect and ordering the withdrawal and substitution of the illegitimate bank notes in circulation, if the circumstances make this advisable.

Seventh: Every bank note issued by the Banco Central de Cuba must contain the following:

- the denomination of the bank note in figures and in words;
- its serial number;
- the year of printing;
- a faithful reproduction of the signature of the President of the Banco Central de Cuba;
- the words “Banco Central de Cuba”; and

- any other features determined by the Banco Central de Cuba, as set forth in Article 11 of Decree-Law 172, of 1997.

Eighth: The Banco Central de Cuba will withdraw worn and deteriorated bank notes and coins from circulation and, in conjunction with the agencies empowered to do this, oversee the process of destroying them.

Both the issuance and the permanent destruction of bank notes will be carried out in accordance with the provisions of Decree-Law 172, of 1997; these Bylaws; and the specific regulations issued for the purpose.

Chapter IV

Services to the Government

Ninth: As cashier for the Government and with the corresponding authorization, the Banco Central de Cuba will carry out operations related to the national budget.

The Banco Central de Cuba will reimburse itself from the Government's account for the banking commissions it must pay for placing Government funds abroad.

All of the other ongoing or occasional services that the Banco Central de Cuba provides to the Government will be regulated by means of special agreements, with the compensation established in those agreements accruing to it.

The credit operations in which the Banco Central de Cuba engages with the Government will also be governed by special agreements.

Tenth: As fiscal agent, the Banco Central de Cuba has the following functions and attributes:

- a) to place issues of bonds and other securities, either directly or through other institutions;
- b) to represent the Government in everything related to the contracting of foreign and domestic credits;
- c) to represent the Government and the Banco Nacional de Cuba in all negotiations, renegotiations and/or conversions of the foreign debt contracted to creditor banks and governments, in accordance with the provisions of Article 21 and of the third Special Provision of Decree-Law 172, “On Banco Central de Cuba,” of 1997;
- d) to represent the Government concerning the amortization servicing of the national foreign debt;
- e) with the corresponding authorization, to enter into agreements with creditors; and
- f) to undertake the compilation of the country’s foreign debt.

Chapter V
Operations

First Section
Macroeconomic Functions

Eleventh: The macroeconomic functions of the Banco Central de Cuba are as follows:

- a) to formulate and oversee implementation of the country's monetary, exchange and credit policies, in accordance with the Government's economic policy;
- b) to draw up and analyze the country's balance of payments as a tool for examining the Cuban economy and its relations in the context of international transactions and its links to the nation's economic policy;
- c) to make studies and analyses and do research in the economic and financial fields, in both the national and international spheres;
- d) to draw up and establish strategies for renegotiating the foreign debt that the Cuban Government and the Banco Nacional de Cuba have contracted with foreign creditors and any other debts which may be acquired in their name or on behalf of the Government in the future; and
- e) to handle relations with international financial institutions and agencies which fall within its sphere.

Second Section
Operational Functions

Twelfth: The operational functions of the Banco Central de Cuba related to banks and nonbanking financial institutions are as follows:

- a) to grant financing and/or refinancing only to banks;
- b) to grant credits and/or loans to development and/or investment funds and/or to other funds for purposes whose promotion is of social interest;
- c) to make rediscounts and advances to banks to cover temporary illiquidity, provided that the term does not exceed sixty (60) days; and
- d) to carry out other operations of financial mediation to serve the monetary and financial policies.

Thirteenth: Its international activities include the following functions:

- a) to contract short-, medium- and long-term foreign credits;
- b) to perform foreign exchange operations;
- c) to grant credits to central banks or foreign financial institutions; and
- d) to authorize the export and import of gold, other precious metals and precious stones.

Third Section

Administrative and Training Functions

Fourteenth: The administrative and training functions of the Banco Central de Cuba are as follows:

- a) to provide its workers with the material support, necessary services and adequate working conditions to enable them to carry out their functions and fulfill the purposes of the institution;
- b) to plan, direct and supervise the human resources, promoting their effective use, and to apply the policy of the selection, training, development and remuneration of personnel which favors the attainment of the institution's purposes;
- c) to maintain and develop the system of bibliographic and documentary information and automated support to meet the institution's requirements and those of other banking and financial institutions in the country;
- d) to provide technical and professional training for the specialists, technicians and other employees of the Banco Central de Cuba, so as to promote fulfillment of the institution's responsibilities;
- e) to maintain and develop the financial statistical system of the national banking system and other information linked to the development of the functions and attributes of the Banco Central de Cuba;
- f) to preserve, set forth and develop the cultural and historic values of national numismatics and to establish

and oversee the application of policies on research into and the cataloging, maintenance and restoration of the numismatic and artistic patrimony of the Banco Central de Cuba;

- g) to meet the needs of social communication and that related to protocol, as required to carry out its functions;
- h) to establish a strategy for introducing new informatics and telecommunications techniques and applications and to see to it that the processes and projects are governed by established quality and safety policies, norms, standards and indexes; and
- i) to establish norms and procedures for governing the work of the institution.

Chapter VI

Banking Supervision

Fifteenth: The Banco Central de Cuba has the following supervisory functions:

- a) to supervise the banking and nonbanking financial institutions, including the offshore banking centers and representative offices;
- b) to verify that they comply with the regulations on monetary, credit, money-exchange and fiscal policy and follow the procedures issued by the Banco Central de Cuba;

- c) to see to it that the financial institutions maintain close watch over the risks stemming from credit operations, in accordance with the established norms and provisions of the credit portfolio;
- d) to check that there is effective supervision of the risk dispersion of investment and credit portfolios;
- e) to verify that the financial institutions comply with the regulations on interest rates, margins, minimum capital and solvency coefficients; and
- f) to compile, process and organize all the information that the financial institutions must send periodically to the Risk Information Center of the Banco Central de Cuba on delinquent clients; clients who have customarily violated collection and payment principles; individuals and/or juridical persons that were tried for fraud, embezzlement and/or other kinds of crimes incompatible with financial activities; cases of laundering money; and/or other crimes and/or infringements of a serious nature and to disseminate that information periodically to the other financial institutions in the country, agencies of Central State Administration and other institutions that need it.

Chapter VII

Management

Sixteenth: The Banco Central de Cuba is managed and governed by a President, assisted by its Board of Directors.

Seventeenth: In accordance with the organic structure of the Banco Central de Cuba, its management levels and officers at those levels are as follows:

- a) the first, or top management level, which consists of the Minister-President, the First Vice-President, the other Vice-Presidents, the Auditor, the Superintendent and the Secretary;
- b) the second management level, which consists of the general directors, associate directors, directors, subdirectors, managers and heads of independent departments, working directly under a member of the first management level; and
- c) the third management level, which consists of the other departmental heads and managers, working directly under a department.

Eighteenth: To be appointed as a member of the top management level of the Banco Central de Cuba, a person must

- a) be a Cuban citizen;
- b) be at least 30 years old;
- c) be publicly acknowledged to have consistently conducted himself in accordance with revolutionary ethics and principles; and

d) have legal capacity for the habitual exercise of business, banking and finances.

Those who are cousins or brothers- or sisters-in-law or are more closely related cannot be members at the same time of the top management level of the Banco Central de Cuba.

Nineteenth: To be designated a director, manager or departmental head, a person must

a) be a Cuban citizen;

b) be publicly acknowledged to have consistently conducted himself in accordance with revolutionary ethics and principles; and

c) have legal capacity for the habitual exercise of business, banking and finances.

Twentieth: The following may not be members of any management level of the Banco Central de Cuba: persons who are prohibited from engaging in business, banking and finances; who do not have full legal capacity; who lack sufficient funds to pay their overdue liabilities to a bank or credit institution; or who have been legally punished for a crime which makes them unworthy of the public's esteem.

The members of any management level of the Banco Central de Cuba may not engage as entrepreneurs in financial, business or industrial activities or professions or in any other

activities of a business nature, either directly or through an intermediary.

The incompatibilities foreseen in this article do not apply to teaching or academic work.

Twenty-First: The President of the Banco Central de Cuba is the executive authority of the bank and its legal representative. He is in charge of the offices and personnel, and his duties, attributes and functions include complying with and seeing to it that others comply with the Constitution of the Republic; the laws; and the bylaws, regulations, Board of Directors' resolutions and other provisions of the Banco Central de Cuba.

In the exercise of his functions, he may grant those powers which he deems pertinent and delegate his authority to other officers of the Banco Central de Cuba—except for those powers contained in paragraphs a), b) and d) of Article 36 of Decree-Law 172, of May 28, 1997—without those delegations implying any cessation of his own responsibility or empowering the recipient of the delegated powers to delegate them, in turn.

Twenty-Second: In addition to the attributes and functions conferred on him by Decree-Law 172, of May 28, 1997, the President also has the following attributes and functions:

- a) to call meetings and issue communications to the personnel of the Banco Central de Cuba and of other banks, nonbanking financial institutions and representative offices;

- b) to approve who is to go on missions abroad representing the Banco Central de Cuba and what their instructions are; and
- c) to appoint representatives of the Banco Central de Cuba to international banks and financial institutions.

Twenty-Third: In addition to the powers conferred on them by Decree-Law 172, of May 28, 1997, the First Vice-President, the other Vice-Presidents, the Auditor, the Superintendent and the Secretary have the following duties, attributes and functions:

- a) to be personally responsible for the fulfillment of their own tasks, attributes and functions and of the ones delegated to them;
- b) to assist the President of the Banco Central de Cuba in carrying out management functions;
- c) to oversee the organizational units assigned to them by the President of the Banco Central de Cuba, guiding, supervising and coordinating their work and being responsible for the condition of those units and for their implementing the President's decisions and those of any other higher-ranking body;
- d) to apply the established cadre policy and the policy on the training and scientific and technical development of the cadres subordinated to them, promoting training and re-qualification courses for them;

- e) to contribute to the best possible use of the human, material and financial resources assigned to the Banco Central de Cuba for carrying out its functions;
- f) to analyze personnel proposals presented by their subordinates and to make decisions as necessary;
- g) to issue resolutions, instructions and other provisions that are binding on the Banco Central de Cuba and its branches;
- h) to propose matters related to the fulfillment of the aims and purposes of the Banco Central de Cuba to the President of the Banco Central de Cuba for their examination by the Board of Directors;
- i) to delegate their authority and assign specific tasks related to their attributes and functions to workers in the areas and branches under them;
- j) to make decisions related to the exercise of their attributes and functions within the framework of what is established by the President of the Banco Central de Cuba and by any other higher-ranking body; and
- k) to call meetings and issue messages to the leaders, officers and other workers in the organizational units assigned to them.

Twenty-Fourth: With regard to the areas and levels they direct, every director, manager and departmental head has the following shared duties, attributes and functions:

- a) to be personally responsible for fulfillment of the tasks, attributes and functions entrusted to his organizational unit;
- b) to represent his organizational unit;
- c) to apply the established cadre policy and the policy on the training and scientific and technical development of the cadres subordinated to him, promoting training and brush-up courses for them;
- d) to contribute to the best possible use of the human, material and financial resources assigned to the Banco Central de Cuba for carrying out its functions;
- e) to direct the work of drawing up the work plan for his area and, after it is approved, to ensure that it is carried out and to approve the work plans of the areas subordinated to him;
- f) to propose individuals to the next higher level to fill the required positions;
- g) to be informed about problems with which the other officials in his area are faced and how they are solving them;
- h) to issue instructions and other provisions that are binding in the area of his competence;
- i) to promote active participation by the workers in his organizational unit in drawing up, applying and

fulfilling the work plan and in solving whatever problems may arise;

- j) to keep his immediate chief informed on the development of the activities he directs and to draw up and submit periodic reports on those activities, in accordance with the regulations and agreements made in this regard;
- k) to direct the work of the heads of the units and others who are subordinate to him and to keep them duly informed;
- l) within the existing regulations, to keep the workers informed about the main matters of the area and about the general development of the agency;
- m) to call meetings and issue messages to the officials and other workers in his area; and
- n) to establish work groups, assign tasks to them and appoint one of their members to head each group.

Chapter VIII

The Board of Directors

Twenty-Fifth: The Board of Directors of the Banco Central de Cuba is an internal body with advisory, coordinating, informational and consultative functions; it examines and makes decisions on matters of its competence.

Its permanent members are

- a) the Minister-President of the Banco Central de Cuba, who presides over it;
- b) the First Vice-President;
- c) the other Vice-Presidents; and
- d) the Secretary, who also serves as the Secretary of the Board of Directors.

Twenty-Sixth: The Auditor and the Superintendent of the Banco Central de Cuba will attend the meetings of the Board of Directors on a permanent basis, and the President is empowered to invite other people to attend on a temporary or permanent basis, if he deems this advisable.

None of the members of the Board of Directors except the President may delegate their functions.

Twenty-Seventh: The Board of Directors will hold monthly ordinary meetings and special meetings as frequently as its Chairman determines.

Twenty-Eighth: Copies of the Board of Directors' agenda and the documents to be discussed in each meeting will be sent to the participants in the meeting at least five days before the meeting is to be held.

Twenty-Ninth: The Board of Directors will examine and make decisions on the monetary and financial policy proposal to be submitted to the Government, how to supervise its

implementation once it has been approved and the relevant adjustments which stem from its going into effect.

It will also examine and make decisions on the policy concerning the exchange rate; on the management and supervision of the financial institutions' activities; and, in general, on issues related to the exercise of its functions, such as

- a) fulfillment of the aims and purposes of the Banco Central de Cuba;
- b) the draft bylaws of the state banks and of the Banco Central de Cuba itself; their modifications; the rules and regulations that the body draws up, supervising fulfillment of the said regulations; and draft laws, decree-laws and decrees concerning monetary-credit matters;
- c) the prospective development policy and strategy of the financial institutions and of the Banco Central de Cuba;
- d) the attainment of correct income-yield capacity and efficiency levels in the bank's work;
- e) the assessment and authorization of the financial statements and annual reports on activities carried out;
- f) the regular annual budget of the Banco Central de Cuba and special budgets;

- g) the printing, issuance, withdrawal from circulation and/or incineration of bank notes and coins of national currency;
- h) the interest rate regime applicable to the operations dealing with assets and liabilities carried out by the financial institutions; the minimum obligatory reserve requirements; the quantitative or qualitative limits on their portfolios of financial resources to be placed or investments; and all the other prerequisites and conditions which they should meet, in accordance with the legal provisions in effect;
- i) the policy for setting the exchange rates, commissions, interest rates and rediscounts for the operations of the Banco Central de Cuba;
- j) measures that help to keep the value and purchasing power of the national currency stable;
- k) credit policy;
- l) advice for the Government concerning monetary and credit matters;
- m) the study of proposals for and the giving of criteria on the granting of licenses for the creation of financial institutions and the establishment of representative offices in the country;
- n) the opening or closing of agencies, branches, offices, subsidiaries and other dependencies of the Banco Central

de Cuba and of the financial institutions and the exercise of the penalizing authority expressed in the powers of supervision assigned to the Banco Central de Cuba as the body governing the financial institutions;

- o) the Annual Report, the financial statements and the destination of profits;
- p) the denomination of posts, the listing of the personnel required, the regulations governing personnel and the general guidelines of the policy on their hiring and remuneration by the Banco Central de Cuba;
- q) the intervention of any other financial institution; and
- r) all of the other powers and duties that pertain to it.

Thirtieth: The Board of Directors should be kept informed about

- a) the results of the supervision of other banks and financial institutions,
- b) the auditing plans and the results of their implementation,
- c) the situation of the country's foreign debt and
- d) the state of work with human resources.

Thirty-First: The resolutions of the Board of Directors will be implemented by means of the corresponding provisions, except when they concern resolutions whose supervision or

implementation involves the direct intervention of a member of the Board of Directors, with notification of the text of the resolution being sufficient for its fulfillment.

The resolutions will be included in the minutes drawn up and signed by the Secretary of the Board of Directors, copies of which will be sent to all of its members within 15 days of the holding of the meeting.

Chapter IX

The Monetary Policy Committee and Commissions

Thirty-Second: The Banco Central de Cuba has a Monetary Policy Committee of an operational and consultative nature, which is in charge of advising the President of the Banco Central de Cuba and the Board of Directors on matters related to monetary policy; analyzing and making decisions on monetary and financial programming; and issuing regulations on currency issues and liquidity, money-exchange rates, credit policy, and rates of interest on assets and liabilities for domestic credits in national and hard currency which require quick decisions.

The Monetary Policy Committee informs the Board of Directors of the Banco Central de Cuba of the resolutions it adopts, and the Board of Directors may propose that any decision or resolution adopted by the Monetary Policy Committee be set aside, if it deems this advisable.

Thirty-Third: This Committee is composed of the Minister-President of the Banco Central de Cuba, who is its chairman;

the Vice-President in charge of the macroeconomic area; the General Director of the Treasury; and the Directors of Financial Studies and Monetary Policy.

Thirty-Fourth: At the request of its President, the Banco Central de Cuba may create permanent and/or temporary commissions or committees to make studies, do research and carry out other activities related to its functions.

Chapter X

Banking Secrecy

Thirty-Fifth: The Banco Central de Cuba is bound to maintain secrecy concerning its accounts, deposits and operations in general and may not give any information or reports except to the depositor, heir, beneficiary or legal representative of any of the above or to those who have the express power to handle the account or intervene in the operation, except in the case of a court order issued in a trial in which the depositor is a plaintiff or defendant or in those cases in which the law expressly authorizes this.

The Banco Central de Cuba is freed of its obligation to maintain banking secrecy in those cases in which it is expressly freed of that obligation by the provisions in effect.

Chapter XI

Reserves, Funds and Profits

Thirty-Sixth: In accordance with financial and accounting techniques, the Banco Central de Cuba will create contingency reserves and funds as required for the correct exercise of the functions of monetary, credit and exchange regulation entrusted to it by Decree-Law 172, of 1997, to cover eventual losses, including those stemming from estimates of assets, and, in general, to fulfill its obligations correctly.

Thirty-Seventh: The bank's financial year will begin on January 1 and will end on December 31 of each year. At the close of each year, the bank's assets and liabilities will be estimated in accordance with the applicable legal provisions, adjusted to financial and accounting techniques, after which its net profits will be determined.

Once the net profits are determined, the result will be applied in accordance with the provisions of Article 7 of Decree-Law 172, of 1997.

Chapter XII

Financial Statements, Annual Report and Budget

Thirty-Eighth: The Banco Central de Cuba will draw up and publish its balance sheet at the end of each year.

Thirty-Ninth: The financial statements of the Banco Central de Cuba must be approved by the Board of Directors and countersigned by the President.

Fortieth: The Auditor of the Banco Central de Cuba will present the Board of Directors with a report on the financial statements of the Banco Central de Cuba and will send a copy to the Superintendent of the Banco Central de Cuba.

Forty-First: The Chairman of the Board of Directors will ask the Auditor of the Banco Central de Cuba to certify the institution's annual balance sheet.

Forty-Second: Together with the financial statements, the Board of Directors must approve the Annual Report, whose drafting is entrusted to it by Article 53 paragraph o) of Decree-Law 172, of 1997, reporting on the operations of the Banco Central de Cuba during the period under review and on other important aspects of the activities of the Banco Central de Cuba and other banks and nonbanking financial institutions, including an analysis of the country's economic activities during the period.

Forty-Third: Every September, the Vice-President in charge of accounting and the budget will present the Board of Directors with a draft budget of estimated income and expenditures for the year that will begin on January 1 of the following year, so the Board of Directors may approve it or return it with whatever observations and/or objections it deems advisable.

Forty-Fourth: The draft budget must contain an estimate of the expected income to be obtained from the various kinds of operations, calculated in such a way as to make it possible to reasonably suppose that the real income will correspond to the estimates made.

The chapter on authorized expenditures should be detailed and listed under the various categories.

Forty-Fifth: The budget will be in effect during the year for which it has been approved, and expenditures not contained in it and transfers of funds from one financial allotment to another may only be made with the corresponding authorization.

The Board of Directors will supervise the budget periodically.

Francisco Soberón Valdés
Minister-President