

Decree Law N° 281

Of March 14th, 1961

By which is created the Banco Nacional de Fomento

CONSIDERING:

That it is necessary to count with a national banking institution properly structured to promote with the greatest efficiency possible the economic development of the country;

Therefore, heard the favorable opinion of its Excellence Council of the State,

THE PRESIDENT OF THE REPUBLIC OF PARAGUAY HEREBY DECREES WITH THE FORCE OF LAW:

CHAPTER I

CREATION, PURPOSE AND FUNCTIONS

Creation:

Art. 1 is hereby created the Banco Nacional de Fomento, autarchic institution with legal personality, in replacement of the Banco del Paraguay.

Its patrimony is considered legally separated from the state assets.

This institution will be governed by this Law, other relevant laws and regulations issued by the Management Board of the Bank.

The bank will have its home in the city of Asuncion. The courts and tribunals of the capital will know in all legal matters in which the Bank will be an actor or defendant, unless the Bank prefers to deduce application before other competent courts.

Its international affairs will be submitted to the legislative and judicial competence agreed or accepted by the laws of the Republic.

The duration of the bank will be for an indefinite period of time. The obligations that it contracts are guaranteed by the state.

Object.

Art. 2 The Bank will have for main objective the intensive development of the economy, for which effect will promote and finance general programs and specific projects for the promotion of agriculture, livestock, forestry, industry and trade of commodities and products originating in the country.

Functions

Art. 3 The Bank shall have the following functions and activities:

A. Development operations.

1. Promote the formation of agricultural, livestock, forestry and industry enterprises designed to increase domestic production.
2. Grant loans to short, medium and long term for individuals and private companies for the development of the agricultural, livestock, forestry and industry.
3. Obtain loans and issue development bonds and mortgage certificates in agreement with the Banco Central del Paraguay.

B. Commercial and savings operations.

1. Receive deposits at sight, to term and of saving, and perform all types of banking transactions in general, inside and outside the country.
2. Perform discounts and advances in current account, and perform other operations that usually relates to a bank, excluding the credit operations of development and of production.

C. Agricultural credit operations.

1. To grant loans of limited amounts in a short and medium term, for productive purposes of small farmers, dairy farmers, fruit farmers, forestry expert and gardeners, and small industry.

The transactions referred to in this article shall be implemented through the respective units.

Art. 4 For purposes indicated above, the Bank will have three executive units, namely the Development Department, Commercial and Savings Department and Agriculture and Livestock Department. It will also include a service unit: the Administrative Department.

Art. 5 The relationship between the Bank and the Executive Branch will remain through the Ministry of Finance.

CHAPTER II

CAPITAL, RESERVES AND PROFITS

Capital of the Bank

Art. 6 The Bank's authorized capital will be (G. 1.500.000.000) one thousand five hundred million thousand Guarani.

This capital will be subject to revisions, every three years, at least, in order to determine whether it is appropriate to continue fulfilling the requirements of economic development of the nation. The Management Board will recommend to the Executive Branch, through the Ministry of Finance, the corresponding capital adjustments, to be provided the necessary resources for this purpose. The first review will be made in 1963.

Capital of the Development Department.

Art. 7 The Authorized Capital of the Development Department will be (G. 1.000.000.000) a billion Guarani.

Reserves

Art. 8 The increase in capital resources that will take place as a result of the distribution of profits earned annually by the Development Department, among the reserves mentioned below, shall be in addition to capital mentioned in previous article.

Hereby empowered the Management Board:

- A. Establish a reserve for doubtful debts, of annual profits obtained by the Development Department, up to an amount at least equal to (10%) ten percent of the outstanding loans portfolio at the end of each year.
- B. To establish other necessary reserves, to be formed from annual profits, once the reserves the foregoing paragraph have reached the required minimum amount.
- C. When reserves mentioned in subparagraphs a) and b) are equal to (50%) fifty percent of the authorized capital, subsequent profits may be used to increase the capital, once authorized.

Capital for the Commercial and Savings.

Art. 9 The authorized capital of the Commercial and Savings Department will be (G. 200.000.000) two hundred million Guarani.

Reserves

Art. 10 The annual profits that are obtained the Commercial and Savings Department will be allocated evenly to the increase in capital and reserves. The Management Board may adopt another more convenient distribution of these profits, once integrated the authorized capital for this Department.

Capital of the Agricultural and Livestock Department.

Art. 11 The Agriculture and Livestock Department's authorized capital will be (G. 300.000.000) three hundred million Guarani.

Art. 12 The State shall provide to the Bank for Agriculture and Livestock Department, the necessary fund to cover losses if any.

Prohibition

Art. 13 In no case may proceed to transfer funds from one department of the Bank to another bank to cover loans, expenses or losses for the year, except as provided in subsection e) of Article 22.

CHAPTER III

MANAGEMENT BOARD

Constitution, requirements and duration

Art. 14 The Bank's senior management will be administered by a Management Board composed of the President, seven members, and an equal number of alternates, namely:

- A. A representative of the Ministry of Finance;
- B. A representative of the Ministry of Agriculture and Livestock;
- C. A representative of the Ministry of Industry and Trade;
- D. A representative of the BCP;
- E. A representative of the Agricultural Sector;
- F. A representative of the livestock sector;
- G. A representative of the industrial sector;

The members referred to in paragraphs A) B) C) and D) and their alternates shall be appointed by the Executive Power, in each case, on a proposal from the Ministries mentioned and Banco Central del Paraguay.

The full members and their alternates specified in paragraphs E), F) and G) should be respectively farmer, rancher and industrial and shall be appointed by the Executive Branch, candidates will be submitted in alphabetical order by trade associations components.

For nominations, in all cases, it will require the agreement of the State Council.

The full members and their alternates shall have recognized competence in the fields of their representation, and have a proven knowledge of national economic problems.

The full members and their alternates will last three years in the course of their duties, may be reappointed.

Art. 15 May not be members of the Management Board of the Bank:

- A. The members of the State Powers;
- B. The public officials, and autonomous entities, autarchic and mixed economy;

- C. Two or more people, factors or employees, belong to the same collective company, limited partnership, capital and industry, cooperative, accidental or limited liability companies;
- D. Two or more directors, trustees, factors, or employees of the same public limited company;
- E. Directors, managers, or employees of private banking institutions and its trustees and advisers;
- F. Relatives together inside the 4th. degree of consanguinity or 2nd. of affinity;
- G. The failed and the processed civilly;
- H. Those that had or had closed their current accounts at any bank for issuing checks without funds;
- I. The insolvent or defaulters;
- J. Those unable to exercise the trade;
- K. Those who have been convicted of crimes.
Excluding convicted by imprudence.

Cessation and removal of members of the Management Board

Art. 16 The members of the Management Board shall cease in their functions if they stop attending three consecutive sessions convened legally, and not present a valid reason to the Management Board, which must be approved by it. The relevant decision may be appealed to the Board itself or by appeal to the Ministry of Finance.

The Executive Branch may remove the President of the Bank or the members of the Administration Board if they incur in faults duly proved. The relevant inquiry must be substantiated, with the intervention of the interested person, by the Ministry of Finance.

Responsibility

Art. 17 The Management Board shall act in complete independence and under its own and exclusive responsibility, within the limits set by the law and regulations of the Bank. Any act, omission or decision of the Management Board that violates law or regulation, shall be liable, personally and jointly, to the members of the Board. This responsibility does not extend to those who spoke or voted against, although it must be recorded in the corresponding minutes expressing your dissatisfaction.

Also will incur personal responsibility, the members and alternate members to disclose confidential information pertaining to the efforts of the Bank, or using such information obtained by reason of the performance of their duties, for personal gain or to the detriment of the State, the Bank or third.

Sessions

Art. 18 The Board of Directors shall meet in ordinary session once a week or in extraordinary session when convoked at the request of the President or by a majority of members in the exercise and in accordance with the provisions of the regulations.

In case a member cannot attend a meeting, the member shall notify the President and its alternate with reasonable anticipation.

At the invitation of the President, people unrelated to the Bank may attend meetings of the Administration Board.

Of the Vote

Art. 19 The President, as each member of the Board, or in its absence its alternate, will have only one vote. No member or alternate member may be present at the meeting where should be dealt matters that may be of personal interest for the same, or of relatives within the 4th. degree of consanguinity and 2nd. degree of affinity or when discussions concerning a company or firm to which the member belongs as a partner, shareholder, trustee or consultant.

Quorum and Majority

Art. 20 A quorums shall exist with the presence of six members in office, including the President, and no decision will be valid without the agreement of five votes in favor, except where this law requires a special majority.

Stipulated subsidies and expenses

Art. 21 The members and in its absence the alternate members, will receive a steady subsidy by session to be established by the Board and provided for in the General Budget of the Bank.

The alternate members who attend a meeting when the member is present are not entitled to remuneration.

It is forbidden any remuneration in the form of commission, or bonus of any kind.

The members of the Board who were designated to perform special tasks that are related to the Bank shall be entitled to a special assignment. Travel and subsistence costs will be paid by the Bank.

None Bank official that attends a meeting of the Management Board will receive fees or other remuneration for their assistance.

Attributions and responsibilities of the Administration Board

Art. 22 The attributions and responsibilities of the Management Board are:

- A. Make a regulation to complement this Law, which shall be approved by the Board of the Banco Central del Paraguay.
- B. To determine and directing the general operations of the Bank in accordance with its objectives and the provisions of this law and the regulations so as to preserve and enhance capital and reserves of the departments that compose it.
- C. To adopt forest plans and production programs for agricultural, livestock and industrial development in the country in coordination with the economic development program of the Government. For this purpose, shall give preferred attention to activities related to the Latin American Common Market.
- D. To send the annual report of the Bank to the Executive Branch before March 30 of each year.
- E. To approve, after an examination under the preceding paragraphs, the financial situation and authorize the distribution of net profits of the year. For this reason, will previously distribute in the proportion

it deems appropriate under each executive department, the expenditure relating to units not included in the three executives departments of the bank.

- F. To approve before December 15th of each year the Resources and Expenditure Budget of the Bank for the year ahead.
- G. To consider and to approve, at the end of each year, the general program of credits that the Division of Planning and Budget submits to its consideration and the plans of credits presented by three Departments.
- H. To approve the hiring plans of credit from abroad, in agreement with the BCP.
- I. To approve the selection of correspondent banks in the inside and outside of the country and of the financial institutions with which the Commercial and Savings Department act as a correspondent, both within and outside the country.
- J. Check at least once every six months the portfolio composition of the three departments.
- K. Authorize the issuance of bonds and securities with the approval of the Banco Central del Paraguay.
- L. To establish, in accordance with the limits set by the Banco Central del Paraguay, commissions and interest rates of the departments of the Bank.
- LL. Perform ordinary credit operations to the Banco Central del Paraguay, intended for the Departments of the Bank.
- M. To establish special charges to cover exchange risks or expenses incurred in the maintenance of accounts under the limits of the regulations set on deposits.
- N. To set limits, terms, valuation bases, and other considerations inherent to the credit grant.
- Ñ. To establish the minimum and maximum amounts of loans that may agree, under proper attribution, the Loan Committees and branch managers.
- O. Granting or rejecting the credits that exceed the limits within and which may be granted in accordance with the preceding paragraph.
- P. Having the opening or closing of branches and appoint local correspondents in the country.
- Q. Authorize the purchase and improvement of movable or immovable property essential for the functioning of the Bank when its value exceeds the limits set by the regulations.
- R. To appoint and remove of their duties on the proposal of Chairman, to the Executive Directors, Technical Consultant, Legal Adviser, Secretary and technicians hired, domestic or foreign. The removal will be arranged subject to administrative proceedings.
- S. To dictate the statute of the personnel, establish salary scales, allowances and additional remunerations.
- T. To approve the terms and general conditions for acquisition, location of works, leases and disposals and approve or reject the bidding result and proceed to adjudication.
- U. To grant or deny extensions requested by the debtors of the Bank and to determine the amounts and terms within and which may be granted directly by the dependencies.
- V. To accept legal concordats, and adjudication of goods.
- X. To accept privately credits remove and wait.
- Y. Appoint members of the Board that will integrate the committees to assist departments and units of the Bank, in accordance with regulations which in each case is unlawful.
- Z. Resolve any other matter relating to the management of the Bank, within its legal powers.

Prohibition

Art. 23 The full and alternate members shall not be guarantors neither obtain loans from the Bank's dependencies.

CHAPTER IV

THE PRESIDENT

Appointment, requirements and responsibilities

Art. 24 The President of the Bank must be appointed by the Executive Power for a period of five years, with the approval of the State Council.

The President shall be a Paraguayan citizen, over thirty years of age, a person of recognized honesty, integrity and competency, and possess knowledge on economic, banking and finance. It should not be linked, in relationships of consanguinity or affinity with the people who depend on his appointment.

The President will dedicate all its activity in the service of the Bank. While he is in exercise of his duties, shall not accept other paid or free service occupations, except those who are to perform as a member of technical committees. He will receive the remuneration that fixes the budget of expenses and resources, and a daily subsistence allowance in the regulations.

In the cases of absence, the President shall be replaced by the member, the Board appoints. If the absence is for more than thirty days, it will communicate the fact to the Executive Power to name temporarily a full member in the office, as long as is necessary, in which case it shall enjoy all the prerogatives of the senior position.

Attributions and duties of the President

Art. 25 The President shall be the legal representative of the Bank and, except those cases where otherwise prohibited by this law, may delegate certain powers to the members of the Board or other officials, according to the regulations.

The President shall lead all meetings of the Board of Administration. He will be subject to the same restrictions as set out in Article 15.

Competence of the President:

- A. Submit to the Governing Body for its approval, the Bank regulations that will complement this law, and recommend the changes and modifications whenever necessary, to suit the banking practices.
- B. To propose the appointment of the officials mentioned in the subsection R. of Article 22 and request removal of the same.

- C. Supervise and lead the Bank's senior management, and ensure full compliance with this Law, the regulations and the resolutions of the Board of Directors.
- D. To resolve ultimately in matters those are not ordinarily competence of the Board.
- E. Submit to the Management Board for approval, reports and recommendations referred to in Article 22, and such other reports and recommendations as may be necessary for the proper enforcement of the law, the regulations and the resolutions of the Management Board.
- F. Monitor the execution of the Bank's credit programs based on regular reports submitted regularly to his consideration for the Auditor, The Executives Directors, and other officials, as required by regulations.
- G. To confer or revoke powers for judicial matters or matters of dispute.
- H. Perform other duties as are specified in the Law, regulations and the resolutions of the Board of Administration.

CHAPTER V

BANK DEPENDENCIES AND ADMINISTRATION

Art. 26 The president will have a Technical Consulting, legal advice and the Secretariat of the Bank.

Art. 27 Each of the executive agencies listed in Article 4 shall be administered by an Executive Director, who shall be appointed by the Management Board at the proposal of the President. The Executive Directors shall report directly to the President. They have to be persons of recognized competence in their respective specialties. In addition to the restrictions set forth in Article 15, in order to exercise their duties, Executive Directors will be subject to each other, with respect to the Chairman and members of the Board, to the limitation in subparagraph F. of that article.

They must spend all their activity in the service of the Bank only, and while in performance of their duties, shall not accept any other gainful occupation or honorary. Exceptionally, with approval of the Management Board, may integrate technical committees related to their charges.

The Executive Directors will be responsible before the President and the Management Board of the proper and effective functioning of their departments, in accordance with this Law, the regulations and guidance received from the President and the Management Board.

The Executive Directors are expected to attend all the meetings of the Management Board. They may be accompanied by other officials at the meetings of the Board, at the request of them or the President.

Attributions and Duties

Art. 28 It corresponds to Executive Directors:

- A. To manage the execution of the operations of their respective offices and exercise strict compliance monitoring and enforcement of this law, the regulations and resolutions of the Management Board.

- B. Submit to the Management Board, the Annual Report of their respective departments and other reports through the Presidency.
- C. Shall exercise the other tasks and duties assigned to them by this Law, the regulations and resolutions of the Management Board.

The Executive Directors will prepare, in coordination with the Division of Planning and Budget, the annual plans of Loans, and submit to consideration of the Management Board through the Presidency.

The Executive Directors may act as legal representatives of the Bank, alone or jointly with the President, in accordance with this Law, the regulations and resolutions of the Management Board. They may also delegate their representation to other Bank staff, except in those cases where their intervention is legally mandatory.

Technical Consulting

Art. 29 It shall be for the Technical Consultant officer to advise the President of the Bank, the Management Board and the Executive Directors in all matters, and information on financial, economic and banking, to be subjected to its study or consideration or arising out of the information received from the Bank's units when he requires them.

The position will be filled with suitable professional with proven experience in economic, financial and banking mainly.

Legal Advice

Art. 30 The Legal Advisor is the legal consultant of the Bank, and will be required to answer any questions that will do to him on legal matters pertaining to the negotiations of the Bank, within reach of the laws, regulations and interpretations thereof and procedures to be followed for greater efficiency in services under legal rules. The Legal Advisor shall be consulted by the Chief of the Legal Division for hiring professional services for the attention of the Bank's judgment.

Secretariat

Art. 31 The Secretariat shall assist the President in the writing correspondence and telegraphic, custody, preservation and classification of the same, and the writing of the resolutions of the Management Board for the record, classified by major dependencies.

It is its exclusive responsibility to maintain the files, and the Bank documents in safety and reservation.

CHAPTER VI

DEVELOPMENT DEPARTMENT

Functions

Art. 32 The Development Department shall have the following functions:

- A. Grant loans to medium and long term for agriculture, livestock, forestry and industry to be destined for productive purposes.
- B. To grant short term support loans, supplementary loans to medium and long term, given for productive purposes.
- C. To issue bonds and mortgage bonds authorized by the Board, with the agreement of BCP.
- D. To administer the funds of borrowings contracted by the Bank abroad, according to the directives of the Management Board.

Operations

Art. 33 The Development Department will conduct its operations of delivering money, and their collections through the Commercial and Savings Department, and the branches of the Bank and keep its funds on deposit in current account with the Department.

Organization

Art. 34 The Development Department will have the divisions and sections that indicate the regulations.

Loan Committee

Art. 35 It shall be established a Loan Committee in the Development Department which will be in charge of the study and consideration of requests for loans, within the minimum and maximum limits established by the Management Board, as established in the regulations.

The Loan Committee shall consist of the Executive Director of Development Department, Heads of Divisions and other officials that indicate the regulations.

The Loan Committee decisions will be taken by majority vote of the members, and should refer to loan applications which are not subject to the approval of the Management Board, except when a member who votes against the authorization of the loan request that their opinion taken into account and requests consideration of the case by the Management Board.

The Loan Committee members are subject to the same legal incompatibilities and restrictions laid down in Article 15 of this Law

Conditions for granting loans

Art. 36 The Development Department shall observe the following fundamental principles for the granting of loans:

- A. The loan must be in accordance with the Bank's objectives, as stipulated in Article 2.

- B. Loans are granted only to persons or companies that have a potential or real capacity of production and payment.
- C. The terms of the loans will be coordinated with the periods of production and income, customary in exploitation.
- D. Loan applications must be accompanied by an investment plan.
- E. The loan amount should be enough to cover the necessary costs in the proposed investment plan. The deliveries of cash will be made to the beneficiary of the loan taking in proportion of the expenses to be made.
- F. The guarantees given to obtain the credit should be enough to cover the loan amount.
- G. The use of credit must be properly supervised.

Funds for loans

Art. 37 In addition to the integrated capital, reserves and loans that are obtained from abroad, the fund for loan includes:

- A) For short term loans, the funds from operations of credit current with the Banco Central del Paraguay.
- B) For medium and long term loans, the funds obtained from the issuance of bonds and mortgage certificate.

The Management Board will monitor that the Department develops itself within a situation of permanent liquidity as a result of a proper relationship of its resources, loans and current liabilities.

Report on the composition of the Portfolio

Art. 38 The Department will maintain permanently up to date, a statistic that reflects the composition of its portfolio, and enable to give any report on the development of its operations.

Adjustment of the limits of the Portfolio

Art. 39 For the use of other funds not covered by Article 37, the Management Board shall require the authorization of the Banco Central del Paraguay.

GUARANTEES

Collateral Loan

Art. 40 The Development Department may accept the following as Collateral guarantees on support of the loans to be granted:

- A. Movable property transferable, stocks and bonds declared acceptable by the Management Board, such

as stocks and bonds that can be issued by the State, and commercial companies; The bonds with collateral security, Bonds with guarantee of mortgage loans, bonds guaranteed by loans with collateral, which are issued or guaranteed by other institutions and approved by the Management Board and securities issued by the Government which were considered negotiable by the Banco Central del Paraguay. The securities mentioned should be made available to Development Department according to the Law.

- B. Collateral guarantees without movement, made available to the Development Department of according to the Law.
- C. Pledge bonds corresponding to guides, or certificates of deposits covered by agricultural or industrial products, deposited in barns, warehouses authorized, or cold storage plant conveniently covered by commercial insurance.
- D. Other collateral pledged, as determined by the Management Board.

Guarantee Fiduciary

Art. 41 Development Department may accept fiduciary guarantees on its short and medium term loans, according to the regulations.

The fiduciary guarantees consist of solidary bail and several guarantees of creditworthy persons accepted by the Development Department, or endorsement, or guarantor for such persons of bills of exchange, promissory notes or other negotiable documents. The Development Department will not accept as a guarantor, or endorser joint members, or members of a same trader. Neither will accept guarantees between customers.

When a loan guarantee is only fiduciary, the loan cannot be granted for a longer term than short-term loans, and in no case a loan that is partially covered by a fiduciary guarantee will be granted for a period longer than the time allowed for medium-term loans, and within the limits set out in the regulations.

MORTGAGE GUARANTEE

Art. 42 The Development Department will accept only first range mortgages guarantee.

It may accept, exceptionally second rate mortgages guarantee, only in the following cases:

- A. To assure a matured obligation.
- B. When the original warranty has disappeared or has been reduced below the ranges established in Article 44 of this Law, and
- C. As subsidiary guarantee.

Mortgage Guarantees unacceptable

Art. 43 The Development Department shall not accept mortgages guarantees:

- A) The parties undivided of condominium;
- B) Real property whose ownership is in litigation before the courts;
- C) The properties that are leased for more than three years, or without a fixed term;
- D) The foreclosed properties.

Safety margins

Art. 44 The loans with collateral guarantee may in no case exceed (50%) fifty percent of the value of the thing taxed. The loans with mortgage guarantee may not exceed the payment of (60%) sixty percent of the value of the mortgaged property. In order to set these values assessment, the Management Board shall establish the necessary provisions in the regulations.

Prohibition

Art. 45 The Development Department cannot perform operations conferred by this Law to the Commercial and Savings Department.

CHAPTER VII

COMMERCIAL AND SAVINGS DEPARTMENT

Functions

Art. 46 The Commercial and Savings Department shall have the following functions:

- A. Receive deposits at sight, on terms and savings;
- B. Receive on deposit securities in custody;
- C. Rent safety deposit boxes.
- D. Issue bank drafts or money orders, and make collections for third parties about the interior of the country.

- E. To accept documents drawn by traders against the Commercial and Savings Department to finance import or export operations, with maturities not exceeding six months;
- F. To discount or purchase bills of exchange, promissory notes or other credit transactions coming from purchase and sale of goods or merchandise or other items, with maturities not exceeding six months counted from the date of discount or acquisition;
- G. To grant advances to exporters:
 - 1. on documentary letters at sight or by installments;
 - 2. on letters of credit or documented.
- H. To grant advances to importers:
 - 1. on documentary letters at sight or by installments;
 - 2. for openings letters of credit.
- I. To grant loans up to six months to the marketing of products from the agricultural and forestry activities, which are determined by discounting the promissory notes or in the form of current account advance;
- J. Issue bank drafts or orders of payments, making collections for correspondents, or individuals, and to issue letters of credit simple or documented on the outside of the country;
- K. To purchase and sell bills Banks and foreign currencies and other operations, which in the opinion of the Management Board fall within the competence of a commercial bank.

Organization

Art. 47. The Commercial and Savings Department will have divisions and sections that indicate the regulations.

Loan Committee

Art. 48 The Loan Committee for the Commercial and Savings Department will be responsible for the study and consideration of loan applications, within the minimum and maximum limits established by the Management Board, and as becoming established in the regulations.

The Loan Committee shall be composed as follows:

- A) In the capital: by the Director of the Department and Division Chiefs;
- B) On the interior of the country: by the Manager and the Accountant of the Branch.
In case of disagreement between the members of the Committee will proceed in the manner provided in Article 35.

Art. 49 The maximum amount of a loan that the Commercial and Savings Department grant to a single beneficiary may not exceed an amount equal to (5%) five percent of public deposits in current accounts. However, in exceptional circumstances and with express agreement of the Banco Central del Paraguay, this amount may be increased to (10%) ten percent of such deposits.

CHAPTER VIII

AGRICULTURE DEPARTMENT

Functions

Art. 50 The Agriculture Department will have the role of promoting and encouraging the development of the production of small farmers, ranchers, dairy farmers, fruit farmers, foresters and gardeners and small rural industries, according to the plans and programs that make annually the Agriculture and Livestock, and Trade and Industry Ministries.

These plans and programs in all the cases will seek advice for the real needs of the country, and the economic and financial possibilities of the department.

Art. 51 The Department of Agriculture may grant individual loans, or to farmers in associations for the work of land preparation, planting, cultivation, harvesting and other additional expenses, within the limits and conditions that indicate the regulations.

The maximum term of these loans, will be as considered to end the harvesting of the crop or industrial process.

The loan amount will be in accordance with the costs fixed by the Agriculture and Livestock Ministry and the top price for small industry which is established by the Industry and Trade Ministry.

Art. 52 The Agriculture Department may also grant loans to agricultural accoutrement for sowing, growing and harvesting of fruit, and herbs plant, and tree long lasting up to a term of five years. The term of such loans shall be extended, by exception, to ten years, if granted for reforestation purposes or plantings whose nature demands it.

Art. 53 The credits for agricultural accoutrement will have as particular collateral the pledge of agricultural fields, or plantings, and harvesting, as established in the regulations.

The pledges in favor of the Department will be effective legally, since the loan agreement was entered on the register of pledge.

LOAN COMMITTEE

Art. 54 The Loan Committee of the Agricultural Department shall be composed in the same way and will have the same functions and powers set out in Article 48.

The requirements necessary to the study, implementation, and how to enforce the guarantees of the loans, will be established by the regulations.

OPERATIONS

Art. 55 The Agriculture Department will keep its funds in current accounts, and will make its delivery operations of money, and collections through the Commercial and savings Department, and the bank's branches.

ORGANIZATION

Art. 56 The Agriculture Department will have divisions and sections that indicate the regulations.

CHAPTER IX

MANAGEMENT DEPARTMENT

Functions

Art. 57 The Management Department shall have the following divisions, each one headed by a chief of acknowledged competence in the performance of their duties:

- A. Branches and Correspondents,
- B. Planning and Budget,
- C. personnel,
- D. Maintenance and Services
- E. Accounting,
- F. Legal Affairs
- G. Public Relations.

Branches and Correspondents

Branches

Art. 58 The Bank may establish branches in the main commercial centers and of production of the Republic, to perform the operations assigned to the departments, within the limitations set by the Board of Management.

Art. 59 The branches shall be administratively responsible from the Administration Department. Each of the branches will be directed by a Manager.

Art. 60 The branches managers will be responsible for:

- A. Direct the execution of the operations of their respective subsidiaries.
- B. Exercise supervision and the comptroller of its branches, whose normal functioning and effectiveness are responsible, and maintain the discipline of his staff.
- C. Grant loans within the limitations established by the Management Board.
- D. To give fulfillment to the instructions that, on the proper management of its Division, receives from the Executive Director or the Chief Division of Branches, and correspondents.
- E. Comply with and enforce the instructions given by the Head House, through the Chief of Branches Division, and the correspondents.
- F. To exercise together with the Accountant the legal representation of the Bank, within the powers that the President delegates.
- G. To present periodic reports on the development in the area of influence of the Branch from agriculture, livestock, industry, trade and forestry.
- H. Arrange the registration of farmers, ranchers, loggers, industrialists and traders in their jurisdiction, and qualify for exclusive information of the Bank.
- I. Request the promotion or transfer of officials from their dependence.
- J. Give Permission up to ten days and disciplinary sanctions in accordance with the provisions of the Staff Regulations.
- K. To report regularly to the Chief of the Division of Branches and of the Correspondents on the conditions in which it operates the Branch in charge of.

Correspondents

Art. 61 The Bank may designate Correspondents in any location of the Republic for the services that the Management Board determines.

Art. 62 The functions of the correspondents are determined by agreement concluded in each case, in accordance with the rules of commercial mandate, and their services will be paid in the form of commission. The mandate will be irreplaceable and the Bank may revoke it at any time.

For the exercise of the office are to be preferred to traders, which located in the respective localities, offer sufficient moral solvency and material. In no case the activity of the correspondent may be contrary to the interests of the Bank.

Art. 63 The Correspondent shall be obligated to take the necessary annotations to determine, day by day, the statement of account by the Bank and its correspondent, and regularly send reports provided in the Contract.

Art. 64 The Bank may inspect the books and documents of the Correspondents and demand rendering of accounts as often as it considers necessary.

Planning and Budget

Functions

Art. 65 It corresponds to the Division of Planning and Budget:

- A. To formulate the general Credit program of the Bank, and the annual plans for loans in coordination with the Development Department and the Agriculture Department.
- B. To formulate the development and investment program in accordance with the recommendations of the National Council of Economic Coordination.

For this purpose, the Division will conduct specific studies in agricultural fields, livestock, forestry and industry, in order to determine which activities should be financed by the Agriculture Department, according to Article 28 of this Law.

For the preparation of the studies referred above, the Division will consult with public entities or organizations, or private institutions in the country or abroad.

Art. 66 The Division of Planning and Budget:

- A. Will prepare the annual operating budget for the Bank in coordination with the Executive Directors.
- B. Will prepare the annual report of the Bank.
- C. It shall advise the Management Board, the President and Executive Directors on technical issues under consideration.
- D. Report to the President and the Board of Directors regarding all aspects of policy and organization of the Bank, which in the opinion of the Division require modification or reorganization, or may not perform in accordance with the basic principles of this Law and the Regulations.
- E. Will prepare other studies that are considered necessary for the Bank to meet its objectives.

Organization

Art. 67 The Division of Planning and Budget will contain sections that indicate the regulations.

Personnel

Personnel Committee

Art. 68 shall be the function of the Staff Committee to consider and decide the selection, employment, promotion, training, transfer, removal and resignation of all employees of the Bank, except for the officials to whom the appointment system or dismissal is specifically stated by this Law, as provided in the regulations.

The Staff Committee shall consist of the Executive Directors and other officials designated in the regulations and will meet regularly. Will be in charge of personnel matters referred to in the regulations.

Division of Personnel

Art. 69 It is the responsibility of the Division of Personnel:

- A. The establishment and maintenance of a classified employment system in accordance with the regulations.
- B. The maintenance of files needed for personnel administration and the preparation of payment of salaries.
- C. Any other function necessary for the fulfillment of the obligations and responsibilities of the Division.

Organization

Art. 70 The Division of Personnel will have the sections which are indicated in the regulations.

Maintenance and Services Division

Functions

Art. 71 The Maintenance and Services Division is responsible for the safety and maintenance of buildings, movable and equipment, acquisition, use, repair and maintenance of vehicles, purchase and control of equipment and office supplies, the receiving and distribution of correspondence, general archive and any other functions assigned to the regulations.

Organization

Art. 72 The Division of Maintenance and Services will have the sections that indicate the regulations.

Accountancy

Functions

Art. 73 It is the responsibility of the Accounting Office:

- A. The establishment and maintenance of accounts system and the accounting procedure of the Bank's dependencies in accordance with the rules made by the Superintendency of Banks.

- B. The consolidation of the accounts of the departments and maintenance of a general file of accounts;
- C. The preparation of the annual financial statements, the ordinary and consolidated account statements, and any other information required by this law, the regulations, the Presidency and the Management Board;
- D. Perform such other functions as may be necessary for the proper and efficient development of such Division.

Organization

Art. 74 The Accountancy will have the sections the regulations indicate.

Legal Matter Division

Functions

Art. 75 The Legal Affairs Division will be responsible for:

- A. The representation and defense of the Bank in judgment, according to the powers that for the effect the President confers to the Division;
- B. The report on the legal validity of the instruments presented by third parties in their dealings with the Bank;
- C. The writing and revision of contracts and documents that must be signed by the authorities of the Bank;
- D. The examination, to give process, the court orders, and the accounts that are payable to notaries, auctioneers, officers of justice, etc.;
- E. The advice, when requested in the instruction of the summary administrative;
- F. The registry and maintenance of title property of the Bank properties;
- G. The list of defaulting debtors demanded;
- H. Any other matter that, by express decision permanent or transitory, are assigned by the Presidency.

The Chief of the Legal Matter Division, in consultation with the Legal Advisor, in accordance with Article 30, will propose the hiring of services by professionals who will attend the trials according to instructions of the President of the Bank.

Public Relations

Functions

Art. 76 The Public Relations Division will be responsible for the information that the Bank believes appropriate to spread, in order to let know the condition of banking relationships, with the production of the country, the progress made by means of credit incentives, or any other data or news of public interest.

CHAPTER X

AUDIT

Nomination and responsibility of the Auditor

Art. 77 The Auditor shall be designated by the Management Board and must be a person of recognized honesty, integrity and competence and should have extensive knowledge and experience in accounting, auditing, management and banking practices.

The Auditor will be subject to the same extent of incompatibility established for the President, members of the Management Board and Executive Directors, and the same restrictions provided for in Article 15 of this Law.

Duties and Attributions

Art. 78 The Auditor will be responsible for the inspection and auditing of all operations of the Bank in accordance with recognized accounting practices, ensuring that all of them are suited to this Law and other pertinent, to the regulations and the resolutions of the Management Board to be given in compliance with this Law.

The Auditor shall have access to all information necessary for the performance of their duties and will have the proper cooperation of officials and employees.

The Auditor will produce quarterly and annual reports, and all the reports which may deem necessary on checking conducted on the auditing, and estimation of responsibilities, without prejudice of the observations that he could formulate. The Auditor shall submit the reports to the Management Board, the President, and the Superintendency of Banks.

The Auditor will recommend to the President and the Executive Directors, the changes to be introduced in the accounting, procedures, performance and management of the Bank, based on special studies and the observations collected.

The Audit will receive and analyze daily reports of banking operations subjected to its consideration by the General Accounting and will keep a statistical control of the execution of the budget.

The Auditor will be responsible for planning, organization, management and control of the activities of the internal audit and its rules and procedures.

The Auditor will attend the meetings of the Management Board.

Supervision of Public and Private bidding

Art. 79 The Auditor shall exercise personal vigilance on the strict fulfillment of the rules and conditions established for the public and private tenders of the Bank and it will be present or represented at the opening ceremony of the closed and securely sealed offers.

CHAPTER XI

SPECIAL LEGAL RULES

Art. 80 For the purpose of recovery of its credits by judicial means, it is enough for the Bank to submit, as title that brings ready execution, a certificate, signed by the Executive Director of the respective unit. Such certificate shall state the source of credit, and the importance of the debit for principal, and common interest and / or penalties.

Art. 81 On executions promoted by the Bank for recovery of its debts, is only eligible for payment exceptions, release or delay, will be admissible, for which it must present the relevant instrument that attesting it. The repetition of any sum, by account error, may be promoted by the debtor in ordinary proceedings.

Art. 82 Before it has recourse to the Law, the Bank may ask any Justice of Peace Judge of the Republic the precautionary seizure of the debtor's assets. Such application may be submitted by the branch managers or correspondents, and the judge requested without further proceedings, will dispatch a commandment to be service of process in by the official applicant in the manner prescribed in Articles 405, 407, 408, 409, 410, 411, 412, 413, 414, 415 and 416 of the Code of Procedure in civil and commercial matters.

Also, and to be sure of the recovery of its debts, the Bank may, in the Capital Before the competent Court and in the campaign before the Judges of Peace, request the preventive seizure, which will be dispatched without further proceedings. The Bank is not obliged to give security provided for in Article 379 of the Code of Procedure but shall, if the owner of the property seized demands it to deduct the relevant action in the term of thirty days.

Art. 83 It will not be included in succession proceedings, bankruptcy, or Creditors' civil contest, the executions which the Bank had begun for the collection of its loans, and it will only carry to the mass of such universal judgments mentioned the remaining assets executed, after they have covered the amount of the debt and legal accessories.

Art. 84 In cases of insolvency, creditor's civil contest, bankruptcy, death, incapacity, absence or address of the debtor ignored the action will be initiated or continued, if necessary, with legal representatives and, If they will not have it, with the Defender of Absentees who will be designated, without further delay, by the respective judge, at the request of the Bank.

Art. 85 The contracts of pledge and mortgage, in an amount not exceed (G 50,000. -) Fifty Thousand Guarani may take place in the campaign, in favor of livestock accoutrement borrowers, by simple private instrument, and for this purpose the Bank may collect from the respective offices the corresponding certificates.

When a person, in this case or any other, have to sign a private contract in favor of the Bank, is unable to sign and be bound as borrower or guarantor of an unsecured loan, will print at the foot of the document the right thumbprint and be recorded in the same, the number of the identity card or the book enlistment or military identification card, if any. Such obligations, in the case of unsecured loans, shall be made by the person representing the Bank in the presence of two witnesses characterized who are not it employees.

Art. 86 If as result of the inspection that a loan was intended in whole or in part, without prior agreement of the Bank, for other purposes than those indicated in the contract, the Bank may give up the term and demand immediate payment of the debt.

Art. 87 The debtor is obliged to inform the Bank in writing, within ten days, any changes taken place by the terms of the contract, with regard to conservation, location, insurance warranty and transformations they were operating on their goods, and in the case of livestock loans, the losses suffered by death, theft or any other cause, by livestock given in collateral.

If the debtor fails to comply with this obligation, the Bank may immediately declare fallen off the term of the loan, and demand the immediate payment of the debt.

Art. 88 In executives' proceedings promoted by the Bank, the public auction sale of the debtor's assets will be announced for five days in a newspaper in the capital, unless the judge saw fit to announce it in two newspapers.

When in the towns from the countryside must be done grains or movable property auction, minor account, the court may, at the proposal of the Bank, provide that the sale is made in the same place where the property is situated. In such cases it may be appointed ad-hoc auctioneer who had been nominated by the Bank and shall be given intervention to the Judge of Peace of the town.

Art. 89 Documents executed or endorsed to the Bank may be paid at its home in the capital or in their offices and not be hurt by lack of protest.

The delay will occur for the expiration of the obligation, without any requirement.

Art. 90 The false information provided to the Bank by its customers and borrowers constitute the offense defined in Article 396 of the Penal Code and shall authorize the Bank to give for rescinded any contract and to demand immediate payment of the debt by executive via.

Also will incur in the offense defined in aforementioned article of the Penal Code, the Bank officials who advise clients fraudulently, in order to facilitate to obtain the loan or induce them to evade or delay the payment of its obligations.

Art. 91 The Bank's accounting vouchers produce evidence at trial provided that they are the signature of the authorized officials.

Art. 92 The action to demand payment of the loans granted by the Bank Departments prescribed after ten years.

Art. 93 The current account deposits, on a term account and savings in the Commercial and Savings Department, which had no movement at all for ten years, as well as the movable property that, for one reason or another had been delivered to the Bank in deposit, custody or allocation, shall become property of the Bank if the owner of those goods or their legal representative not exert any action on them, also for a period of ten years.

In the cases referred to in this article, the awarding will be made by the courts, for which the presiding judge shall order, at the request of the Bank, for five days publications in newspapers, calling to stand the owners of the property concerned . Not appearing any person with the right to claim, The Judge will arrange the awarding to the Bank, without further proceedings.

Art. 94 The provisions of this title take precedence over those that establish Chapter VIII "legal privileges" of Decree-Law No. 20 of March 25, 1952.

CHAPTER XII

GENERAL PROVISIONS

Prohibition in the Credit grant

Art. 95 It is forbidden to the Bank and its dependencies guarantee or grant loans to government corporations or autonomous institutions.

For the granting of guarantees to individuals or private companies necessarily require the authorization of the Banco Central del Paraguay.

Art. 96 The members of the Management Board and Bank employees are legally and personally responsible for the execution of transactions and events that are prohibited by this Law and the Regulations.

Tax Exemption

Art. 97 The building, furniture and equipment intended for use of the Head House, Branches and Correspondents of the Bank, as well as the operations that it carries out shall be exempt from all taxes on the part that would have been applicable to the Bank. This exemption does not apply to property acquired by the Bank to secure the reimbursement of its loans, or contributions for improvement or service fees received.

Are also tax-free the applicants in their dealings with the Bank concerning banking operations.

Art. 98 It shall be exempt from any tax the acts and contracts that relate to loans granted by the Bank when the amount does not exceed (G. 10,000. -) Ten Thousand Guarani.

Financial Year

Art. 99 The Bank's financial year begin on January 1st, and ends on December 31st of the same year.

CHAPTER XIII

TEMPORARY AND SPECIAL RULES

Art. 100 The Bank's initial capital shall consist of the difference resulting from the following values of the assets and liabilities of the Banco del Paraguay according to its respective balances, which will be computed at the date of transfer:

Asset values

- A. Available assets (cash, Banks and correspondents);
- B. Current assets, valuation of inventories (goods, packaging materials, various, Seeds for sowing);
- C. Transitory Assets (stationery, supplies and official checks on deposit and goods to receive);
- D. Documents of the portfolio, up to the sum of (G. 500,000,000. -) Guarani five hundred million and accrued interest;
- E. Buildings necessary for the operation of the Bank, at valuation of inventories;
- F. Movable of the Bank necessary to use, valuation of inventories;

Passives values

- G. Deposits in current accounts, savings accounts, fixed term and collections guarantee by the free exchange market, and deposits on behalf of the Banco Central del Paraguay;
- H. Drafts to pay;
- I. Balance due from to receive merchandise;
- J. Debit in current account with the Banco Central del Paraguay, which may not exceed the sum of (G. 40,000,000. -) Forty million Guarani.

Art. 101 Transfer to the Bank, the credits approved by the Banco del Paraguay pending of formalization, and the values recorded in its accounting in memorandum accounts, except the accounts that refer to Banco Central del Paraguay.

Art. 102 Transfer to the Bank, to the valuation of inventories, the properties of the Banco del Paraguay intended for silos, refrigerators plant, and warehouse with its facilities, equipment, tools, and vehicles, until that a special law gives them another destination.

Art. 103 It establishes the following resources as contribution of the State to the integration of the Bank's capital:

- A. (5 %) five per cent of surcharge of change of the imports. The funds accumulated since last January 2nd by the Banco Central del Paraguay, at this rate and with this object, will be transferred to the Banco Nacional de Fomento.
- B. Resources originating in special laws in the proportion established in the General Budget of the Nation.
- C. Net Income of the Banco Central del Paraguay that by law corresponds to the National Treasury.

Art. 104 The Management Board will distribute among the three executive departments of the Bank's initial capital, and of resources authorized in the Arts. 100 and 103, as well as outstanding loans of formalization, and the values referred to in Article 101.

Previously will assign to units not included in the three executive departments, the goods necessary to the development of them, with capital imputation to each of the executive departments in the proportion that it considers suitably.

Art. 105 Transfer to the Central Banco del Paraguay the assets and liabilities of the Banco del Paraguay, excluding the values assets and liabilities transferred to the Banco Nacional de Fomento in accordance with Arts. 100, 101 and 102. The movable and immovable property will be transferred to the valuation of inventories.

Art. 106 The Banco Central del Paraguay will settle assets values and the payment of liabilities transferred to it, in accordance to the preceding article. Made the final settlement, the Executive Power will arrange the destination of the creditor's balance, or how to be repaid the outstanding balance, as appropriate.

Art. 107 The references to Banco del Paraguay and its dependencies in contracts, and public and private documents, in general, that relate to the values indicated in Arts. 100, 101 and 102 shall be construed as references to Banco Nacional de Fomento and to Banco Central del Paraguay as indicated in Article 105.

The Superintendency of Banks will take in custody the file of the Bank of Paraguay.

Art. 108 The Banco Nacional de Fomento will begin operations from the date that arranges the Executive Power.

Art. 109 At the date of initiation of the operations of the Banco Nacional de Fomento shall be extinguished the Bank of Paraguay and repealed Decree-Law No. 19 of March 25th, 1952 and the regulatory laws that oppose this Executive Order.

Art. 110. To become known, at the appropriate time to the Chamber of Representatives.

Art. 111. Made Known, published and to be registered at the Official record.

Signed: Alfredo Stroessner.

" Cesar Barrientos

LAW No. 751

September 11th, 1961

This approves with amendments, Decree-Law No. 281 of March 14th, 1961
“By which creates the Banco Nacional de Fomento”

The Honorable Chamber of Representatives of the Paraguayan nation, sanctioned with force of,

LAW:

Art. 1 To approve the Decree-Law No. 281 of March 14th, 1961, **BY WHICH CREATES THE BNF**, with the amendment of Article 101 which text remains written in a way following:

Art. 101 It is transferred to the Bank, the credits authorized by the Banco del Paraguay pending of formalization, and the values recorded in its accounting in memorandum account, except for the guarantees granted to third parties, that may affect the accounts of its financial condition, and those relating to the Banco Central del Paraguay.

Art. 2 Made Known to the Executive Power.

Given in the Hall of sessions of the Honourable Chamber of Representatives of the Nation, September eight year one thousand nine sixty-one.

Pedro C. Gauto Samudio
Secretario

J. Eulogio Estigarribia
Presidente de la H.C.R.

Asunción, September 1st, 1961.

Be present by Law of the Republic, published in the Official record.

Signed: Alfredo Stroessner.
" Cesar Barrientos

LAW No. 19,158

Of November 15th, 1961

By which authorizes the Banco Nacional de Fomento to begin operations.

Asunción, November 15th, 1961.

SEEN: the note No. 178 of Banco Nacional de Fomento from 13 of this month requesting authorization to begin operations;

According with the provisions of the Article 108 of Decree-Law No. 281/61, that creates the above mentioned bank institution,

THE PRESIDENT OF THE REPUBLIC OF PARAGUAY

Decrees:

Art. 1 Authorizes the Banco Nacional de Fomento to start operations on the 20th, of this month.

Art. 2 Made Known, published and to be registered at the Official record.

Signed: Alfredo Stroessner.

" Cesar Barrientos

LAW 846

On September 18th, 1962

That extends functionality of the Banco Nacional de Fomento and modifies its Organic Law approved by Decree-Law No. 281 of March 14th, 1961.

The Honorable Chamber of Representatives of the Paraguayan nation, sanctioned with force of,

LAW:

Art. 1 Broadened the functions of the Banco Nacional de Fomento to provide farmers, dairy farmers, and small industrial, on cash or credit, implements, tools, machinery, fertilizers and insecticides, for which the Bank is authorized to perform direct purchase and import.

Art. 2 Amend the Organic Law of Banco Nacional de Fomento, replacing subsection C) of Article 3 of Decree-Law No. 281 of March 14th, 1961, approved by Law No. 751 of September 11th, 1961, and for the following text:

ITEM C) Agricultural credit operations:

1. Granting loans in cash or in species, for limited amounts in a short and medium term, for productive intended for purposes of the farmers, ranchers, dairy farmers, fruit farmer, foresters, gardeners and small industrial;
2. Performed under conditions of free competition, purchase transactions, and import implements, tools, machinery, seeds, fertilizers and insecticides, exclusively for the purposes the previous section.

Art. 3 Made Known to the Executive Power.

Given in the Hall of sessions of the Honourable Chamber of Representatives of the Nation, to September fourteenth of the year one thousand nine sixty two.

Pedro C. Gauto Samudio
Secretario

J. Eulogio Estigarribia
Presidente de la H.C.R.

Asunción, September 18th, 1966.

LAW No. 1.178 Of November 24th 1997

That modifies the Article 6° of Decree-Law N° 281/61, approved by Law N° 751/61, and extends the authorized capital of the Banco Nacional de Fomento.

The House of Representatives of the Paraguayan nation, sanctioned with force of,

LAW:

Art. 1° modify the Article 6° of Decree-Law No. 281 of March 14th, 1961, approved by Law N°. 751 of September 11th, 1961, "BY WHICH CREATES THE BANCO NACIONAL DE FOMENTO", that should read as follows:

"Art.6 ° The Bank's authorized capital will be G.200.000.000.000. - (two hundred billion Guarani), which will be updated annually, at the close of the financial year, according to the Consumer Price Index (CPI), calculated by Banco Central del Paraguay.

The integrated capital, reserves, and the cumulative result of the Bank, shall result from the different sources of funds obtained for capitalization, as well as the economic and financial results of each year.

The Management Board of the Banco Nacional de Fomento will perform the distribution of the integrated capital to the various executive departments according to the economic and financial needs in the market, and existing regulations. "

Art. 2° hereby derogated contrary provisions to this Law.

Art. 3° Made Known to the Executive Power.

Approved by H. Chamber of Senators on September twenty-fifth of the year one thousand nine hundred ninety-seven and H. Chamber of Deputies, the Law being enacted on November four of the year one thousand nine ninety-seven.

Atilio Martínez Casado
President
H. Chamber of Deputies

Rodrigo Campos Cervera
President
H. Chamber of Senators

Rubén Darío Fornerón
Parliamentary Secretary

Miguel Angel González Casabianca
Parliamentary Secretary

Be present by Law of the Republic, published and be inserted in the Official record.

The President of the Republic

Signed: Juan Carlos Wasmosy
Miguel A. Maidana Zayas

Asunción, November 24th, 1997

LEGISLATIVE POWER
LAW N° 2100
OF RESTRUCTURING BANCO NACIONAL DE FOMENTO
CONGRESS OF THE PARAGUAYAN NATION SANCTIONS WITH FORCE
LAW

Art. 1° modify the Articles 3°, 5°, 14° and 20° of Decree-Law No. 281 of March 14th, 1961, "BY WHICH CREATES THE BANCO NACIONAL DE FOMENTO", approved by Law N°. 751 of September 11th, 1961, which are written in the following form:

"Art 3° The Bank shall have the following functions and activities:

- 1) Provision of services and banking operations across the country, including foreign trade operations.
- 2) Extend loans to the agricultural sector and small and medium companies.
- 3) The loans granted shall not exceed G. 100,000,000 (one hundred million Guarani), or its equivalent in U.S. dollars, per person and company, when the period is up to one year; of up to G. 300,000,000 (three hundred million Guarani), or its equivalent in U.S. dollars, when the term does not to exceed three years and up to G. 700,000,000 (seven hundred million Guarani), or its equivalent in U.S. dollars, when the period is of five or more years.

Values will be adjusted monthly in Guarani, with the variation of the index consumer price calculated by the Banco Central del Paraguay.

The loans granted chargeable to the resources of international agencies be governed by their own regulations. "

"Art 5° as executing organism of the state policy, the Banco Nacional de Fomento will maintain its relationship with the Executive Power through the Ministry of Finance."

"Art 14. - The Bank's senior management will be conducted by a Management Board composed of the President, seven members and an equal number of alternates, who must have college degrees, and will be composed as follows:

- A. A representative of the Ministry of Finance;
- B. A representative of the Ministry of Agriculture and Livestock;
- C. A representative of the Ministry of Industry and Trade;
- D. A representative of the Banco Central del Paraguay;
- E. A representative of the Agricultural Sector;
- F. A representative of the livestock sector;
- G. A representative of the industrial sector;

The members referred to in paragraphs A) B) C) and D) and their alternates shall be appointed by the Executive Power, in each case, on a proposal from the Ministries mentioned and Banco Central del Paraguay.

The members and their alternates specified in paragraphs E), F) and G) should be respectively farmer and rancher, and shall be appointed by the Executive Power from lists that will be submitted in alphabetical order by members of the trade associations.

For nominations, in all cases, it required the agreement of the Senate.

The members and their alternates shall have recognized competence in the fields of their representation, and have a proven knowledge of national economic problems.

The members and their alternates will last three years in the course of their duties, may be reappointed.”

"Art 20° The Management Board will hold session's validity with the assistance of at least five members, including the President."

Art. 2° In the context of the powers and responsibilities set forth in the Art. 22° of the Decree Law No. 281 of March 14th, 1961, approved by Law No. 751/61, the Management Board of the Banco Nacional de Fomento will implement the restructuring of the bank with the functions specified in this Law, within the peremptory term of ninety days from the date of promulgation.

Art 3° The Banco Nacional de Fomento will integrate as capital the remaining balance of the Accounts Compensation Agreement signed with the Ministry of Finance on March 7th, 2002, corresponding to the sum of G. 81.026.132.209 (eighty-one thousand and twenty-six millions one hundred thirty-two thousand two hundred and nine Guarani) which expired on December 31st, 2002, plus accrued interest on the same financial terms until the date of integration.

Art. 4° Authorize the Ministry of Finance and the Banco Nacional de Fomento, accounts compensation for the equivalent of the Agricultural Department loss incurred, until December 31st, 2000, as provided by Article 12 of Decree Law No. 281 of March 14th, 1961 approved by Law No. 751/61.

Art. 5° Authorize the Banco Nacional de Fomento to transfer to the Ministry of Finance its loan portfolio with a rating 4 and 5, which will be compensated by means of National Treasury Bonds to 80% of its nominal value.

Art. 6° Authorize the Executive Power to grant the best public offer, on sale, in mandate, or set up a trust with the portfolio received from the Banco Nacional de Fomento. Such sale, mandate or trust will have as objective the settlement of such assets to the private sector, according to the contract of its constitution, and the result from the sale of such assets will be used to pay foreign debt of the National Treasure. The Executive Branch shall regulate the terms and conditions of the public offer and the valuation and adjudication mechanisms.

Art. 7° In order to cover 80% of the nominal value of the portfolio transferred from the Banco Nacional de Fomento, in accordance with the provisions of Article 5 of this Law, is authorized to the Executive Branch, through the Ministry of Finance, to issue and maintain circulating Treasury bonds, negotiable and

transferable in Guarani, up to the value of G. 340.000.000.000 (three hundred and forty billion Guarani), maximum amount of the portfolio to be transferred, with fifteen years term, including three years of grace, with a fixed annual interest rate of 12% (twelve percent). Authorize also the Finance Ministry to establish the rules and procedures applicable to the Bonds regarding the issuance, placement, acquisition, possession, negotiable, rent, transfer, payment of principal, interest and expenses, pursuant to the provisions of the state Financial Administration law and other provisions applicable. These bonds may be traded exclusively in the domestic financial market and will be free from all kinds of taxes, fees and contributions.

Art° 8 as of the effective date of this Law, are hereby derogated following legal provisions:

- i) The law 846/62 "that extends the functions of the Banco Nacional de Fomento and amends its Organic Law approved by Decree-Law No. 281 of March 14th, 1961."
- ii) Articles 4° and 12° of Decree Law No. 281 of March 14th, 1961, approved by Law No. 751/61.

Art. 9° authorize the Executive Power to regulate this Law.

Art. 10° are derogated all other laws that are opposed to the present law.

Art. 11° Made Known to the Executive Power.

Approved the project of Law by the Chamber of Senators, to twenty days of March, of the year two thousand three, being sanctioned the same by the Chamber of Deputies in the fifteenth day of April, of the year two thousand three, in accordance with the provisions of Article 204 of the National Constitution. Objected partially by the Executive Power, in date April 24th, 2003, by Decree N° 20954 and partial objections rejected by the Honorable Senate on May 27th, 2003 and by the Chamber of Deputies on June 11th, of the year 2003, being confirmed the primitive sanction of the project of Law, pursuant to Article 208 of the National Constitution.

Oscar A. González Daher
President
H. Chamber of Deputies

Juan Carlos Galaverna D.
President
H. Chamber of Senators

Carlos Aníbal Páez Rejalaga
Parliamentary Secretary

Ilda Mayeregger
Parliamentary Secretary

Be present by Law of the Republic, published and be inserted in the Official record.
The President of the Republic

Signed: Luis Angel González Macchi
Alcides Jiménez Q.

Asunción, June 26th, 2003

LEGISLATIVE POWER LAW N°. 2502

THIS MODIFIES LAW N°. 2100/03 "OF RESTRUCTURING THE BANCO NACIONAL DE FOMENTO" AND LIMITS THE REACH OF LAW No. 2334/03 "OF DEPOSIT GUARANTEE AND RESOLUTION OF FINANCIAL INTERMEDIATION ENTITIES SUBJECT TO GENERAL BANKING LAW, FINANCIAL AND OTHER CREDIT INSTITUTIONS".

CONGRESS OF THE PARAGUAYAN NATION, SANCTIONS WITH FORCE OF LAW:

Art 1° Amend Article 1° of Law No. 2100/03 "OF RESTRUCTURING BANCO NACIONAL DE FOMENTO" which modifies the Articles 3°, of Decree-Law No. 281/61, "BY WHICH CREATES THE BANCO NACIONAL DE FOMENTO", approved by Law N°. 751/61, which are written in the following form:

"Art 3° The Banco Nacional de Fomento shall have the following functions and activities:

- 1) To provide services, and bank operations throughout the country, including foreign trade operations.
- 2) Grant loans to the agricultural sector, small and medium companies, the consumer sector, under strict compliance with rules governing the matter.
- 3) The loans granting shall not exceed, per person and company, the sum of USD 150,000 (One hundred and fifty thousand US dollars), or its equivalent in local currency. This limit will be adjusted monthly with the variation of the Consumer Price Index calculated by the Banco Central del Paraguay. This limitation does not apply to loans granted to production and consumption cooperative in the country, export operations, operations with domestic and foreign financial institutions, financing operations of asset sales as well as the refinancing or restructuring of loans granted prior to this Law.

The loans granted under international resources will be governed by their respective regulations.

- 4) None of the service that the Banco Nacional de Fomento gives will be free of charge or under unfavorable conditions. In that sense the direct costs of those services provided without economic compensation to public institutions should be covered by the applicant and the conditions established by agreements signed with the Bank. "

Art. 2° The Banco Nacional de Fomento is excepted out of the reach and application of the Law N° 2334/03 "OF DEPOSIT GUARANTEE AND RESOLUTION OF FINANCIAL INTERMEDIATION ENTITIES SUBJECT TO GENERAL BANKING LAW, FINANCIAL AND OTHER CREDIT INSTITUTIONS".

Art. 3° The Banco Nacional de Fomento will be subject to reasonable rules and limits applied to entities of the financial system in general.

In case of verified excesses of limits associated with fixed assets, or assets awarded in credit recovery, the Banco Nacional de Fomento shall propose, within thirty days of verifying of such excesses, a plan to adjust before the Ministry of Finance in order of its regularization, in a period which may not exceed one year. Approved this plan, it shall be submitted to the Superintendency of Banks for their monitoring and control.

Art. 4° Made Known to the Executive Branch.

Approved the project of Law by the Honorable Chamber of Deputies, to two days of September, year two thousand four, and by the Honorable Chamber of Senators, to twenty-eight day of October in the year two thousand and four, being sanctioned the same in accordance with the provisions of Article 204 of the National Constitution. Partial objected by Executive Power Decree N° 4034 of November 9th, 2004. Partial objections accepted and sanctioned the part non-objected by the Honorable Chamber of Deputies on December 17th, 2004 and the Honorable Chamber of Senators on December 20th, 2004, in accordance with the provisions of Article 208 of the National Constitution.

Oscar Rubén Salomón Fernández
President
H. Chamber of Deputies

Miguel Carrizosa Galiano
President
H. Chamber of Senators

Luciano Cabrera Palacios
Parliamentary Secretary

Cándido Vera Bejarano
Parliamentary Secretary

Asunción, December 30th, 2004

Be present by Law of the Republic, published and be inserted in the Official record.
The President of the Republic

Signed: Nicanor Duarte Frutos
Dionisio Borda