

**SEDESA**  
**Seguro de Depósitos S.A.**

General Review  
2000

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**GENERAL REVIEW**

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## I. What is SEDESA?

Seguro de Depósitos Sociedad Anónima (SEDESA) is a private corporation established according to the régime of the Law on Commercial Societies (N° 19.550) and its modifications. In fulfillment of the provisions of Law N° 24.485 (Official Gazette 04.18.95), its creation was provided for by Decree N° 540/95 of the National Government Executive Branch (Official Gazette 04.18.95) and its modifications.

Its object is the administration – as trustee – of the Deposit Guarantee Fund (DGF), also created by said decree.

SEDESA's Capital Stock amounts to One million Pesos, each share being of One peso face value. Its shareholders are the National Government and Caja de Valores S.A.

The National Government, through the Banco Central de la República Argentina, holds a Class "A" share.

The remaining 999,999 shares are Class "B" and their holder is Caja de Valores S.A. as trustee owner, in accordance with the Trust Agreement subscribed on August 15, 1995, between certain financial entities and Caja de Valores S.A.

SEDESA's functions, as Administrator of the Deposit Guarantee Fund, established in its constituting regulations, are as follows:

1. To make payable the amount of the guarantee coverage to the depositors, whenever it pertains, according to the provisions of Decree N° 540/95 and its pertaining modifying and regulatory provisions;
2. To make capital contributions, non-reimbursable contributions or loans to:
  - 2.1. Entities subject to a regularisation and rehabilitation plan.
  - 2.2. Entities which purchase assets and take charge of the payment of the deposits of another entity, when this were convenient to compensate the insufficiency of said assets with regard to the deposits transferred.
  - 2.3. Entities which take-over or acquire financial entities, in the framework of a plan of regularisation and rehabilitation.
3. In the case of entities which acquire assets and take charge of the payment of the deposits of another entity, to enter into a sale option contract in favour of the acquiring entity, with regard to the whole or part of the transferred assets.
4. To acquire deposits of suspended banks, surrogating itself in the rights of the depositors.

5. To assume obligations to be charged to the Deposit Guarantee Fund.
6. To make, maintain or finance swap programs with foreign banks with the purpose of contributing to the stability of the Argentine financial system.

The applicability of alternatives 2, 3, 4 and 5 is firstly decided by a Steering Committee, a body in which the Banco Central de la República Argentina is represented, entitled to the right to speak but without right to vote, although it has the possibility of veto.

The Deposit Guarantee Fund belongs to the National Government, as well as the income proceeding from its investment. Said Fund is constituted by the obligatory assessments which all financial entities authorised to operate in the country contribute monthly.

## II. Composition of the Board of Directors and of the Syndics' Committee

### BOARD OF DIRECTORS

**Chairman**

Dr. José Carlos Jaime

**Vice Chairman**

Lic. Hernán del Villar

**Director**

Dr. Juan Carlos Fossatti

**Alternate Directors**

Dr. Hugo Nicolás Bruzone

Dr. Juan Carlos Cassagne

Dr. Eduardo Javier Romero

### SYNDICS' COMMITTEE

**Syndics**

Dr. Carlos María Tombeur

Dr. Adolfo César Diz

CPA. Enzo Agustín Vivian

**Alternate Syndics**

Dr. Federico Caparrós Bosch

Dr. Carlos Langbehn

CPA. Eduardo Gabriel Ferrari



### III. Depositor Protection Systems

#### 1. *Second Symposium on Deposit Insurance organized by SEDESA*

The second symposium, which took place at the end of March 2000, permitted the confirmation of some coincidences which had been considered in the previous meeting (summarized in the 1999 Annual Report) and to outline new fields of study and analysis.

Among the former, one might mention the generalized adoption of the explicit guarantee systems, the apparent overvaluation of the aspects pertaining to the so-called "moral hazard" and the relevance of an international cooperation towards a permanent improvement of depositor protection systems.

With regard to the latter, the convenience of evaluating the eventual impact of the use of Internet in financial activities was noted, as well as the increasing use of electronic money and the necessary complementation between supervision and guarantee mechanisms.

The meeting also permitted the cognizance of the main achievements of the first year of activities of the Financial Stability Forum (FSF) and the specific agenda regarding deposit insurance (see box).

The FSF has suggested that the deposit insurance systems are an unquestionable part of a financial safety net and has reaffirmed the importance of the joint coherence of prudential architecture in terms of adequate relationships between insurance and supervision systems.

In this last sense, the connection between both matters was clearly stated, whereas "in the design of a deposit insurance system the magnitude of the risk to be insured cannot be ignored, since this determines the assessments and the contributions; consequently, it will never be independent from existing prudential regulations and from the supervision capacity that the authority may have". It is convenient, in order to reduce the natural conflict of interests that this generates, that the insurance management be separated from the supervision authority.

One of the best summaries of the symposium is to have thought about the fact that, from the analyses of experiences, conclusions may be drawn that make it possible to improve actions in the matter of depositor protection. This is so fundamentally because each financial entity crisis is different from the previous one. This fact acquires major relevance in the present circumstances, since the rate of changes and innovations in the international financial market requires the adoption of an "eyes wide open" strategy, enabling one to maintain under permanent revision the defense mechanisms and to detect possible problems with anticipation, so as to circumvent or ensure a better resolution.

### **FINANCIAL STABILITY FORUM (FSF) AND STUDY GROUP ON DEPOSIT INSURANCE (DISG)**

The FSF was created by the Economy ministers and the Governors of the central banks of the G-7 in February 1999, with the purpose of fostering international financial stability by improving the exchange of information and the cooperation in the supervision and vigilance of financial systems.

It is constituted by national authorities responsible for financial stability in the member countries of the above mentioned G-7, by international financial institutions, by international supervision and regulation bodies and by groups of central banks' experts. It is presided over by the General Director of the Bank for International Settlements (BIS), in his personal capacity.

During the meeting held at Singapore in March 2000, the FSF approved the recommendations from three working groups to solve the problems connected with heavily indebted institutions, capital movements and cross-border financial centers. It also decided to create a Study Group (DISG) to elaborate international guidelines regarding deposit guarantee systems.

Sedesa was invited to be a part of the DISG together with the Federal Deposit Insurance Corporation of the USA, the Canada Deposit Insurance Corporation of Canada, the "Instituto de Protección del Ahorro Bancario" of Mexico, the Central Bank of Chile, the National Fund for Deposit insurance of Hungary, the Deposit Insurance Corporation of Jamaica, the Deposit Insurance Corporation of the Philippines, the Banca d'Italia, the National Banking Commission of France, the Economy Ministers of Germany and Japan, the International Monetary Fund (IMF) and the World Bank.

The DIWG (Working Group on Deposit Insurance) held seven "work meetings" during 2000, in Jamaica, Paris, Basle, Washington, Budapest and Chicago, during which the main outline of generalized recommendations on deposit guarantee systems were worked out, the following being the main topics in the responsibility of the working groups formed: to evaluate, examine and summarize the experiences (successful and debatable) of the deposit insurance systems in force; to outline the peculiarities of the different deposit insurance schemes taking into account their institutional aspects; to analyze the process of transition from implicit to explicit systems; to estimate the need and feasibility of elaborating international guidelines in the matter of deposit insurance, contemplating the different national financial contexts. Sedesa is the Coordinator of the "Membership" subgroup and is member of the "Situational Analysis Conditions and Implementation Considerations" subgroup and is also member of "Interrelationships between Safety Net Players" subgroup and "Cross-Border Issues and Regional Groupings" subgroup.

## **BASIC CONDITIONS WHICH OUGHT TO BE IN FORCE AT THE TIME OF THE CREATION OF A DEPOSIT INSURANCE SYSTEM**

Address by the Chairman of SEDESA at the Joint Meeting of the FSF and the Federal Reserve of Chicago (Designing an Effective Deposit Insurance Structure. An International Perspective; Chicago, December 2000)

### **Basic Questions**

Which should be the prerequisites for the creation of an explicit and limited deposit guarantee system? How should such a system be connected to the exercise of the functions of lender-of-last-resort and of the activities of banks' supervision?

### **Trio of Essential Actors**

It is very difficult to find today a central bank which does not act as a lender-of-last-resort. Even in countries that have adopted a currency board arrangement, such as Argentina, the activity of the central bank as a lender-of-last-resort has not disappeared. Although with some limitations, it exists, aiming at protecting the economy from the disadvantages of a potential situation of systemic risk. At the same time, the exercise of banks' supervision, which may be within or without a central bank, leads also, through early action, to the limitation of the possibility of generating a systemic crisis.

Finally, the purpose of a deposit guarantee system consists in the fact that the failure of an institution, provoked by intrinsic or endogenous circumstances, does not spill over to the rest of the system. This activity presupposes a cost which, according to modern positive legislation, is underwritten by the members of the financial system.

### **Relationships**

The earlier the supervision agency takes action in detecting problems in banks, the smaller shall be the cost of intervention for a deposit guarantee fund. At the same time, the unilateral and permissive action of a lender-of-last-resort, although it may seem paradoxical, goes against a deposit insurance fund since, when a bank resorts to that requirement and the funds requested are provided in exchange of the best guarantees that such bank may offer, the average quality of the bank's assets decline. In addition, with the funds received, banks generally satisfy claims of creditors who are not covered by the deposit guarantee insurance (holders of bonds, the Government, correspondent banks, depositors of sums larger than the coverage limit and others).

No doubt, there exists a real triangular relationship among the functions of the above mentioned actors, and therefore it is important to highlight what is expected from each one of them as a basic prerequisite for a deposit guarantee system to function within a relatively reasonable margin.

### **Lender-of-Last-Resort**

Fundamentally, its role is to impede the spread of conditions which may originate systemic crises, avoiding an expansion of the monetary base which cannot later be sterilized. For that purpose, the central bank must have an adequate stock, invested in sound assets so that they may be delivered in exchange for other banks' assets and that these (having received assets from the central bank) may exchange them to holders of monetary base who are prepared to substitute these assets for monetary base. Through these means, the central bank provides liquidity, without expanding the monetary base as a last resource. If such an intervention is not possible, the negative effects, which a policy of generous rediscounts may cause to the economy in general, may be considerable.

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### **Bank Supervision**

The correct functioning of supervisory activities requires a legal framework or prudential regulations, that without hindering the working of the market tend to strengthen the solvency and liquidity of the financial entities. In this sense, the recommendations of the BIS Supervision Committee, whose application is now almost universally accepted, may be considered basic fundamental principles today.

In the field of concrete practices, the first aspect of the practice of supervision is that of monitoring the correct application of said regulations. Although this is an "ex post" concept and constitutes a type of audit which chronologically may be considered as the first step in the evolution of the tasks of a banking supervisor, it is elemental in order to evaluate risk management by each member of the financial system. It must be borne in mind that the purpose of supervision, rather than punishing non-compliers, consists in obtaining that, through the fulfillment of prudential regulations, the risk situation caused by individual behaviours does not spill over and multiply.

### **Deposit Insurance**

A deposit insurance scheme must aim at solving promptly the risk situations through which financial entities are traversing, with a minimum use of the guarantee fund. This is possible if the mechanism integrated by the trilogy of the above mentioned actors (lender-of-last-resort, supervision and guarantee system) functions smoothly. What does this imply?

On the one hand, that the functions of lender-of-last-resort are aimed at solving genuine illiquidity situations, the solvency of the entities not being seriously affected. This implies mobilizing the funds with the expectation of prompt recovery and leaving in reserve a substantial part of eventual assessments in order to try to solve those situations presenting a systemic character since their origin. On the other hand, that the supervisor knows that the systemic problems, in case some existed, may be solved through the lender-of-last-resort and that the disappearance of an insolvent institution will not affect depositors, thus being in a position to act promptly in a preventive way, without excuse whatsoever to delay the correct solutions.

The guarantee systems have the difficult task of obtaining the resolution of cases with a minimum commitment of funds and, at the same time, ensuring its highest possible recovery.

### **Some Indispensable Practices**

- I. A deposit insurance system must not be ambiguous with regard to clearly protecting the depositor. All legislations have taken sufficient precautions so that no banker is benefited or may be preserved from the consequences of the winding-up of his bank. However, many times attempts are made to save a bank as an institution (be it because of the prevailing concept "too big to fail" or because a speedy resolution is given absolute priority). What we might call a "generous resolution" takes place in this case, leading in practice to the fact that deposits are guaranteed without limits, leading to excessive

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requirements on the guarantee fund. When this is fed by the members of the financial system, it may well happen that contributions of funds over and above the necessary funds are required.

2. The deposit guarantee fund must not become the last resort payer to the lender-of-last-resort. The indiscriminate use of rediscount may lead, not only to a non desirable expansion of the monetary base, but to the use of a deposit guarantee fund as lender-of-last- resort, without the possibility of using, as a counterpart, the assets of quality of the assisted institution.
3. If the supervisor knows that the resolutions will always be taken care of favorably, there is a risk of incentivating dilatory techniques, through which, the advantages of prompt action diminish and, although cases may occur in which the "least cost" concept is respected, the "actual cost" may become higher than the "optimal cost".

## 2. *Reformulation regarding the basic principles of the Capital Accord of 1988*

The consultation document submitted to the international financial system up to May 2001 by the Basle Committee on Banking Supervision, with proposals for modifications to the Basle Capital Accord (1988), has originated a number of written comments, on the basis of which deliberations continue and an exhaustive set of new proposals is being prepared. Although in a first instance its purpose is to aim at a higher sovereignty of the financial entities without hindrance to their profitability, its consequences will no doubt affect the evolution and handling of the deposit guarantee schemes.

The amendments proposed aim at improving the way in which the minimum capital requirements reflect the amounts of capital appropriate to face the underlying risks, as well as to face in the best way those risks derived from financial innovations that have taken place these last few years. They also look for the incorporation of improvements performed in risk control and measurement and to provide incentives to continue improving them.

The document is particularly relevant since the considerations on which the proposal is based highlight fundamental aspects, which must be taken into account when aiming at the adoption of a deposit guarantee scheme. Such is the case of: (a) the need to allow for the prompt intervention of supervision authorities in cases of banks' critical situations; (b) the need, also, to make a better evaluation of the risk which each institution incurs and, (c) the promotion of higher transparency of information.

The Committee considers that the principles of the new accord should be applicable to the majority of the banks, whatever the dimension and degree of complexity of its operations may be.

The framework proposed consists of three essential and complementary pillars: a) the minimum capital requirements (developing and enlarging the norms established in 1988); b) the prudential analysis of the level of capital and the institutions' process of internal evaluation and c) the efficient use of market discipline to strengthen information diffusion and to foster safe and solid banking practices.

The minimum capital requirements of banks having a well-developed rating system are more closely related to their own internal evaluations of credit risk. Banks which adopt this method shall have to dispose of practical norms and solid guidelines that guarantee the integrity of the process of rating system and of its results.

Moreover, supervisors have the important mission of ensuring that capital requirements are duly evaluated and that the capital requirements of the different institutions are coherent and similar. The existence of simple rules that guarantee the advance and preventive provision of funds could have a more important role than it has at present.

Finally, market discipline could also lead financial institutions towards a more prudential behavior. A necessary condition, though not sufficient, for the application of market discipline is that the market disposes of sufficient and reliable information in order to be able to make sound evaluations. To obtain the provision of said information, as well as of the accounting principles on which it is based, should continue being one of the maximum priorities.

### ***3. Systems Compared***

On the basis of information received from the respective managing bodies, central banks and International Monetary Fund (IMF), an up-dated panorama of the explicit deposit insurance schemes in force arises, which is detailed in Table I, as from next page:

**Table I. Main Characteristics of some Explicit DGS**

Country	Type of System	Management	Administration Characteristics	Assessment Characteristics and Year of Creation	Maximum Protection Level (in the currency of origin)	Maximum Protection Level (in Argentine Pesos) (1)	Maximum Protection Level as % of the per capita GDP	Ratio Assessments/ Deposits in basis points (BP)	Contingency Assessments
<b>Argentina</b>	Deposit Guarantee Fund	Seguro de Depósitos S.A. (SEDESA)	PR	Compulsory 1995	Sight or Term Deposits up to 30,000 pesos or dollars per account (2)	30,000	387	Between 18 and 72 yearly BP of the average deposits in each entity, depending on its risk premium (3)	SEDESA may borrow funds. The Central Bank may require an assessments advance
<b>Austria</b>	Deposit Guarantee System	Several (4)	PR	Compulsory 1979	20,000 euros. Partial coverage (90%) for institutional investors	18,000	70	On demand. Prorata ex post	Max. a third of the liabilities' reserves of the member banks. Government backed bonds may be issued, in cases of emergency
<b>Bahrain</b>			JOINT	Compulsory 1993	100% up to 2,000 dinar. Over this amount, 75% up to a maximum of 3.5 million	100% up to \$ 5,390. Over this amount, 75% up to a maximum of 9.3 million	94	In charge of the Government (ex-post)	It may borrow from the markets or from the Central Bank
<b>Bangladesh</b>	Deposit Insurance Fund		PU	Compulsory 1984	100,000 Taka	1,852	616	0.5 yearly BP	It may borrow from the Government
<b>Belgium</b>	Deposits and Financial Instruments' Protection Fund	Fund Management Committee	PU	Compulsory 1974	(20,000 Euros as from year 2000)	(18,000 as from year 2000)	73	From 2 to 4 yearly BP (5)	There may be additional assessments up to the double of the value of the ordinary assessments
<b>Brazil</b>	Credit Guarantee Fund	Management Council of the Credit Guarantee Fund	PR	Compulsory 1995	20,000 Reais	10,200	316	30 yearly BP	It may borrow funds from the Central Bank

1 The rate of exchange prevailing in each country with regard to the US Dollar, as of December 2000, was applied. To that date, the par value Argentine Peso/US Dollar was of 1\$/1U\$.

2 Deposits receiving a higher yield than that of the rate called "reference rate", established by the Central Bank, plus 200 yearly BP, are excluded from the guarantee system.

3 Up to August 2000 it was of between 36 and 72 yearly basis points.

4 Five schemes are currently operating in Austria, all managed by private entities, covering the activity of commercial banks, savings banks, mortgage banks, and two types of cooperative banks.

5 It receives an initial capital input from the now extinct Rediscount and Guarantee Fund.

**Table I. Main Characteristics of some Explicit DGS (continued)**

Country	Type of System	Management	Administration Characteristics	Assessment Characteristics and Year of Creation	Maximum Protection Level (in the currency of origin)	Maximum Protection Level (in Argentine Pesos)	Maximum Protection Level as % of the per capita GDP	Ratio Assessments/ Deposits in basis points (BP)	Contingency Assessments
<b>Bulgaria</b>	Bank Deposits Guarantee Fund	Management Board	PU	Compulsory 1998	Partial coverage. Maximum disbursement: 6,900 Leva	Partial coverage. Maximum disbursement: 3,200	212	Initial assessment + 50 yearly BP	Increase and/or advance of the banks' yearly assessments, request of resources from the National Government Budget prior approval by the Legislative Branch
<b>Canada</b>	Canada Deposit Insurance Corporation	Board of Directors of the Fund	PU	Compulsory 1967	60,000 Canadian Dollars	39,400	186	From 4 to 33 yearly BP, depending on risk	It may request additional funds from the Government or request private sector financing
<b>Chile</b>	Responsibility of the Central Bank		PU	Compulsory 1986	90% up to 120 financial units (US\$ 3,600)	90% up to 3,600	80	Responsibility of the financial entities	
<b>Colombia</b>	Deposit Insurance	Financial Institutions' Guarantee Fund (FOGAFIM)	PU	Compulsory 1985	75% up to 10 million Pesos	75% up to 4,580	220	30 yearly BP	
<b>Croatia</b>			PU	Compulsory 1997	100,000 kunas	11,822	N/a	80 yearly BP	The Fund may request loans from the Central Bank
<b>Czech Republic</b>	Deposit Insurance Fund		PU	Compulsory 1994	Partial coverage up to 360,000 Koruny	Partial coverage up to 9,244	179,000	50 yearly BP on total deposits. 10 BP in the case of the denominated "savings" banks	The Central Bank and the Government can make loans to the Fund, with the purpose of covering shortfalls
<b>Denmark</b>	The Guarantee Fund for Depositors and Investors	Board of Directors, with the assistance of the Central bank in the management of operational topics	PR	Compulsory 1987	40,250 Euros	36,101	110	Max. 20 yearly BP	Within certain limits, the Fund may borrow from the Government
<b>Dominican Republic</b>			JOINT	Voluntary 1962	Partial coverage, up to 205,244 pesos	Partial coverage, up to 12,300	589	18.75 yearly Bp	
<b>El Salvador</b>			PU	1991	55,000 Colones	6,282	297	Between 10 and 30 BP	



**Table I. Main Characteristics of some Explicit DGS (continued)**

Country	Type of System	Management	Administration Characteristics	Assessment Characteristics and Year of Creation	Maximum Protection Level (in the currency of origin)	Maximum Protection Level (in Argentine Pesos)	Maximum Protection Level as % of the per capita GDP	Ratio Assessments/ Deposits in basis points (BP)	Contingency Assessments
<b>Finland</b>	Deposit Guarantee Fund of the Commercial Banks (6)	Board of Government	PR	Compulsory 1970	150,000 Markaa (approx. 25,000 Euros)	22,423	90	Between 5 and 30 yearly BP on insured deposits, depending on capitalization degree	The Fund may borrow funds. The Government appoints a representative to the Board should Government guarantee a loan
<b>France</b>	Deposit Guarantee Fund (7)	Management Committee, under the supervision of a Commission formed by representatives of the member banks	PR	Compulsory 1963	70,000 Euros	62,800	259	Initial assessment and yearly assessment according to requirements	
<b>Germany</b>	<i>Private System:</i> Deposit Protection Fund	The Association of Private Banks (8)	PR	Voluntary 1976	Up to 30% of the core capital of the bank per depositor	Up to 30% of the core capital of the bank per depositor		From 3 to 6 yearly BP	The yearly assessment may be doubled
	<i>Public System:</i> Investors' Protection and Deposit Guarantee System	The Association of Private Banks and Federal Association of Public Banks, per delegation	PR	Compulsory 1998	Partial coverage (90%) of up to 20,000 Euros	18,000	70	3 yearly BP	It may establish special assessments and borrow funds
<b>Greece</b>	Deposit Guarantee Fund	Greek Banks' Association	JOINT	Compulsory 1995	20,000 Euros as from year 2000	18,000 as from year 2000	153	Initial assessment + from 0.25 to 12.5 yearly BP, depending on the amount of deposits per entity	It may request additional assessments and request loans from member institutions or from other sources
<b>Hungary</b>	National Deposit Insurance Fund	Government Board	JOINT	Compulsory 1993	4,165 Euros	3,740	80	Premium varies between 16 and 19 yearly BP, depending on the size of deposits of the entity	The Government guarantees the loans that the Fund may request from the Central bank or other credit institutions

6 The Deposit Guarantee Fund of the Commercial Banks is an independent institution, owned by its members (commercial banks) and has its own governing board. In addition, there are similar guarantee funds owned by savings banks and co-operative banks.

7 Up to the month of June 1999, each banking association had its own protection scheme and all entities belonging to said associations had to be contributors to said systems. As from the above mentioned date, a single deposit guarantee system under the form of a private association has been established.

8 Each type of financial entities' association – commercial banks, savings banks and credit co-operative institutions – has its own guarantee scheme.

**Table I. Main Characteristics of some Explicit DGS (continued)**

Country	Type of System	Management	Administration Characteristics	Assessment Characteristics and Year of Creation	Maximum Protection Level (in the currency of origin)	Maximum Protection Level (in Argentine Pesos)	Maximum Protection Level as % of the per capita GDP	Ratio Assessments/ Deposits in basis points (BP)	Contingency Assessments
<b>Iceland</b>	It has two systems of protection: for commercial banks and for savings banks. Both are monitored by the Supervision Agency		PU (commercial) and PR (savings)	Compulsory 1985	20,000 Euros	18,000	58	15 BP	
<b>India</b>	Deposit Insurance System	Deposit Insurance and Credit Guarantee Corporation	PU	Compulsory 1961	100,000 Rupees	2,140	486	5 yearly BP on total deposits	Government support through the Reserve Bank subject to prior parliamentary approval
<b>Ireland</b>	Deposit Protection Fund	Central Bank	PU	Compulsory 1989	Partial coverage (90%). Maximum disbursement: 20,000 Euros as from year 2000	Partial coverage (90%). Maximum disbursement: 18,000 as from year 2000	72	Initially, 20 yearly BP on total deposits in Pounds. Presently, extraordinary assessments only	The Central Bank may request special assessments and lend funds
<b>Italy</b>	Interbank Deposit Protection Fund <b>(9)</b>	Council of the Interbank Deposit Protection Fund	PR (all decisions must be approved by the Central bank)	Compulsory 1987	103,291 Euros	92,700	454	On demand. Between 40 and 80 yearly BP	Should the Fund be insufficient, there is no contingency support. In such a case, two options are possible: to defer payment or to diminish the compensation to be paid
<b>Jamaica</b>	Deposit Insurance System		PU	Compulsory 1998	200,000 Jamaica Dollars	4,410	159	10 yearly BP	The Fund may borrow money from the market or from the Government
<b>Japan</b>	Deposit Insurance Fund <b>(10)</b>	Deposit Insurance Corporation	PU	Compulsory 1971	Without limits up to April 2001			8.4 yearly BP on deposits in Yens	It may request loans of up to 1,000 billion Yens from the Central Bank and from other financial entities

**9** The Interbank Deposit Protection Fund is organized as a banks' consortium under the aegis of the Italian Banking Association and the Banca d'Italia. Being a member of this fund is a pre-requisite to be able to perform banking activities. Though the guarantee scheme has private characteristics, many decisions must be approved by the Central Bank. There also exists a Co-operative Credit Depositors' Guarantee Fund, which has the membership of a great number of mutual associations.

**10** The Governor of the Deposit Insurance Corporation is Vice-Governor of the Bank of Japan. The management also includes representatives of the private financial institutions, who are also members. There is another deposit protection scheme for special financial institutions, such as agricultural and fishery co-operative associations.

**Table I. Main Characteristics of some Explicit DGS (continued)**

Country	Type of System	Management	Administration Characteristics	Assessment Characteristics and Year of Creation	Maximum Protection Level (in the currency of origin)	Maximum Protection Level (in Argentine Pesos)	Maximum Protection Level as % of the per capita GDP	Ratio Assessments/ Deposits in basis points (BP)	Contingency Assessments
<b>Kenya</b>	Deposit Guarantee System		PU	Compulsory 1985	100,000 Shillings	1,270	352	15 yearly BP	The Central Bank can make loans to the Deposit Guarantee System
<b>Korea</b>	Deposit Insurance System	Korea Deposit Insurance Corporation	PU	Compulsory 1996	Without limits up to year 2000	Without limits up to year 2000		5 yearly BP for commercial banks and 15 yearly BP for other financial non-banking intermediaries	The Fund may request the loan of resources from the Government or the Central Bank, subject to prior approval of the Ministry of Finance
<b>Latvia</b>			PU	Compulsory 1998		870 up to year 2000 (11)	N/a	30 yearly BP	
<b>Lebanon</b>			JOINT	Compulsory 1967	5,000,000 Lebanese pounds	3,317	N/a	5 yearly BP in charge of the entities + 5 PB in charge of the Government	The Central Bank can make loans interest-free
<b>Lithuania</b>	Deposit Guarantee Fund		PU	Compulsory 1996	100% up to 10,000 lats; above this, partial coverage	100% up to 2,500; above this, partial coverage	86	150 yearly BP up to Dec. 1999. As from Jan 2000, 100 BP	The Government can contribute additional resources
<b>Luxembourg</b>	Deposit Guarantee System	Luxembourg Association for Deposit Guarantee (12)	PR	Compulsory 1989	20,000 as from year 2000	18,000 as from year 2000	42	On demand, and it may not exceed, each year, 5% of the capital of the contributing entities	The Association may request advances from the contributing entities
<b>Mexico</b>	System of Protection of Bank Savings	Institute for the Protection of Bank Savings	PU	Compulsory 1986	Without limits (13)	Without limits		40 yearly BP plus a premium according to risk level	The addition of ordinary and extraordinary assessments shall not exceed 80 yearly BP
<b>Morocco</b>	Collective Deposit Guarantee Fund	Central Bank	PU	Compulsory 1993	50,000 Dirhams	4,610	372	Max.: 25 yearly BP	The Central Bank may decide that additional assessments be effected, up to the maximum allowed

11 In Latvia, the coverage will be gradually increased until reaching 20,000 ECU in year 2008.

12 It is a mutual, non-profit making association.

13 A transition régime is in force in Mexico, during which the maximum amount guaranteed to the depositor will go from the present non-limit value, to 400,000 Investment Units as from 01.01.05 (approx. 112,000 dollars as at December 1999).

**Table I. Main Characteristics of some Explicit DGS (continued)**

Country	Type of System	Management	Administration Characteristics	Assessment Characteristics and Year of Creation	Maximum Protection Level (in the currency of origin)	Maximum Protection Level (in Argentine Pesos)	Maximum Protection Level as % of the per capita GDP	Ratio Assessments/ Deposits in basis points (BP)	Contingency Assessments
<b>Netherlands</b>	Collective Guarantee System (14)	The Netherlands Bank	PU	Compulsory 1978	20,000 Euros (15)	18,000	75	On demand, ex post. It cannot exceed, yearly, 10% of corporate equity	The Central Bank may grant loans, if it so wishes
<b>Nigeria</b>	Deposit Insurance Corporation	Deposit Insurance Corporation of Nigeria	PU	Compulsory 1988	50,000 Naira (16)	495	95	93.75 yearly BP	The Government may grant loans, if it so wishes
<b>Norway</b>	Commercial Banks' Contingency Fund (17)	Commercial Banks Contingency Fund Board	PR	Compulsory 1961	2,000,000 Kroner	220,600	642	1 yearly BP, plus a premium according to risk level	Guarantees issued by the member banks in proportion to their non-covered deposits; said guarantees have sureties in cash or in deposits of Government bonds at the Bank of Norway
<b>Oman</b>	Subject to the administrative and financial supervision of the Central Bank	Bank Deposits' Insurance System Fund	PU	Compulsory 1995	Partial coverage (75%) up to 20,000 rials Omani	Partial coverage (75%) up to 52,000	820	Initial assessment plus 2 yearly BP on deposits. The Central Bank makes assessments, also	It may borrow funds from the Government, the Central Bank and the contributing banks
<b>Peru</b>	Deposit Guarantee Fund	Superintendence of Banks and Insurance	JOINT	Compulsory 1992	65,200 Nuevos Soles (18)	18,500	898	From 45 to 145 BP, depending on risk	The Fund may request loans from the Treasury
<b>Philippines</b>	Philippines Deposit Insurance Corporation	Philippines Deposit Insurance Corporation (19)	PU	Compulsory 1963	100,000 Pesos Filipinos	2,004	280	20 yearly BP on total deposits	Any additional contribution requires legislative sanction. In cases of urgency it is authorized to borrow from the Central Bank or from other banks that have been appointed fiscal agents or government depositories

14 The Collective Guarantee System is established in joint co-operation between the banks and the Bank of the Netherlands.

15 In year 2000 this maximum amount shall be fixed again taking into account the variation in price indices as from year 1995.

16 It only covers deposits on current accounts and savings deposits in local currency and excludes interbank deposits.

17 The Contingency Fund is an independent legal entity and its activities are administered by a board of directors comprising seven members. Five of the members are elected by the member banks, while one member is appointed by the Bank of Norway and the last member is the director of the Banking, Insurance and Securities Commission. A similar régime to that of the commercial banks exists for the savings banks; this last scheme is obligatory since 1924.

18 Adjustable according to inflation. Per depositor and only up to two deposits in two different institutions per year.

19 The Philippines Deposit Insurance Corporation Board is chaired by the Secretary of Finance, with the President of the Corporation acting as Alternate. The Central Bank Governor and two representatives of the private banks constitute this five-member board.

**Table I. Main Characteristics of some Explicit DGS (continued)**

Country	Type of System	Management	Administration Characteristics	Assessment Characteristics and Year of Creation	Maximum Protection Level (in the currency of origin)	Maximum Protection Level (in Argentine Pesos)	Maximum Protection Level as % of the per capita GDP	Ratio Assessments/ Deposits in basis points (BP)	Contingency Assessments
<b>Poland</b>	Fund for the Protection of Bank Deposits	Fund for Banking Guarantee	PU	Compulsory 1995	100% up to 1,000 Euros + 90% for amounts comprised between 1,000 and 4,000 Euros	100% up to 890 + 90% for amounts between 896 and 3,590	102	Up to 40 yearly BP <b>(20)</b>	
<b>Portugal</b>	Deposit Guarantee Fund <b>(21)</b>	Board of three members. The Central Bank provides the administrative support	PU	Compulsory 1992	25,000 Euros in year 2000	22,400	197	Initial assessment + between 8 and 12 yearly BP, depending on the entity's capitalization level	The Minister of Finance can establish special contributions from the member entities
<b>Romania</b>	Deposit Guarantee System	Banking System Deposits' Guarantee Fund	JOINT	Compulsory 1996	Up to 56,200,000 Lei, adjustable every six months according to inflation	Up to 2,190, adjustable every six months according to inflation	145	Initial contribution plus between 30 and 60 yearly BP, depending on risk level	The Fund may request from the banks a special assessment, which cannot be more than double the yearly contribution <b>(22)</b>
<b>Slovak Republic</b>	Deposit Protection Fund	Fund Committee	JOINT	Compulsory 1996	7,100 Euros	6,370	175	From 10 to 30 yearly BP, depending on the type of entity	The Central Bank may make loans, if it so wishes
<b>Slovenia</b>	Care of the Central Bank	Agency of the Republic of Slovenia for the Insurance of Deposits in Banks and Savings Banks	PU	Compulsory 1999	3,700,000 Tolars	15,726	694	Explicit: underwritten by the financial entities	
<b>Spain</b>	Deposit Guarantee System <b>(23)</b>	Fund of Guarantee of Deposits in Banking Institutions	JOINT	Compulsory 1977	20,000 Euros in year 2000	18,000 in year 2000	119	10 Yearly BP <b>(24)</b>	Only with an exceptional character, a Fund may receive contributions from the Bank of Spain, in which case the amount must be provided for by law

**20** The Banks with Government guarantee contribute up to 20 BP.

**21** The agricultural credit banks have their own guarantee scheme.

**22** In case of need, the Deposit Guarantee Fund of the Romanian Banks could obtain additional funds from the Government, the Central Bank and from other financial institutions.

**23** In the Spanish banking system, there are three bodies, created in the five year period of 1977/82, which are in charge of the functions of deposit insurance and guarantee of the system's stability. These are the "Fondo de Garantía de los Depósitos en Establecimientos Bancarios (FGDEB)" (Fund of Guarantee of Deposits in Banking Institutions), the "Fondo de Garantía de Depósitos en Cajas de Ahorro (FGDCA)" (Fund of Guarantee of Deposits in Savings Banks) and the "Fondo de Garantía de los Depósitos en Cooperativas de Crédito (FGDCC)" (Fund of Guarantee of Deposits in Credit Co-operative Institutions), funds which are made up with assessments from their respective institutions.

**24** Level of contribution corresponding to year 1998.

**Table I. Main Characteristics of some Explicit DGS (continued)**

Country	Type of System	Management	Administration Characteristics	Assessment Characteristics and Year of Creation	Maximum Protection Level (in the currency of origin)	Maximum Protection Level (in Argentine Pesos)	Maximum Protection Level as % of the per capita GDP	Ratio Assessments/ Deposits in basis points (BP)	Contingency Assessments
<b>Sri Lanka</b>	Deposit Insurance System	Central Bank	PU	Voluntary 1987	100,000 Sri Lanka Rupees	1,218	144	15 yearly BP	
<b>Sweden</b>	Deposit Insurance System	Deposit Guarantee Committee	PU	Compulsory 1992 <b>(25)</b>	28,663 Euros	24,950	93	50 yearly BP; then 10 BP according to capitalization level	It may borrow from the National Government
<b>Switzerland</b>	Convention XVIII <b>(26)</b>	Swiss Bankers' Association	PR	Voluntary 1984	30,000 Francs	17,770	49	On demand	Subscribed by the member banks
<b>Taiwan</b>	Central Corporation of Deposit Insurance	Board integrated by the Ministry of Finance and the Central Bank	PU	Compulsory 1985	NT\$ 1,000,000, for deposits in local currency	31,500	N/a	From 5 to 6 yearly BP on deposits	The Central bank may grant loans
<b>Tanzania</b>	Deposit Insurance Fund	Deposit Insurance Board	PR	Compulsory 1994	250,000 Shillings	311	122	10 yearly BP on average deposits	The Central Bank may grant loans
<b>Trinidad &amp; Tobago</b>	Deposit Insurance Fund	Deposit Insurance Board	PU	Compulsory 1986	50,000 TT Dollars	7,940	168	Initial assessment (40 BP) and yearly premium (20 BP)	With the authorization of the Ministry of Finance, it may request a special assessment from the entities <b>(27)</b>
<b>Turkey</b>	Deposit Insurance Fund	Central Bank	PU	Compulsory 1983	Without limits	Without limits		100 yearly BP	It may borrow from the Central Bank, upon request from the Minister in charge of Economic Affairs
<b>Uganda</b>	Deposit Insurance	Central Bank	PU	Compulsory 1994	3,000,000 Shillings	1,680	526	20 yearly BP on deposits from the banks. Same amount from the Government	The Government may grant loans, if it so wishes

**25** Prior to 1992, Sweden had not implemented a depositor protection scheme. Financed with public funds, it introduced a provisional scheme of total guarantee of banking deposits during the crisis, and replaced it with a formal system, according to the European Union guidelines, on January 1996.

**26** The so-called "Convention XVIII" is an agreement among the members of the Swiss Bankers' Association, under which banks mutually guarantee savings deposits. The Convention does not provide the depositors with a legal claim. Although it has therefore no legal status as a deposit guarantee, we have ranked the Convention under deposit insurance agencies, as its over-riding purpose is to provide deposit protection.

**27** The Central Bank of Trinidad & Tobago contributes with an amount equal to that of the initial assessment and to the special assessment of the member entities.

**Table I. Main Characteristics of some Explicit DGS (continued)**

Country	Type of System	Management	Administration Characteristics	Assessment Characteristics and Year of Creation	Maximum Protection Level (in the currency of origin)	Maximum Protection Level (in Argentine Pesos)	Maximum Protection Level as % of the per capita GDP	Ratio Assessments/ Deposits in basis points (BP)	Contingency Assessments
<b>United Kingdom</b>	Deposit Protection Fund (28)	Board of the Deposit Protection Fund (29)	PU	Compulsory 1982	Partial coverage (90%). Max. disbursement: 18,000 Pounds Sterling or 20,000 Euros (whichever is higher)	26,309	105,000	Initial assessment plus further limited contributions which cannot be above 30 BP on guaranteed deposits	The Board may request special assessments and may apply for loans
<b>United States</b>	Bank Deposits' Insurance Fund	Federal Deposit Insurance Corporation (30)	PU	Compulsory 1933	100,000 Dollars	100,000	28	Between 0 and 27 yearly BP on total deposits, depending on the entity's capitalization level	It may request from the Treasury of the United States loans of up to a maximum amount of 30 billion
<b>Venezuela</b>	Fund of Deposit Guarantee and Bank Protection (FOGADE)		PU	Compulsory 1985	1,000,000 Bolivares for deposits in Bolivares	1,430	28	200 yearly BP	The Government and the Central Bank have absorbed losses of the Fund

**28** In June 1998, the Bank of England supervisory functions were transferred to Financial Services Authority – FSA. There is the intention, when a new Financial Markets and Services Act is passed, one only compensation scheme be established in replacement of those presently existing, including the present Deposit Protection System. This might happen during year 2000.

**29** The Board has three seats which belong in a permanent way to the Chairman and the Executive Director of the Financial Services Authority – FSA, and to the Vice-Governor of the Bank of England. The first named is also Chairman of the Board and has appointed another Executive Director of the FSA, as a member of the Board. Finally, there are three ordinary members in representation of the contributing entities.

**30** The Corporation has a Board of five members, appointed by the President of the United States of America, with the advice from, and the approval of, the Senate. The Comptroller of the Currency and the Director of the Financial Entities' Supervisory Office are two of these five Directors. The FDIC administers the guarantee funds of the Banking Deposits and of the Savings and Loans' associations.

## IV. The Argentine Financial System

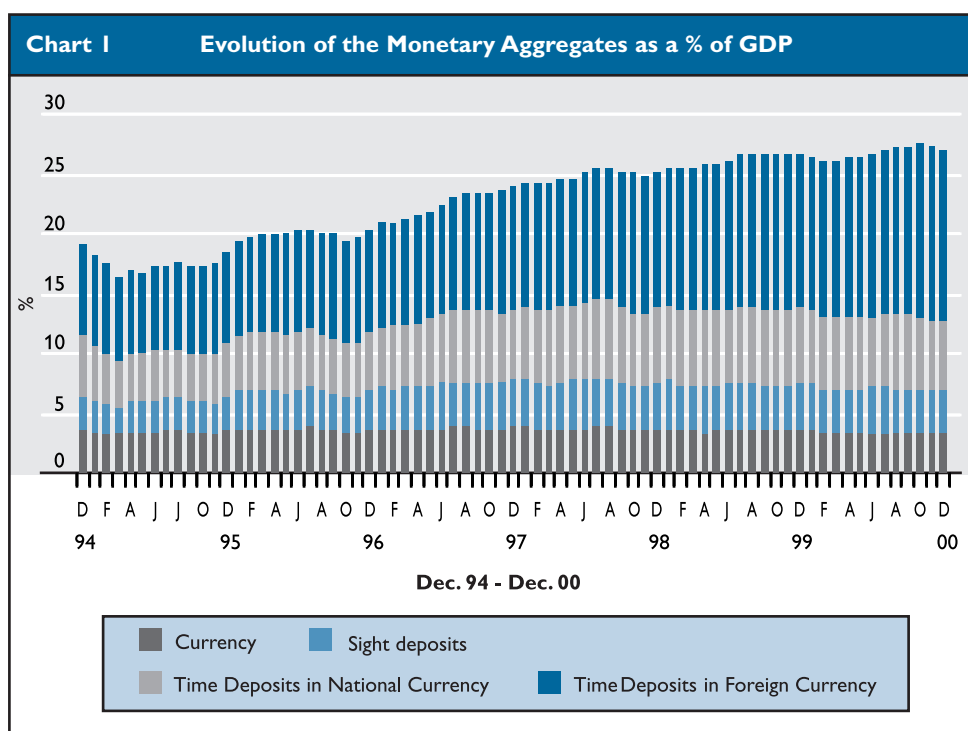
### 1. Monetary Aggregates

The average of December 2000, as compared with its equivalent position of the previous year, shows a slight growth (0.9%) in the wide monetary aggregate M2, expressed as a percentage of Gross Domestic Product.

During the year, its evolution showed a slow growth up to October, when it reached an increase of 2.7% (as compared with December 1999), and later, in the months of November and December, it registered a decline (see Table II and Chart 1)

Table II. Monetary Aggregates (to December 2000)*		
Monetary Aggregates	Million \$	As % of GDP
Currency	11,286	3.26
Sight Deposits, in pesos	11,234	3.25
Sight Deposits, in dollars	1,805	0.52
M1	24,325	7.03
Time Deposits in national currency	19,648	5.68
Time Deposits, in foreign currency	49,265	14.24
M2	93,238	26.95

\* Monthly average

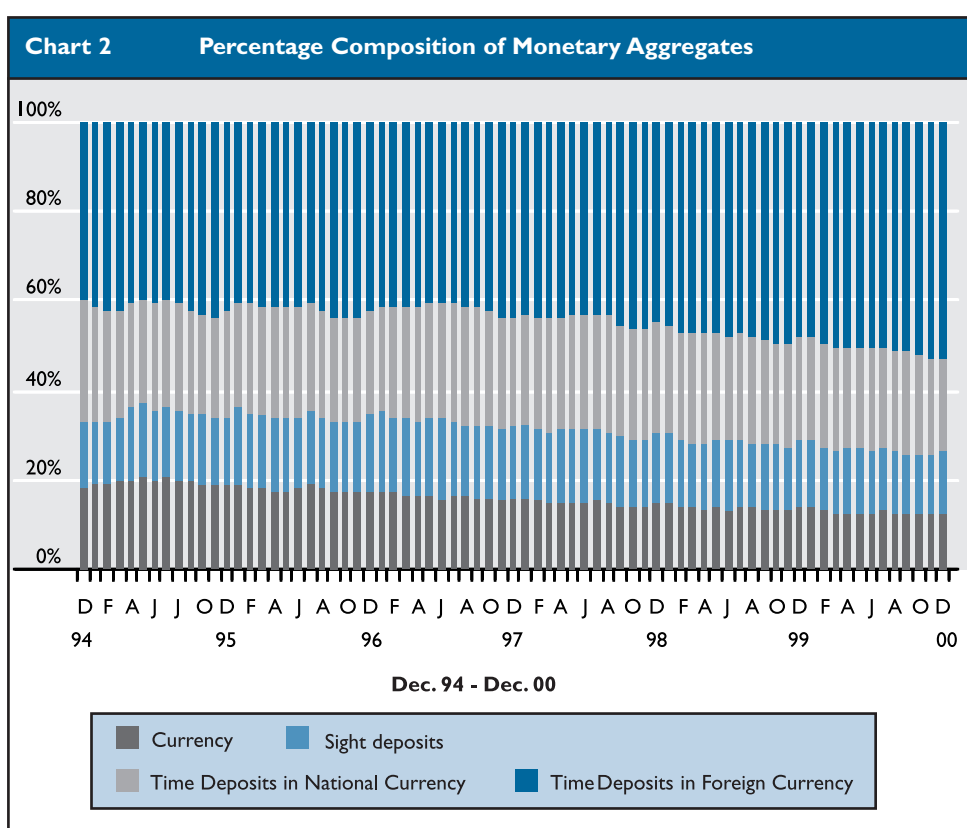




Analyzing the evolution of the different components of the monetary aggregates, one notices a flight from currency on the part of the general public and consequent growth in deposits.

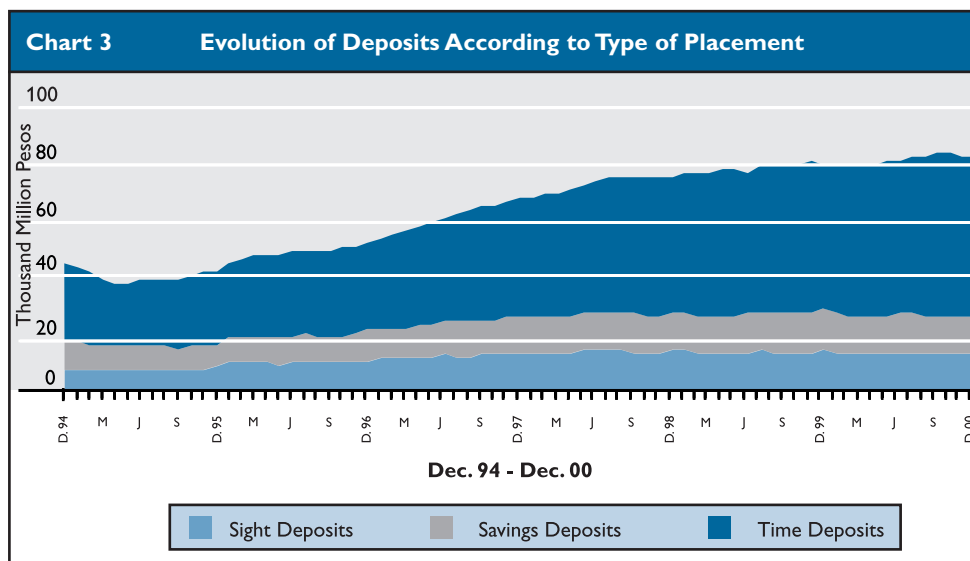
During 1998, the participation of currency in the total aggregates was 15%; in 1999 it declined to 13.7% and, during the last year, it dropped further to 12.1% (see Chart 2).

Concurrently, there has been a 3% rate of growth of total bank deposits.



With regard to their structure, one may observe, during 2000, a decline in sight deposits and savings deposits, showing a higher preference for time deposits by the public.

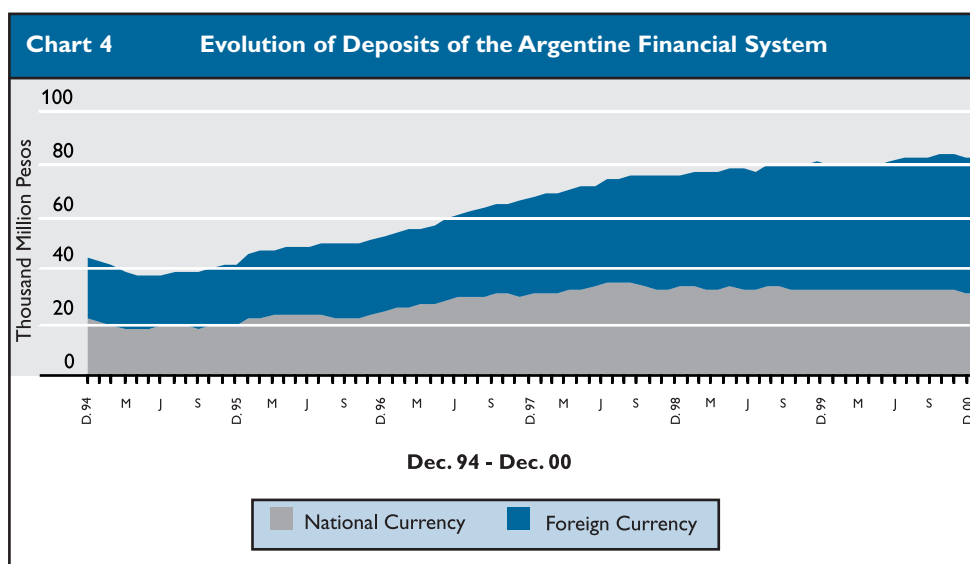
In nominal values, time deposits during the year increased by 8.8%, while sight deposits and savings deposits declined by 6.8% and 7.3% respectively (see Chart 3).



With regard to the currency chosen, one may observe that, during the year under analysis, the preference of the public for placements in foreign currency grew. The nominal variation of the total deposits made in national currency declined by 4.4%, while those pertaining to foreign currency grew by 8.3%.

Presently, within the total deposits, a weighting of 62% corresponds to those made in foreign currency, while, in December 1994, they had represented a 57%, in 1997, a 55%, and in 1999, a 59% (see Chart 4).

Type of Deposit	Total	National Currency	Foreign Currency
Time deposits	68.0	39.3	85.4
Savings Deposits	16.4	25.2	11.0
Sight deposits	15.6	35.5	3.6
TOTAL	100.0	100.0	100.0



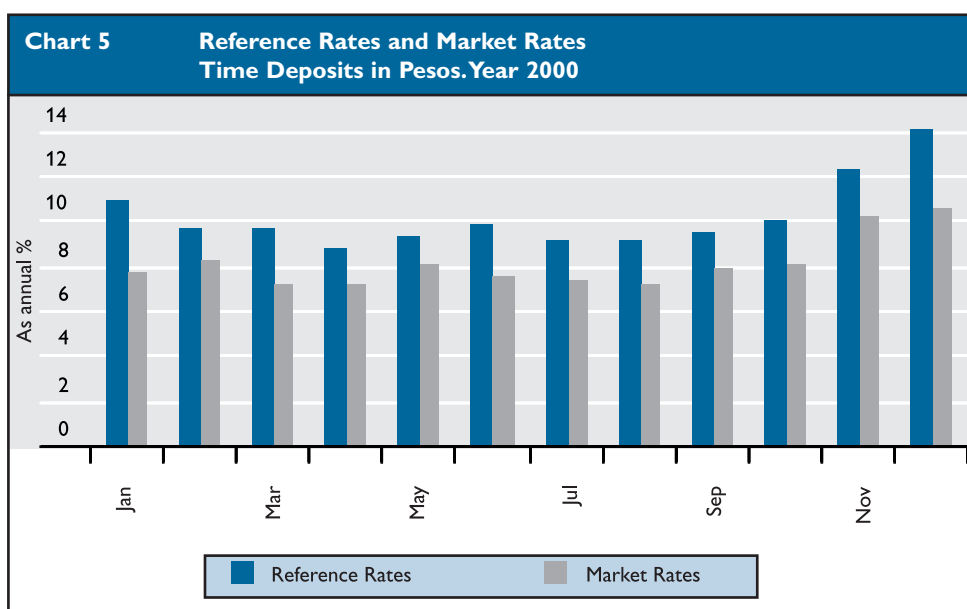
## 2. Reference Rates

During 2000, the so-called reference rates (communicated by the B.C.R.A. and which are the result of an average of market rates, Communiqué "A" 2337) expressed as a monthly weighted average (as per the number of days in force within each month) have shown, with regard to the previous year, larger oscillations in time deposits than those pertaining to savings deposits, while those pertaining to sight deposits remained invariable.

With regard to the rates of interest for time deposits in pesos, it may be observed that they remained fairly stable until the month of September. Then, as a consequence of the rise in international rates and of the market differential for Argentine sovereign bonds, during the last quarter of the year they showed a strong growth, higher than the expected seasonal effect.

Month	Reference Rates	Market Rates	Month	Reference Rates	Market Rates
January	10.9	7.8	July	9.3	7.4
February	9.8	8.3	August	9.3	7.3
March	9.8	7.3	September	9.5	7.9
April	8.8	7.3	October	10.1	8.1
May	9.3	8.1	November	12.3	10.2
June	9.9	7.7	December	14.1	10.6

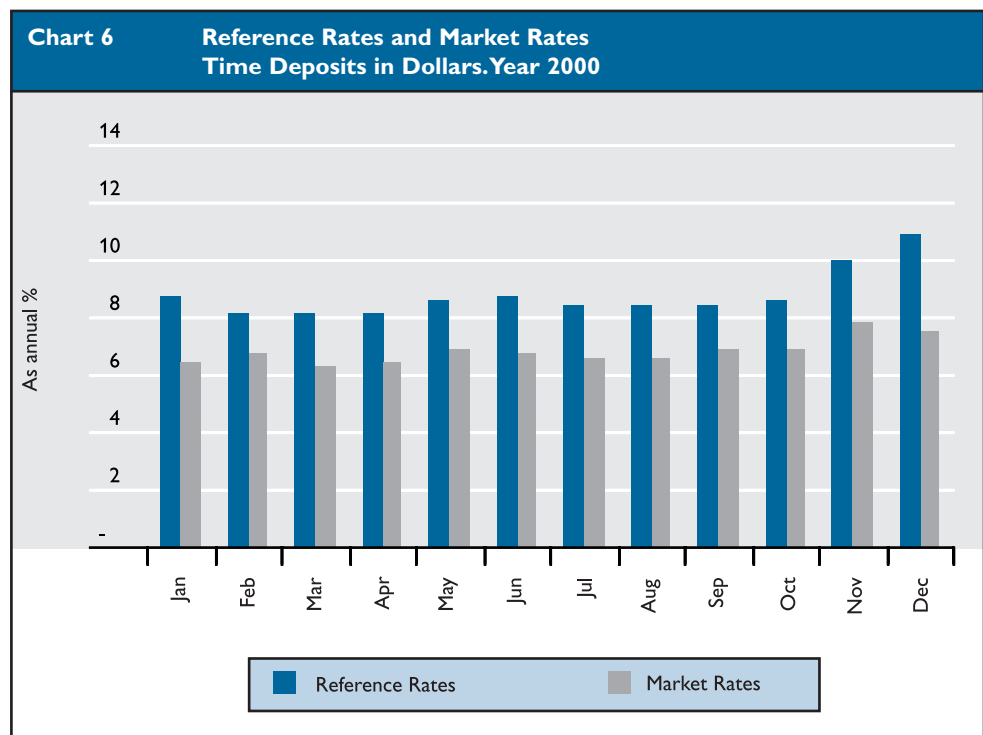
(I) Weighted average as per days in force



With regard to the rates obtaining for time deposits in foreign currency, they showed the same trend as for the previous case, although in a more attenuated manner, leading to an approximation in the differentials between actual rates in pesos and in dollars. The average differential for 1999 (calculated as percentage difference of the average yearly rate, in pesos and in dollars) was of 18.7% while in 2000 it was 15.8%.

<b>Table IV. Rates of Interest for Time Deposits in dollars (as annual %, year 2000) (1)</b>					
Month	Reference Rates	Market Rates	Month	Reference Rates	Market Rates
January	8.9	6.4	July	8.5	6.7
February	8.3	6.7	August	8.5	6.6
March	8.3	6.3	September	8.5	6.9
April	8.3	6.5	October	8.7	7.0
May	8.6	7.0	November	10.0	7.8
June	8.9	6.8	December	11.0	7.6

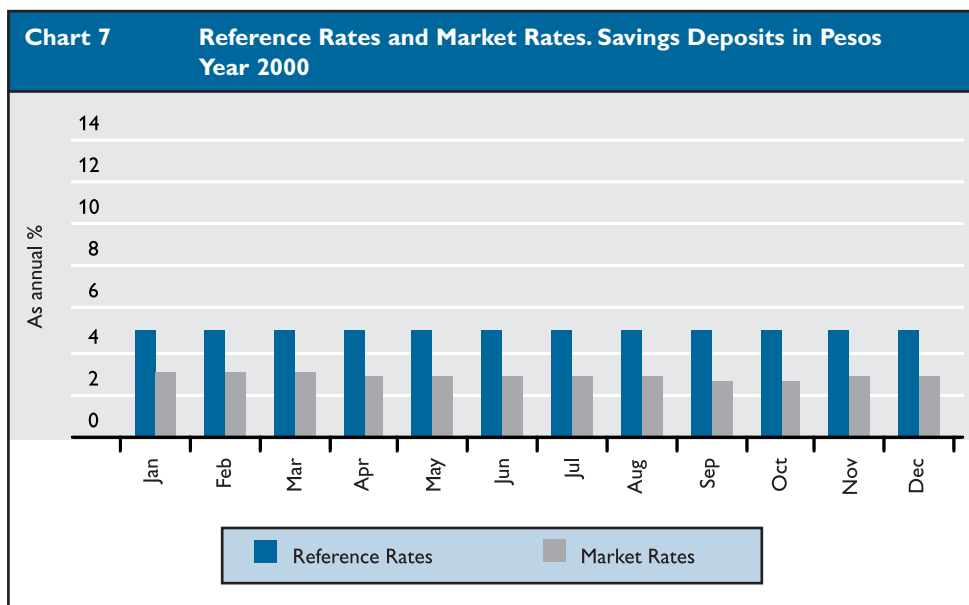
(1) Weighted average according to days in force



The reference rates for savings deposits in pesos showed no variation regarding the ones in force during the previous year.

<b>Table V. Rates of Interest for Savings Deposits, In Pesos (as annual %, year 2000) (1)</b>					
Month	Reference Rates	Market Rates	Month	Reference Rates	Market Rates
January	5.0	2.9	July	5.0	2.8
February	5.0	3.0	August	5.0	2.7
March	5.0	2.9	September	5.0	2.7
April	5.0	2.9	October	5.0	2.6
May	5.0	2.9	November	5.0	2.8
June	5.0	2.8	December	5.0	2.8

(1) Weighted average according to days in force

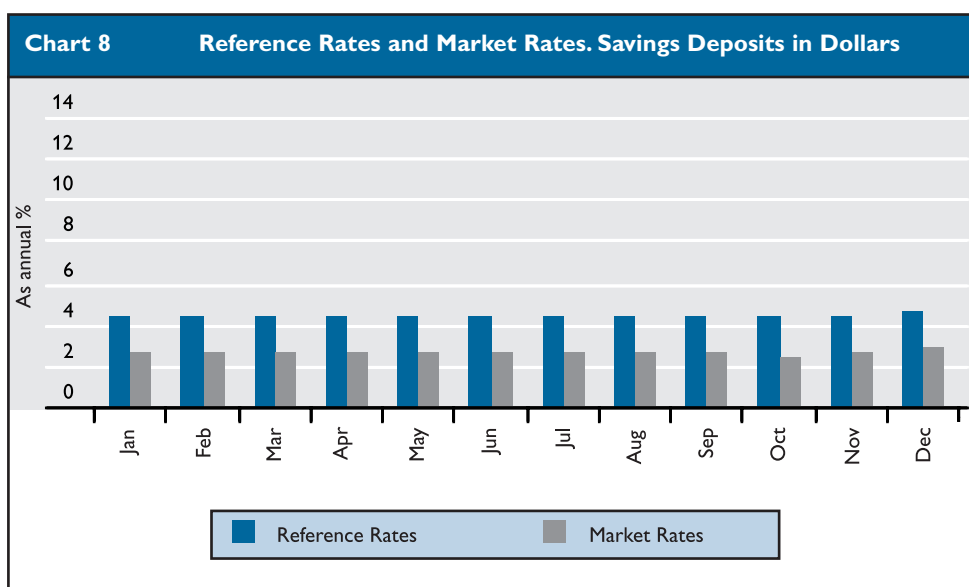


The reference rates for savings deposits in dollars maintained also the levels observed during the previous year, with the exception of a modification which took place in December 2000.

**Table VI.** Rates of Interest for Savings Deposits in Dollars (as annual %, year 2000) (1)

Month	Reference Rates	Market Rates	Month	Reference Rates	Market Rates
January	4.5	2.7	July	4.5	2.8
February	4.5	2.8	August	4.5	2.7
March	4.5	2.8	September	4.5	2.6
April	4.5	2.8	October	4.5	2.6
May	4.5	2.8	November	4.5	2.7
June	4.5	2.8	December	4.8	3.0

(1) Weighted average according to days in force

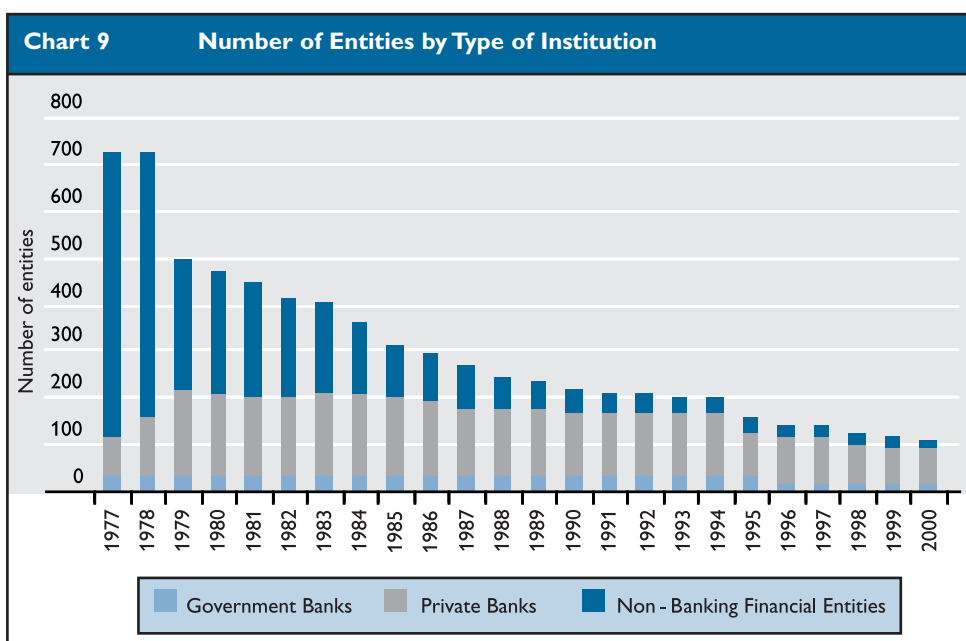


### 3. Financial Entities

The period under analysis shows a slight decline in the number of entities, after various consecutive years of significant reductions.

In the above-mentioned period two private banks and a public bank were eliminated, as it may be observed in the following table.

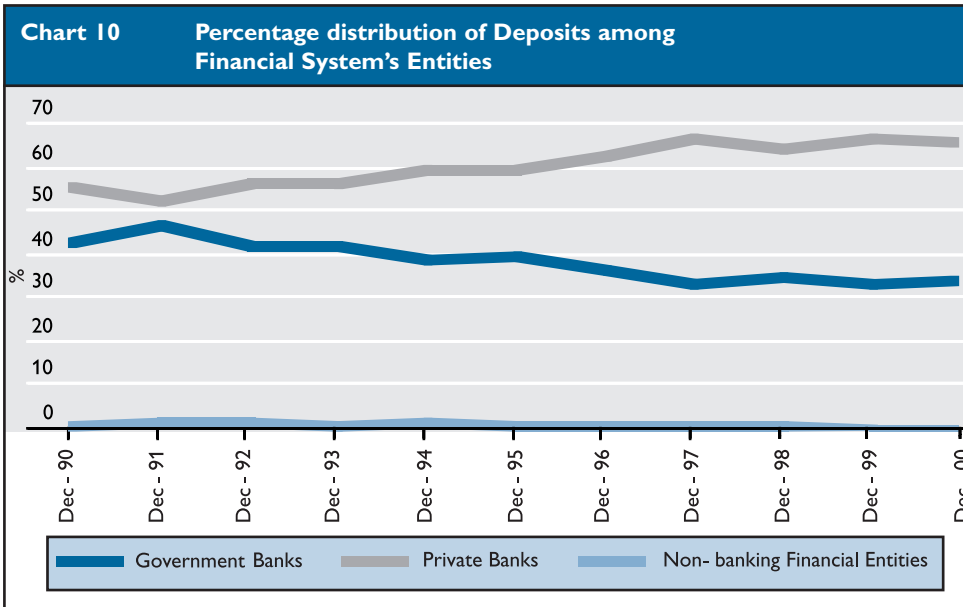
As a consequence of 7 eliminations and of the addition of 4 new entities during year 2000, the number of financial entities to December was 113, which may be grouped as 15 Government banks, 74 private banks and 24 non-banking financial entities.



**Table VII.** Number of Entities According to Type of Institution

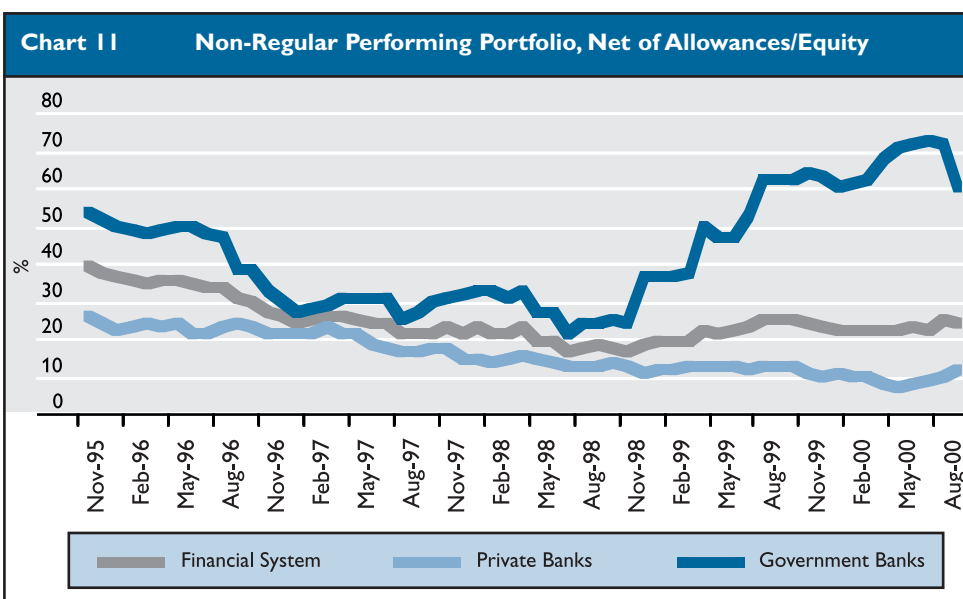
End of:	Government Banks	Private Banks	Non-Banking Financial Entities	TOTAL
1977	35	85	603	723
1978	35	122	564	721
1979	35	184	277	496
1980	35	179	255	469
1981	35	171	243	449
1982	36	168	209	413
1983	36	174	192	402
1984	36	174	150	360
1985	37	161	117	315
1986	37	154	105	296
1987	36	142	89	267
1988	36	139	70	245
1989	36	141	59	236
1990	36	134	51	221
1991	35	132	47	214
1992	36	131	43	210
1993	34	133	39	206
1994	33	135	37	205
1995	30	97	31	158
1996	20	100	27	147
1997	20	95	27	142
1998	16	86	23	125
1999	16	76	24	116
2000	15	74	24	113

With regard to deposit distribution according to the nature of the entities, a growing participation of private banks in the total, up to the end of 1999, may be observed. The last data available (November 2000), shows a slight increase in the participation of Government banks.

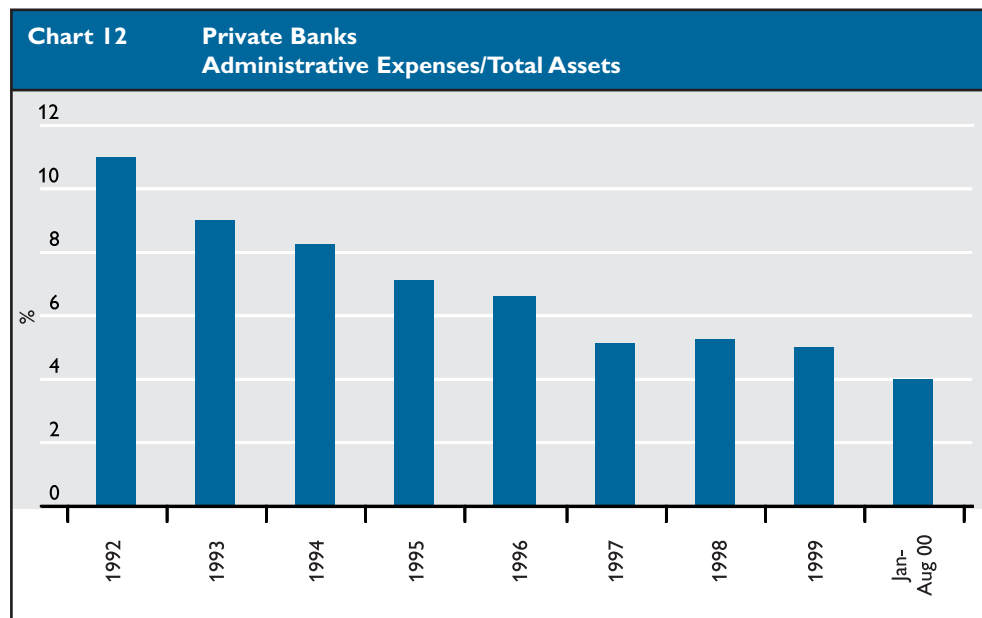


With regard to the fulfillment of the provisions issued by the B.C.R.A., in order to rate the non-regularly performing portfolio net of allowances of the financial entities, as a percentage of shareholders' equity, it may be observed that the total of the system reaches, in September 2000, a 24.8%, a higher figure than the one observed in December 1999, which was of 24.2%.

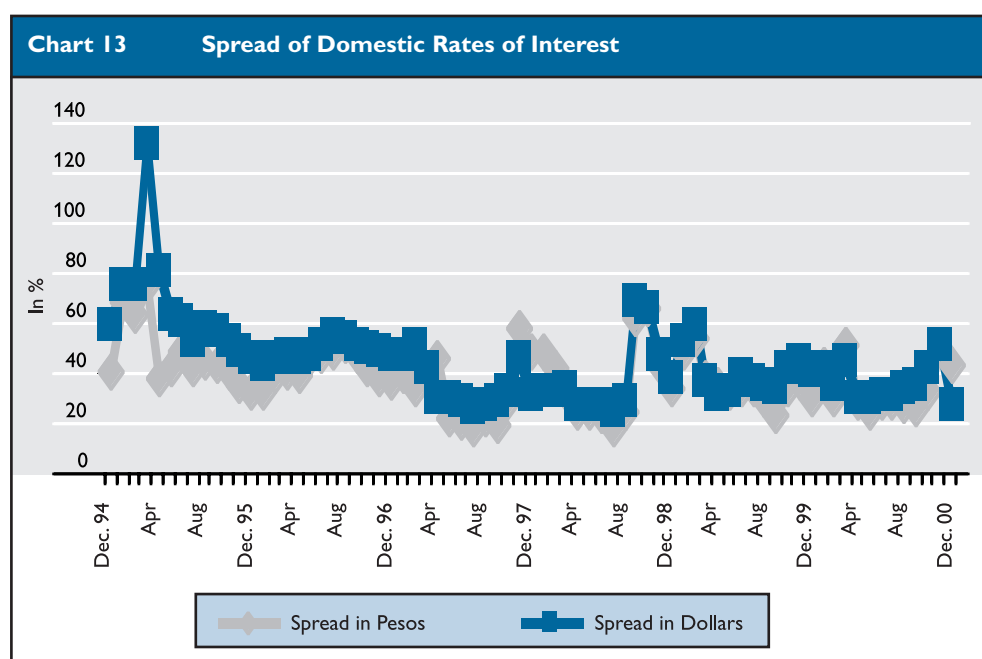
Analyzing the fact according to whether they are Government or private entities, an increase in the percentage pertaining to Government institutions may be observed (61%) with regard to previous years, while private entities improved the quality of their portfolio, since the value obtained in August 2000 (12.4%) is substantially lower than the one registered these last few years.



Using as an indicator of efficiency of the financial system the ratio between administrative expenses and total assets, one could state that, in the case of private banks, in 2000 the declining trend of said ratio was intensified, since in 1992, the same was of 11% while presently (November 2000) it reached 4.2%.



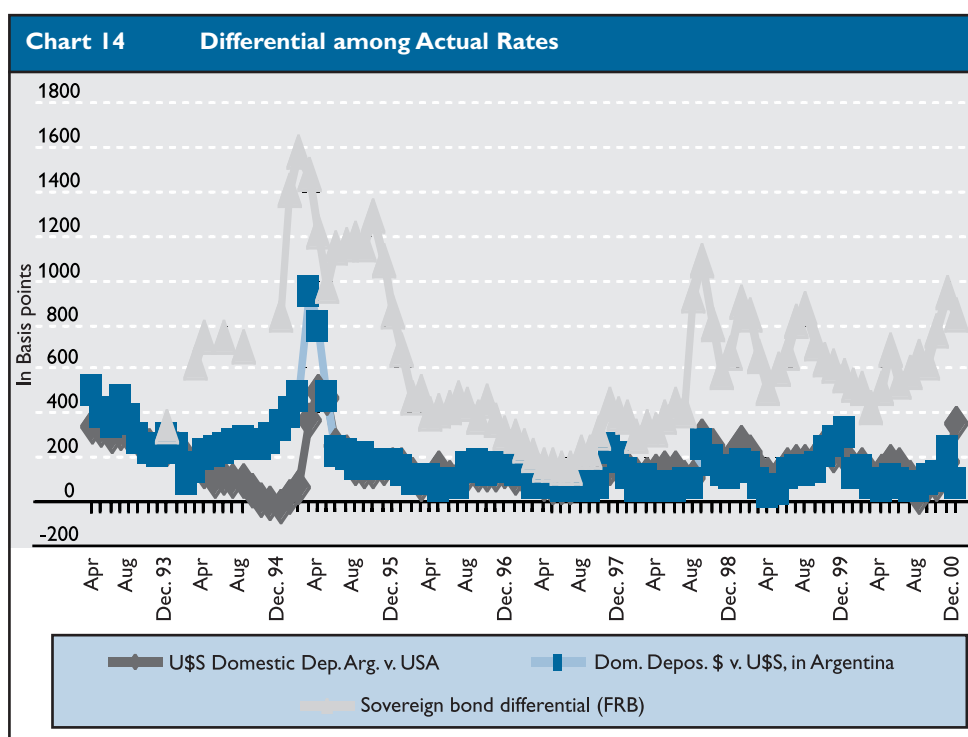
The spread between lending and actual rates defined as the differential of average rates paid for time deposits from 30 to 59 days, and those charged for loans to first-rate enterprises, for a 30 days term, continues declining, with a higher significance in the case of the differential of rates of interest in foreign currency.





After observing, during 1999, a high differential between the rates of interest of Argentine foreign bonds with regard to their similar bonds of the USA Treasury, as a consequence of the Russian crisis of mid-1998 and the economic events registered in Brazil at the end of that same year, in 2000 a high differential continued to be experienced. This was a consequence of the difficulties experienced by Argentina in the access to external financing, facing the increase observed in Government and private commitments, in a context of economic recession.

However, owing to the strength of the financial system, the evolution of the "exchange risk", i.e., the differential of rates of interest between time deposits in pesos and in dollars in Argentina, as much as that of the "systemic risk", i.e. the differential of domestic rates of interest for time deposits in pesos, versus the equivalent in the USA, have not shown significant variations.



#### 4. Summary

The behavior of the main monetary and financial variables during 2000, indicates, in a general way:

- A higher intensity in the use of the banking system (higher "bankarization").
- A strong tendency towards time deposits.
- A reasonable stability in the rates of interest.
- Relative stability in the variations in systemic and exchange risk measurements.

## **V. Report on Trust Agreements**

### ***1. General Comments***

As from the beginning of its activities, SEDESA has had intervention in 13 Trust Agreements with total contributions of 1,000.6 million pesos (see Table VIII. Total Cases Administered, on page 34). The larger disbursements, over 60% of total disbursements of the DGF in this regard, took place during fiscal years 1998 and 1999.

### ***2. Cases administered during Fiscal Year 2000***

At the beginning of May, the Central Bank put an end to the attempts of regularization on the part of Cía. Financiera Luján Williams S.A., and the BCRA Board of Directors rejected, through Resolution 69/2000, a plan submitted by the entity in February, which was in turn a reformulation of another plan which had been requested in July of the previous year.

The Banco Sudameris proposed to the Central Bank and to Luján Williams that the latter should transfer certain assets to a Trust Agreement. For its part, the former should assume certain privileged liabilities, within the framework of Section 35 bis, Paragraph II of the Law of Financial Institutions.

The contribution requested to SEDESA, as manager of the DGF, was of 3 million pesos, an amount disbursed by mid-June.

### ***3. Summary of Cases***

Table VIII describes the main characteristics of the Trust Agreements of which SEDESA is a beneficiary. In it, cases of assistance to financial entities through non reimbursable contributions and loans, and also, one case in which payment of the guarantee to the depositors was made (Section 10 bis, Decree 540/95 text amended), are also detailed.

<b>Table VIII.</b>	<b>Total Cases Administered</b>				
<b>Entity</b>	<b>Date of the Assistance Decision</b>	<b>Disbursement Date</b>	<b>Type of Transaction</b>	<b>Additional Considerations</b>	<b>Amount (in million dollars)</b>
<b>Banco de Caseros S.A.</b>	10/22/96	04/24/97 to 07/22/97	Trust agreement, on credits of doubtful recovery from Banco de Caseros S.A.	The Banco de Crédito Argentino S.A. acquired assets and took charge of the payment of deposits of Banco Caseros S.A.	73,741
<b>Caja de Crédito Pavón Coop. Ltda.</b>	11/21/96	12/01/96 to 01/10/97	Payment of the Guarantee		0.662
<b>Banco Unión Comercial e Industrial S.A. (BUCI)</b>	02/11/97	02/18/97	Partial acquisition of Deposits		23,690
	05/08/97	05/12/97	Trust Agreement on BUCI's portfolio	Corp Banca S.A. acquired assets and took charge of the payment of deposits of the BUCI	94,227
<b>Banco Coopesur Coop. Ltda.</b>	02/28/97	06/20/97 to 09/25/97	Trust Agreement, on portfolio of doubtful recovery from Banco Coopesur C.L.	Banco Credicoop C.L. acquired assets and took charge of the payment of deposits from Banco Coopesur C.L.	39,800
<b>Nuevo Banco de Azul S.A.</b>	05/08/97	05/23/97	Loan	Loan granted to the Nuevo Banco Industrial de Azul S.A. with the purpose of strengthening in its computable shareholders' equity, as said bank offered to acquire assets and liabilities from the Nuevo Banco de Azul S.A.	2,000
	05/08/97	08/05/97 to 01/12/99	Trust Agreement, on credits of doubtful recovery from the Nuevo Banco de Azul S.A.	The Nuevo Banco Industrial de Azul S.A. acquired assets and took charge of the payment of deposits from the Nuevo Banco de Azul S.A.	7,000
<b>Banco Platense S.A.</b>	05/08/97	06/10/97	Non-Reimbursable Contribution	The Banco Municipal de La Plata acquired assets and took charge of the payments of deposits from Banco Platense S.A.	13,000
	05/08/97	06/10/97	Loan Convertible into Corporate Bonds	The Banco Municipal de La Plata acquired assets and took charge of the payment of deposits of Banco Platense S.A.	5,000
<b>Banco de Crédito Provincial S.A. (BCP)</b>	09/18/97	10/06/97 yo 11/28/97	Partial Acquisition of Deposits	Mercobank S.A. acquired assets and took charge of the payment of deposits of BCP	17,425
	12/23/97 and 06/02/98	05/11/98 and 07/02/98	Non - Reimbursable Contribution  Trust Agreement on BCP real estate		70,575  7,800
<b>Banco Argencoop Coop. Ltda.</b>	12/12/97	01/02/98	Trust Agreement on credits of doubtful recovery of Banco Argencoop C.L.	Banco Credicoop C.L. acquired assets and took charge of the payment of deposits of Banco Argencoop C.L.	60,000
<b>Banco Patricios S.A.</b>	03/20/98	04/01/98 to 06/22/98	Partial Acquisition of Deposits		26,121
	06/19/98	07/06/98 to 07/20/98	Trust Agreement on credits and non-credit assets of Banco Patricios S.A.	Banco Mayo C.L. acquired assets and took charge of the payment of deposits of Banco Patricios S.A.	95,200

<b>Table VIII.</b>	<b>Total Cases Administered (continued)</b>				
<b>Entity</b>	<b>Date of the Assistance Decision</b>	<b>Disbursement Date</b>	<b>Type of Transaction</b>	<b>Additional Considerations</b>	<b>Amount (in million dollars)</b>
<b>Banco Mayo C.L.</b>	10/23/98	12/02/98 to 12/01/99	Trust Agreement on assets from Banco Mayo C.L.	Citibank N.A. subscribed Participation Certificates in a Trust Agreement and took charge of the payment of deposits of Banco Mayo C.L.	350,000
<b>Banco Almafuerde C.L.</b>	11/26/98	12/01/98 to 10/27/99	Trust Agreement on assets from Banco Almafuerde C.L.	The Banks BBV Francés, Bisel, Credicoop, Galicia, Macro Misiones, de Río Negro, de San Juan and Suquía, subscribed certificates of participation in a Trust Agreement and took charge of the payment of the deposits of Banco Almafuerde C.L.	60,000
<b>Banco Israelita de Córdoba S.A.</b>	02/11/99	03/05/99 to 12/05/99	Trust Agreement on assets of the Banco Israelita de Córdoba S.A.	The Banks Bisel, Macro Misiones, Nazonale del Lavoro, Suquía, Sudameris Argentina and Supervielle Société Générale subscribed certificates of participation in a trust agreement and took charge of the payment of the deposits of Banco Israelita de Córdoba S.A.	60,000
<b>Banco Mendoza S.A.</b>	04/14/99	04/21/99 to 12/21/99	Trust Agreement on assets from the Banco Mendoza S.A.	The Banks BBV Francés, Citibank N.A., Credicoop, Galicia, Nación, de San Juan, Macro Misiones, Suquía, HSBC Roberts and Velox, subscribed certificates of participation in a Trust Agreement and took charge of the payment of the deposits of Banco Mendoza S.A.	100,000
<b>Cía. Financiera Luján Williams S.A.</b>	05/23/00	06/13/00	Trust Agreement on assets of Cía. Financiera Luján Williams S.A.	The Banco Sudameris Argentina S.A. subscribed certificates of participation in a Trust Agreement and took charge of the payment of the deposits of Cía. Financiera Luján Williams S.A.	3,000
<b>TOTAL</b>					<b>1,109.241</b>

<b>Summary of Cases Administered to 12.31.00 (in million USA Dollars) Decree 540/95 (T.A.) Section 10 bis</b>		
<b>Paragraph a)</b> Payment of the guarantee to the depositors	u\$s	0.662
<b>Paragraph b)</b> Non Reimbursable Contributions	u\$s	101.000
<b>Paragraph b)</b> Loans to Financial Entities	u\$s	7.000
<b>Paragraph c)</b> Constitution of Trust Agreements	u\$s	1,000.579
<b>TOTAL</b>	<b>u\$s</b>	<b>1,109.241</b>

## VI. The Deposit Guarantee Fund (DGF)

### 1. *Passive Transactions*

In January 2000 and in accordance with:

- I) A decision of the Board of Directors of the B.C.R.A. (Resolution 29/00 and Comunicados "A" 3064 and 3068) allowing one to reduce to 50% the "normal assessment" to the DGF of the financial entities, provided these agree with SEDESA a loan (in the economic conditions that said resolution foresees and in the terms established by SEDESA);
- II) A Resolution of the Steering Committee of the DGF which authorized and instructed SEDESA to offer and contract loans with the financial entities in the framework of special terms and conditions;
- III) The resolution of the Board of Directors of SEDESA approving the conditions of the offer to take loans;

SEDESA, acting as trustee of the DGF, offered to the entities of the financial system the reception of loans aimed at integrating the resources of the DGF.

The loans were subject to the contractual requirements requested by SEDESA, whose main characteristics were:

- i) Monthly disbursements to be paid by the entities together with the normal assessments;
- ii) An amount equivalent to the monthly total (normal plus additional if pertaining);
- iii) 36 months term for each monthly loan;
- iv) Interest: rate defined as "Treasury Constant Maturity", for a three months' term, informed by the Federal Reserve of the United States of America (Federal Reserve Board) in the Federal Reserve Statistical Release.

Ninety-three financial entities accepted to take part of the offer. Once the liquidity objectives were attained in the month of August, SEDESA informed the entities involved that it would receive no more loans within the proposed scheme and, as a result a debt of 106.6 million pesos as capital was left outstanding with the above- mentioned institutions.

As a consequence of this, the BCRA left without effect the pertaining provisions, maintaining as from then a basic monthly assessment of 0.015%, representing a reduction of 50% regarding the previous assessment in force up to December 1999.

## 2. Evolution of the DGF

The total income of the DGF amounted to 291.3 million pesos during fiscal year 2000. The monthly total accreditation average was of 22.5 million, with the following peculiarities, as explained in item 1:

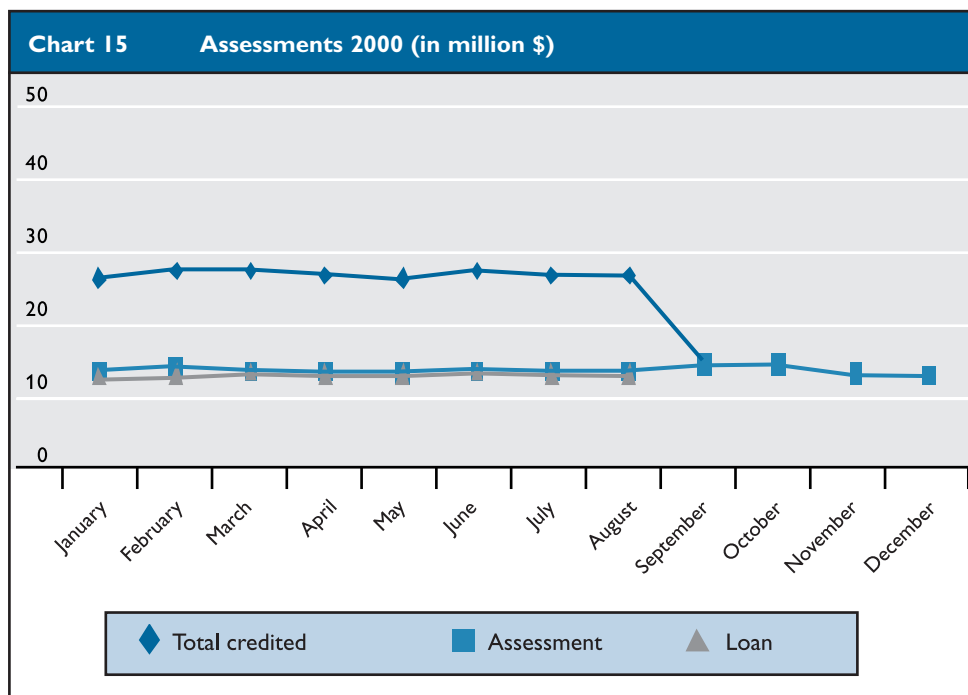
<b>TOTAL CREDITS Monthly Average (million Pesos)</b>	
January/August	26.9
Normal Assessment	13.6
Loans	13.3
September/December	13.6
Totals January/December	22.5

The monthly total evolution may be seen in Table IX and Chart 15, showing a maximum income of 27.4 million pesos for March and a minimum of 12.7 million pesos for December 2000. Both informations are illustrative of the behavior of total assessments along the year and their partial modalities.

The ratio Balance Available/Deposits was, during the year under study, in the average order of 0.19%.

The absence of critical situations in financial entities (with the exception of the case described in Chapter V), allowed one to maintain a permanent growth of balance available of the DGF, which increased a 390.1% between January and December, permitting a sustained recovery after the interventions performed in the five-year period 1995/2000 (particularly, between 1997 and 1999).

Month	Total credited (in million us\$)	Assessments (in million us\$)	Loans (in millions us\$)	DGF Available Balance (in million us\$)	Financial System's Deposits (in million us\$)	Ratio Available Balance/Deposits
January	26.4	13.5	12.9	51.7	79,495	0.07%
February	27.3	14.0	13.3	65.9	79,465	0.08%
March	27.4	13.7	13.7	80.8	79,811	0.10%
April	26.7	13.5	13.2	105.7	80,237	0.13%
May	26.5	13.4	13.1	133.1	80,950	0.16%
June	27.5	13.8	13.7	146.7	81,861	0.18%
July	26.9	13.6	13.3	175.1	82,667	0.21%
August	27.0	13.6	13.4	203.2	83,088	0.24%
September	14.5	14.5	0.0	214.1	83,350	0.26%
October	14.4	14.4	0.0	227.9	83,745	0.27%
November	13.1	13.1	0.0	241.7	82,770	0.29%
December	12.7	12.7	0.0	253.4	82,132	0.31%



### 3. Origin and allocation of Funds

As from the beginning of the system (May 1995) the DGF received assessments from the entities for a total of 1313.0 million pesos (an 89.1 per cent of its resources); in addition to other income (see Table X) its total income amounted to 1474.3 million.

A 72.5% of these resources was allocated to cover requirements of financial entities in crisis, mainly through contributions to Trust Agreements (67.9%), other non-reimbursable contributions (6.9%) and loans (0.4%).

As Chart 16 so indicates, the main item of the balance is the payment of Stand-By Repo's Facilities Program to the BCRA (6.8%), whose incidence is substantially higher if Fiscal Year 2000 is considered, where the proportion of payments on this behalf amounts to 9.8% (a close percentage to that of Contributions to Trust Agreements, 11.5% in the mentioned Fiscal Year). See Table XI and Chart 17.

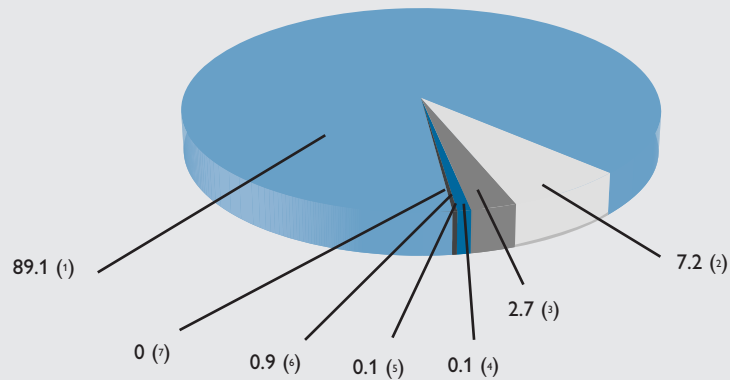
The opening commented also allows one to observe the proportion reached by the Loans from Entities (analyzed under the heading "Passive Transactions", at the beginning of this Chapter) that reached 32.3% of the income of the DGF (see chart 17).



<b>Table X. Origin and allocation of funds of the DGF up to 12.31.2000</b>		
<b>Amounts expressed in million dollars</b>		
<i>(From May 1995 to December 2000).</i>		
<b>Origin</b>	<b>Amount</b>	<b>%</b>
Assessments from Entities	1,313.0	89.0
Loans from Entities	106.6	7.2
Financial Income	39.1	2.7
Income proceeding from sale of real estate	1.4	0.1
Collection of loans	1.4	0.1
Income from credit recovery for certificates of participation in Trust Agreements	12.7	0.9
Other income	0.1	0.0
<b>Total</b>	<b>1,474.3</b>	<b>100.0</b>
<b>Allocation</b>		
Payment of Guarantees	0.7	0.0
Contributions to entities (Sect. 35 bis)		
<i>Detail</i>		
For contributions to Trust Agreements	1,000.6	67.9
For Non Reimbursable Contributions	101.0	6.9
For Loans Convertible into Corporate Bonds	5.0	0.3
For Loans	2.0	0.1
Payments of Stand-By Repo's Facilities Program BCRA	100.1	6.8
Financial Interests	4.2	0.3
Administrative Expenses	7.2	0.5
Other expenses	0.1	0.0
<b>Total Allocations</b>	<b>1,220.9</b>	<b>82.8</b>
<b>Balance of the DGF on December 31,2000</b>	<b>253.4</b>	<b>17.2</b>
<b>Total</b>	<b>1,474.3</b>	<b>100.0</b>

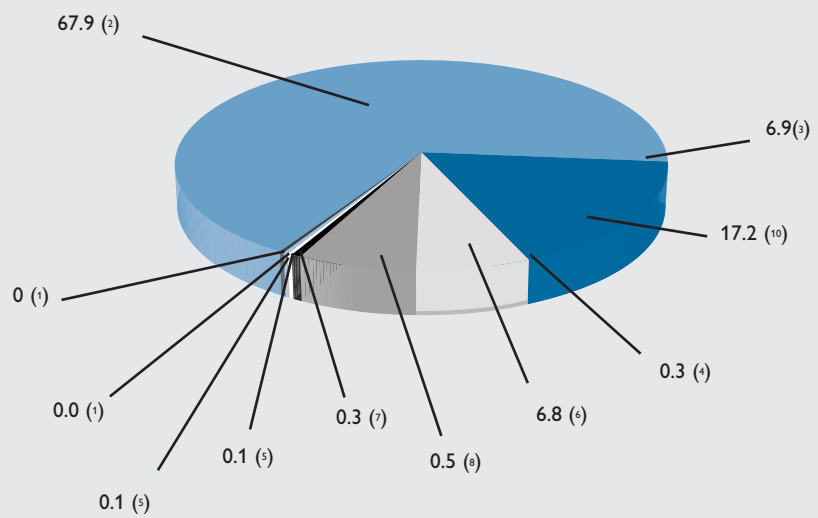
**Chart 16 Origin and allocation of funds of the DGF up to 12.31.2000**

**Origin**



- 1 - Assessments from entities
- 2 - Loans from Entities
- 3 - Financial Income
- 4 - Income from sale of real estate
- 5 - Loan collection
- 6 - Receipt and recovery of credits
- 7 - Other income

**Allocation**

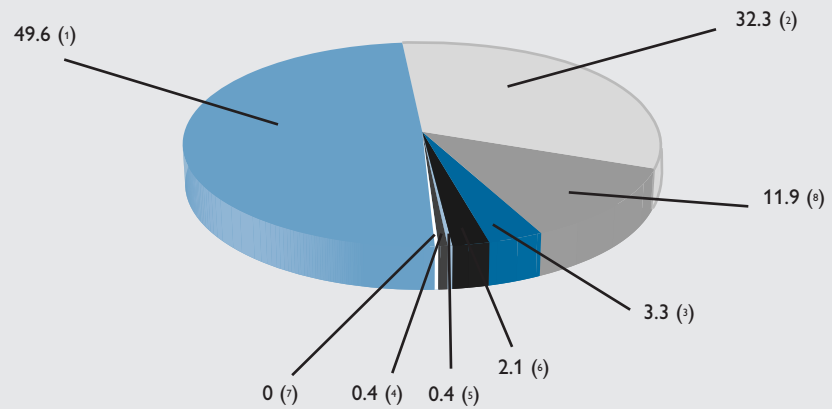


- 1 - Payment of Guarantees
- 2 - For contributions to Trust Agreements
- 3 - For non-Reimbursable Contributions
- 4 - For Loans Convertible into Corporate Bonds
- 5 - For Loans
- 6 - For Payments of Stand-By Repo's Facilities Program (BCRA)
- 7 - Financial interest
- 8 - Administrative expenses
- 9 - Other Expenses
- 10 - Balance

<b>Table XI. Origin and Allocation of Funds of the DGF (for Fiscal Year 2000)</b>		
<b>Amounts expressed in million dollars</b>		
	<b>Amount</b>	<b>%</b>
<b>Balance of the DGF to December 31, 1999</b>	39.2	11.9
<b>Origin</b>		
Assessments from Entities	163.8	49.6
Loans from Entities	106.6	32.3
Financial Income	10.9	3.3
Income proceeding from sale of real estate	1.4	0.4
Collection of loans	1.4	0.4
Income from credit recovery for certificates of participation in Trust Agreements	7.1	2.1
Other income	0.1	0.0
<b>Total</b>	<b>330.5</b>	<b>100.0</b>
<b>Allocation</b>		
Payment of Guarantees	0.0	0.0
Contributions to entities (Sect. 35 bis)		
<i>Detail</i>		
For contributions to Trust Agreements	38.0	11.5
For Non Reimbursable Contributions	0.0	0.0
For Loans Convertible into Corporate Bonds	0.0	0.0
For Loans	0.0	0.0
Payments of Stand-By Repo's Facilities Program BCRA	32.4	9.8
Financial Interest	4.0	1.2
Administrative Expenses	2.6	0.8
Other expenses	0.1	0.0
<b>Total Allocations</b>	<b>77.1</b>	<b>23.3</b>
<b>Balance of the DGF on December 31, 2000</b>	<b>253.4</b>	<b>76.7</b>
<b>Total</b>	<b>330.5</b>	<b>100.0</b>

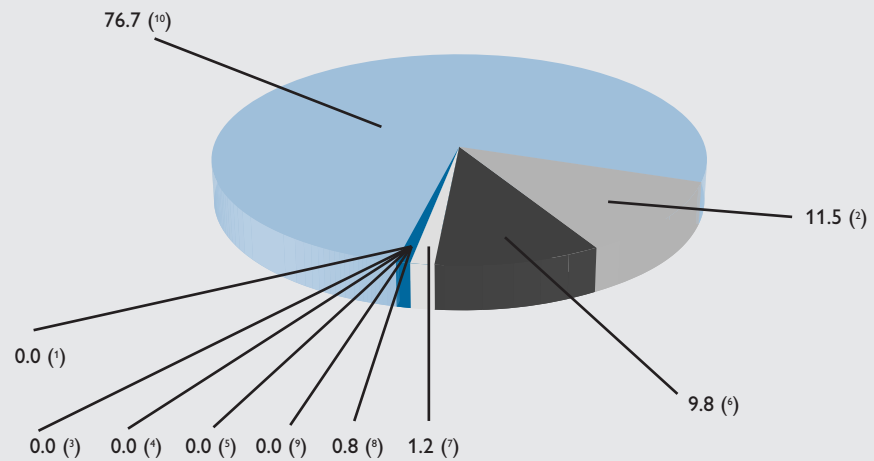
**Chart 17 Origin and Allocation of Funds of the DGF for Fiscal Year 2000**

**Origin**



- |                                       |                                       |
|---------------------------------------|---------------------------------------|
| ■ 1 - Assessments from entities       | ■ 5 - Loan collection                 |
| ■ 2 - Loans from Entities             | ■ 6 - Income from recovery of credits |
| ■ 3 - Financial Income                | ■ 7 - Other income                    |
| ■ 4 - Income from sale of real estate | ■ 8 - Balance                         |

**Allocation**



- |  |   |
|--|---|
| ■ 1 - Payment of Guarantees                      | ■ 6 - For Payments of Stand-By Repo's Facilities Program (B.C.R.A.) |
| ■ 2 - For contributions to Trust Agreements      | ■ 7 - Financial interest  |
| ■ 3 - For non-Reimbursable Contributions         | ■ 8 - Administrative expenses                                       |
| ■ 4 - For Loans Convertible into Corporate Bonds | ■ 9 - Other Expenses  |
| ■ 5 - For Loans                                  | ■ 10 - Balance  |

## VII. Other Activities and Tasks

### 1. *Administration and Finance*

During the Fiscal year under review the rate of adequacy and innovation in several aspects of corporate activities remained constant, so as to keep the operational structure up to the maximum levels of efficiency and economy. The following matters are worth mentioning:

#### *Preparation of Organization and Procedures Handbooks:*

Although the preparation of these operational handbooks has as its main objective the improvement of the efficiency of the Organization in the performance of its activities, other reasons may be pointed out which justify their availability. For instance:

- They are a permanent source of information regarding general and sectorial practices of the Corporation.
- They help to institutionalize and make effective procedures, allowing for the normalization of activities.
- They simplify the establishments of operational standards.
- They avoid arguments and misunderstandings, facts which are frequent in organizations where there exists no "official version" regarding subjects which may lead to conflicts.
- They ensure continuity and coherence in the practices and norms over time.
- They regularize the technical basic terminology of the administrative work.
- They are useful elements in the training and qualification of new employees, as well as of all those members of the Organization who are promoted or are destined to fulfill functions in other sectors of same.
- They are an efficient work guide, a valuable instrument of consultation and their use brings with it important reductions of waste-time by avoiding routine questions (the rapid answer to those questions is obtained through the prior reading of the handbook).
- Since what is to be done is clearly written, there is a higher propensity of the staff to assume their responsibility and their morale is incentivated, since their activity is placed in the context of the Organization, which enables them to visualize their contribution towards the obtention of the end product.
- They are an important limitation to improvisation in their diverse manifestations and an element of revision and objective evaluation of institutional practices.

- They facilitate effective delegation since, there being written instructions, the follow-up on the part of the supervisor may be circumscribed to control by exception (acting exclusively when things go out of their normal circuit).
- They constitute an historical legacy regarding the administrative evolution of the Organization.

### ***System of Information on Investments***

The effective connection between operators and contributors allows knowing in real time the positions pertaining to the financial administration of the DGF. At the same time, an Internal Investment Committee keeps a permanent evaluation and follow-up of the financial placements of the DGF in order to optimize its profits.

### ***2. Technical Assistance Granted***

An intense advisory activity and transfer of experiences was developed with the "Fondo de Garantías Financieras " of Colombia and with El Salvador, in the process of transforming their deposit guarantee systems.

In both cases, the contact was very close and frequent over the year, taking the form of a consultation on working documents and revision of normative projects.

An agreement of information exchange and technical cooperation was also signed with Mexico.

### ***3. Corporation Aspects***

In the Ordinary Shareholders' Assembly the management reports corresponding to 1999 (Board of Directors and Syndics' Committee) were approved, and the Board of Directors of the corporation was ratified; it had been chosen by the previous Assembly for a three-year period.

SEDESA's international relationships were intensified, not only owing to the performance of the annual Symposia (as detailed in Section 1 of Chapter III) and to the technical assistance briefly described in the above section, but also owing to the direct links derived from the activities of the Chairmanship. (See box in the following page).

#### 4. General Secretariat

The work-load of the administrative activities of the Secretariat is reflected by the movement of incoming and outgoing correspondence, 787 receipts and 431 issues being registered during 2000. Furthermore, there was also the drafting of 45 Minutes of the Board of Directors, 6 Minutes of the Steering Committee (whose meetings are held in connection with cases administered or to be administered), plus the carrying-out of translations (Annual Report and Symposium connected documents) and assistance in the Trust Agreements follow-up tasks.

##### International Connections

During 2000 the international activities of SEDESA were marked, concerning the attendants to the Second Symposium on Deposit Insurance or other visitors received, as well as owing to the Chairman visits to foreign countries. Thus, close links were maintained with institutions directly connected with the corporation's activities and the administration of resources of the DGF.A list of the institutions follows:

Asociación Española de Banca Privada  
Banca d'Italia  
Banco de España  
Inter-American Development Bank  
Bank for International Settlements  
Brookings Institution  
Federal Deposit Insurance Corporation  
Financial Stability Forum  
Financial Stability Institute  
Fondo de Garantía de Instituciones Financieras (Colombia)  
Fondo Interbancario di Tutela dei Depositi  
Institute for International Finance  
Instituto para la Protección al Ahorro Bancario (Mexico)  
International Monetary Fund  
The World bank

#### 5. Systems

During 2000 the information technology area developed and implemented several services with regard to the needs and requirements which SEDESA had to face. Among these, and according to their importance, we should mention:

- Revision and adequacy of deposit bases for the calculation of the guarantee, in the requirements posed by the situation of the entities Cia. Financiera Lujan Williams and Mercobank S.A. In the first case, the officer in charge of the area traveled to the entity's headquarters (in the Province of Mendoza), so as to evaluate the conditions of the company's systems and to obtain the required databases.

- Analysis, design and programming of the annex stages required for the DGF data base, with regard to the need of accounting for the loans arisen as from the establishment of the Loans Operations programmed by the BCRA (Communiqués A 3064 and A 3068). Later, the original program had to be reinstated, eliminating the stages owing to the cancellation of said operations (Communiqué A 3153).
- Maintenance of the Internet website.
- General administration of the information technology platform of SEDESA.

#### Y2K or Back to the Millennium

The greater part of computer programs were designed considering that the first two digits of each year would be 1 and 9, the same which are used to identify a particular century. If, upon arriving to year 2000, this were registered with double zero (00), the non-updated systems would assume that it meant 1900. Such situation would be the cause for serious errors in logical and arithmetical operations. Incorrect results would be obtained, and the cessation in the service of the information technology systems and alterations in equipments with electronic registries of dates to control operations of instruments and machinery depending on a microprocessor for their functioning (medical, security, telecommunications, lifts, bank vaults, air traffic control, optic readers) would inevitably follow.

In sum: a generalized chaos would result owing to information technology dislocation. This hypothesis of potential damage shaped its cryptography: Y (for Year) 2k (for 2000 and kilo – 1000).

On a global scale, it was estimated that the cost of facing the problem and adjusting the systems with enough anticipation in order to avoid the information technology collapse would amount to between 400 and 600 thousand million dollars, without considering the impact of eventual legal actions which could be placed against the information technology companies as from the new millennium.

SEDESA prepared with prudent anticipation the adjustment of its existing equipment, working as much on the hardware as on the software, and installed a new version of the server operations system. Failure prevention tasks were coordinated and general tests of the systems with anticipation to the change of year were performed.

In the event, millennium did not miss its appointment with destiny. However, in this occasion the scarifying seduction seemed to adopt a terminal form in line with the correct historical context of the new change of century.

There were no terrifying signs in heaven (for example, comets in the shape of swords – year 1014-) nor an eclipse forecasting that a lethal plague would spread over the whole of humanity – year 1033- nor the epidemics which in 997 caused severe penuries, nor the famines nor the climate alterations – year 1033 – that spread terror regarding the end of the world between 980 and 1040.

Was it an objective reality? Maybe an error owing to an excess of professionalism? Probably this will never be known. The only truth of the matter and unlike the previous millennium, was no doubt the cost incurred in avoiding what never happened. At least, till now.



## VIII. Financial Statements as at December 31, 2000

### Seguro de Depósitos Sociedad Anónima

Registration Number at the Supervisory Body of Legal Entities: 8662

#### I. Balance sheet as at December 31, 2000 and 1999 (in Argentine Pesos)

<b>Assets</b>	<b>2000</b>	<b>1999</b>
Current Assets		
Cash and Banks	120,971	4,096,475
Investments	7,306,093	3,141,890
Other Receivables	109,524	67,968
<b>Total Current Assets</b>	<b>7,536,588</b>	<b>7,306,333</b>
Non-Current Assets		
Investments	-	3,976
Other Receivables	11,400	11,400
Fixed Assets	-	254
Other Assets	63,302	-
<b>Total Non-Current Assets</b>	<b>74,702</b>	<b>15,630</b>
<b>Total Assets</b>	<b>7,611,290</b>	<b>7,321,963</b>
<b>Liabilities</b>		
Current Liabilities		
Accounts Payable	59,818	160,039
Social Security Charges Payable	19,329	10,324
Taxes Payable	73,096	3,319
<b>Total Current Liabilities</b>	<b>152,243</b>	<b>173,682</b>
Non-Current Liabilities		
Other Liabilities	3,000	3,000
<b>Total Non-Current Liabilities</b>	<b>3,000</b>	<b>3,000</b>
<b>Total Liabilities - Sub-Total</b>	<b>155,243</b>	<b>176,682</b>
<b>Shareholders' Equity</b> (as per pertaining statement)	<b>7,456,047</b>	<b>7,145,281</b>
<b>Total</b>	<b>7,611,290</b>	<b>7,321,963</b>

See our Report dated :  
February 26, 2001

Finsterbusch Pickenhayn Sibille  
Prof. Assoc. Reg. CPCECABA T° 2 F° 6

Ricardo E. De Lellis  
Partner  
Chartered Public Accountant (U.B.A.)  
C.P.C.E.C.A.B.A. T° XCIV F° 166

Enzo A. Vivian  
Syndic  
for the Syndics' Committee

José Carlos Jaime  
Chairman

## Seguro de Depósitos Sociedad Anónima

Registration Number in the Supervisory Body of Legal Entities: 8662

### 2. Statement of Income for Fiscal Year ended December 31, 2000 in comparison with the previous fiscal year (in Argentine Pesos)

	<u>2000</u>	<u>1999</u>
Investment Income	531,622	354,082
Administrative Expenses	(613,533)	(636,796)
Plus:		
Expenses Recovery	415,735	432,000
Net Profit (before Income Tax)	333,824	149,286
Income Tax	<u>( 23,058)</u>	<u>( 62,504)</u>
Fiscal Year Profit	<u><u>310,766</u></u>	<u><u>86,782</u></u>

See our Report dated :  
February 26, 2001

Finsterbusch Pickenhayn Sibille  
Prof. Assoc. Reg. CPCECABA T° 2 F° 6

Ricardo E. De Lellis  
Partner  
Chartered Public Accountant (U.B.A.)  
C.P.C.E.C.A.B.A.T° XCIV F° 166

Enzo A. Vivian  
Syndic  
for the Syndics' Committee

José Carlos Jaime  
Chairman

## Seguro de Depósitos Sociedad Anónima

Registration Number in the Supervisory Body of Legal Entities: 8662

### 3. Statement of Changes in Shareholders' Equity for the Fiscal Years ended December 31, 2000 and 1999 (in Argentine Pesos)

	Shareholders'				Retained Earnings	Total on 12-31-00	Total on 12-31-99
	Contribution	Reserved Earnings					
	Capital Stock	Legal Reserve	Optional Reserve	Total			
Balances at the Beginning of the Fiscal Year	1,000,000	200,000	5,220,191	5,420,191	726,294	7,146,485	7,064,633
Amendment of Balances	-	-	-	-	( 1,204)	( 1,204)	( 6,134)
Amended Balances	1,000,000	200,000	5,220,191	5,420,191	725,090	7,145,281	7,058,499
Profit of the Fiscal Year as per Income Statement	-	-	-	-	310,766	310,766	86,782
Balances on the Closing of the Fiscal Year	<u>1,000,000</u>	<u>200,000</u>	<u>5,220,191</u>	<u>5,420,191</u>	<u>1,035,856</u>	<u>7,456,047</u>	<u>7,145,281</u>

See our Report dated :  
February 26, 2001

Finsterbusch Pickenhayn Sibille  
Prof.Assoc. Reg. CPCECABA T° 2 F° 6

Ricardo E. De Lellis  
Partner  
Chartered Public Accountant (U.B.A.)  
C.P.C.E.C.A.B.A.T° XCIV F° 166

Enzo A. Vivian  
Syndic  
for the Syndics' Committee

José Carlos Jaime  
Chairman

#### *4. Independent Auditor's Report*

To the Chairman and Board of Directors  
SEGURO DE DEPOSITOS SOCIEDAD ANONIMA  
Av. Leandro N. Alem 651, 7th Floor  
Buenos Aires

We have examined the balance sheet of SEGURO DE DEPOSITOS SOCIEDAD ANONIMA as of December 31, 2000 and the related statement of income and changes in stockholders' equity, notes 1 to 12 and the Exhibits I to III for the fiscal year then ended, submitted in comparison with the previous fiscal year. These financial statements are the responsibility of the Board of Directors of the Corporation. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with generally accepted auditing standards in force in the Argentine Republic. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit includes assessing the accounting standards used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our professional opinion.

In our opinion, the aforementioned financial statements present fairly, in all material aspects, the financial position of SEGURO DE DEPOSITOS SOCIEDAD ANONIMA as of December 31, 2000 and 1999, as well as the results of the operations and the changes in stockholders' equity for the fiscal years ended on those dates, in conformity with generally accepted accounting standards in force in the Argentine Republic.

In accordance with current regulations, we inform that:

- a) The financial statements arise from the accounting records of the Corporation, kept in conformity with the applicable statutory rules;
- b) As it is explained in Note I, the provisions of Decree 316/95 and of General Resolution 8/95 of the Supervisory Body of Legal Entities have been complied with;

- c) Liabilities accrued in favor of the National Social Security Administration, as of December 31, 2000, according to the accounting records, amounted to \$ 18,298.04, none of which were past due at that date.

Buenos Aires, February 26, 2000

Finsterbusch Pickenhayn Sibille  
Prof. Assoc. Reg. CPCECABA T° 2 F° 6

Ricardo E. De Lellis  
Partner  
Chartered Public Accountant (U.B.A.)  
C.P.C.E.C.A.B.A. T° XCIV F° 166

## *5. Report of the Syndics' Committee*

Buenos Aires, April 4, 2001

To the  
Shareholders of SEDESA  
Seguro de Depósitos S.A.

In fulfillment of the mission entrusted to this Committee by the Ordinary Assembly and in compliance with the legal and statutory regulations in force, this Committee has developed its specific activity in permanent contact with the management of the Corporation during the course of the Sixth Fiscal Year, ended as at December 31, 2000, and has had intervention in those matters on which it has been called in the sphere of the duties and attributions of its responsibility. In one of its aspects, such activity was reflected in the attendance of its members to the meetings of the Board of Directors, as shown on the pertinent minutes.

Also, the accounting and the vouchers of the line of business, as well as all the administrative management in its capacity of trustee of the Deposit Guarantee Fund (DGF) Trust, were checked with the required frequency and regularity according to the pertaining contract. On the other hand, it was endeavored to coordinate the activities of the Committee with the tasks of the External Audit of the Corporation, which carries out periodically cash audits of the funds and securities, of investments with their supporting documentation and other assets, rights and liabilities connected with the society management, as shown by the pertaining working papers and reports related to the controls effected.

Finally, the Balance Sheet, Inventory and Income Statement, the State of Evolution of Stockholders' Equity, the Statement of Origin and Allocation of Funds, the notes and Exhibits to the Financial Statements, were verified, and it was confirmed that they show in a correct and adequate way, the stockholders' equity and financial situation of the Corporation. Said Statements were prepared in accordance with the legal provisions in force and to the accountancy norms on the matter. In like manner, we performed the same functions with regard to the Financial Statements of the Deposit Guarantee Fund (DGF) for the period ended as of December 31, 2000, verifying that they reasonably show the shareholders' equity and financial position of the DGF.

We must also point out our agreement with the statements set forth by the Board of Directors in the Annual Report, since in our opinion they reveal a fair valuation of the economic, financial and shareholders' equity situation of

the Corporation and of the Deposit Guarantee Fund, of the main aspects and facts of the Corporation management and, essentially, of the specific income.

Based on the above, we recommend to the Shareholders the approval of the activities fulfilled by the Board of Directors and of the documents submitted to their consideration.

On behalf of the Syndics' Committee:

CPA Enzo A. Vivian

Dr. Carlos M. Tombeur

Dr. Adolfo C. Diz

## Fondo de Garantía de los Depósitos

Trust Agreement between Banco Central de la República Argentina as Trustor and Seguro de Depósitos S.A. as Trustee – as per contract dated March 7, 1997-

### 6. Balance Sheet as at December 31, 2000 and 1999 (in Argentine pesos)

<b>Assets</b>	<b>2000</b>	<b>1999</b>
Current Assets		
Cash and Banks	305,110	225,535
Investments	253,166,949	38,992,221
Receivables	1,545,101	155,800
Other Receivables	-	121,471
Other Assets	4,076,653	3,516,400
<b>Total Current Assets</b>	<b>259,093,813</b>	<b>43,011,427</b>
Non-Current Assets		
Receivables	4,200,000	7,000,000
<b>Total Non-Current Assets</b>	<b>4,200,000</b>	<b>7,000,000</b>
<b>Total Assets</b>	<b>263,293,813</b>	<b>50,011,427</b>
<b>Liabilities</b>		
Current Liabilities		
Loans	363,794	-
Other Liabilities	252,790	-
<b>Total Current Liabilities</b>	<b>616,584</b>	<b>-</b>
Non-Current Liabilities		
Loans	106,552,217	-
<b>Total Non-Current Liabilities</b>	<b>106,552,217</b>	<b>-</b>
<b>Total Liabilities</b>	<b>107,168,801</b>	<b>-</b>
<b>Shareholders' Equity</b> (as per pertinent Statement)	<b>156,125,012</b>	<b>50,011,427</b>
<b>Total</b>	<b>263,293,813</b>	<b>50,011,427</b>

See our Report dated :  
February 26, 2001

Finsterbusch Pickenhayn Sibille  
Prof. Assoc. Reg. CPCECABA T° 2 F° 6

Ricardo E. De Lellis  
Partner  
Chartered Public Accountant (U.B.A.)  
C.P.C.E.C.A.B.A. T° XCIV F° 166

Enzo A. Vivian  
Syndic  
for the Syndics' Committee

José Carlos Jaime  
Chairman



## Fondo de Garantía de los Depósitos

Trust Agreement between Banco Central de la República Argentina as Trustor and Seguro de Depósitos S.A. as Trustee – as per contract dated March 7, 1997-

### 7. Statement of Income for Fiscal Year ended December 31, 2000 in comparison with the previous fiscal year (in Argentine pesos)

	<u>2000</u>	<u>1999</u>
Income from Recovery of Receivables and other Assets From Certificates of Participation in Trust Agreements	10,518,584	10,700,559
Income from Accrued Interests	11,029,255	3,404,954
Debt owing to non-recoverability (participation in Trust Agreements)	(37,990,000)	(330,357,269)
Expenses owing to Financial Interests	( 4,396,241)	( 206,275)
Debt owing to the Swap Program handled by the BCRA	(32,444,835)	( 18,660,632)
Administrative Expenses	( 2,741,659)	( 1,726,006)
Other Income and Expenses	( 105,413)	-
Ordinary Loss	(56,130,309)	(336,844,669)
Extraordinary Results	( 1,530,485)	( 3,254,917)
Fiscal Year Loss	<u>(57,660,794)</u>	<u>(340,099,586)</u>

See our Report dated :  
February 26, 2001

Finsterbusch Pickenhayn Sibille  
Prof.Assoc. Reg. CPCECABA T° 2 F° 6

Ricardo E. De Lellis  
Partner  
Chartered Public Accountant (U.B.A.)  
C.P.C.E.C.A.B.A.T° XCIV F° 166

Enzo A. Vivian  
Syndic  
for the Syndics' Committee

José Carlos Jaime  
Chairman

## Fondo de Garantía de los Depósitos

Trust Agreement between Banco Central de la República Argentina as Trustor and Seguro de Depósitos S.A. as Trustee – as per contract dated March 7, 1997-

### 8. Statement of Changes in Shareholders' Equity for the Fiscal Year ended on December 31, 2000 (in Argentine pesos)

	Contributions from Financial Entities	Retained Earnings	Fiscal year ended	
			12-31-2000 Total Shareholders' Equity	12-31-1999 Total Shareholders' Equity
Balances at the Beginning of the fiscal year	1,149,195,354	(1,099,183,927)	50,011,427	72,163,409
Contributions from Financial Entities	163,774,379	-	163,774,379	317,947,604
Loss of the Fiscal Year as per Statement of Income	-	( 57,660,794)	( 57,660,794)	(340,099,586)
Balances at the Closing of the Fiscal Year	<u>1,312,969,733</u>	<u>(1,156,844,721)</u>	<u>156,125,012</u>	<u>50,011,427</u>

See our Report dated :  
February 26, 2001

Finsterbusch Pickenhayn Sibille  
Prof.Assoc. Reg. CPCECABA T° 2 F° 6

Ricardo E. De Lellis  
Partner  
Chartered Public Accountant (U.B.A.)  
C.P.C.E.C.A.B.A.T° XCIV F° 166

Enzo A. Vivian  
Syndic  
for the Syndics' Committe

José Carlos Jaime  
Chairman

## ***9. Independent Auditor's Report***

To the Chairman and Board of Directors  
SEGURO DE DEPOSITOS SOCIEDAD ANONIMA  
Av. Leandro N. Alem 651, 7th Floor  
Buenos Aires

We have examined the balance sheet of FONDO DE GARANTIA DE LOS DEPOSITOS as of December 31, 2000 and the related statements of income and changes in stockholders' equity and origin and allocation of the funds, notes 1 to 10 and Exhibits I, II, III and IV for the fiscal year then ended, submitted in comparison to the previous fiscal year. These financial statements are the responsibility of the Board of Directors of the Corporation. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with generally accepted auditing standards in force in the Argentine Republic. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit includes assessing the accounting standards used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our professional opinion.

In our opinion, the aforementioned financial statements present fairly, in all material aspects, the financial position of FONDO DE GARANTIA DE LOS DEPOSITOS as of December 31, 2000 and 1999, as well as the results of the operations and the changes in stockholders' equity and origin and allocation of funds for the fiscal years ended on those dates, in conformity with generally accepted accounting standards in force in the Argentine Republic.

In accordance with current regulations, we inform that:

- a) The financial statement arise from the accounting records of the Corporation, kept, in their formal aspects, in accordance with the applicable statutory rules;
- b) As is explained in Note 1, the provisions of Decree 316/95 and of General Resolution 8/95 of the Supervisory Body of Legal Entities have been complied with;

- c) As of December 31, 2000 there are no liabilities accrued in favor of the National Social Security Administration according to the accounting records as of that date.

Buenos Aires, February 26, 2001

Finsterbusch Pickenhayn Sibille  
Prof.Assoc. Reg. CPCECABA T° 2 F° 6

Ricardo E. De Lellis  
Partner  
Chartered Public Accountant (U.B.A.)  
C.P.C.E.C.A.B.A.T° XCIV F° 166

## ***10. Report of the Syndics' Committee***

Buenos Aires, April 4, 2001

To the  
Shareholders of SEDESA  
Seguro de Depósitos S.A.

In fulfillment of the mission entrusted to this Committee by the Ordinary Assembly and in compliance with the legal and statutory regulations in force, this Committee has developed its specific activity in permanent contact with the management of the Corporation during the course of the Sixth Fiscal Year, ended as at December 31, 2000, and has had intervention in those matters on which it has been called in the sphere of the duties and attributions of its responsibility. In one of its aspects, such activity was reflected in the attendance of its members to the meetings of the Board of Directors, as shown on the pertinent minutes.

Also, the accounting and the vouchers of the line of business, as well as all the administrative management in its capacity of trustee of the Deposit Guarantee Fund (DGF) Trust, were checked with the required frequency and regularity according to the pertinent contract. On the other hand, it was endeavored to coordinate the activities of the Committee with the tasks of the External Audit of the Corporation, which carries out periodically cash audits of the funds and securities, of investments with their supporting documentation and other assets, rights and liabilities connected with the society management, as shown by the pertaining working papers and reports related to the controls effected.

Finally, the Balance Sheet, Inventory and Income Statement, the State of Evolution of Stockholders' Equity, the Statement of Origin and Allocation of Funds, the notes and Exhibits to the Financial Statements, were verified, and it was confirmed that they show in a correct and adequate way, the stockholders' equity and financial situation of the Corporation. Said Statements were prepared in accordance with the legal provisions in force and to the accountancy norms on the matter. In like manner, we performed the same functions with regard to the Financial Statements of the Deposit Guarantee Fund (DGF) for the period ended as of December 31, 2000, verifying that they reasonably show the shareholders' equity and financial position of the DGF.

We must also point out our agreement with the statements set forth by the Board of Directors in the Annual Report, since in our opinion they reveal a fair valuation of the economic, financial and shareholders' equity situation of

the Corporation and of the Deposit Guarantee Fund, of the main aspects and facts of the Corporation management and, essentially, of the specific income.

Based on the above, we recommend to the Shareholders the approval of the activities fulfilled by the Board of Directors and of the documents submitted to their consideration.

On behalf of the Syndics' Committee:

CPA Enzo A. Vivian

Dr. Carlos M. Tombeur

Dr. Adolfo C. Diz

## **IX. Allocation of the Results of the Fiscal Year**

The Legal Reserve having been constituted for an amount equivalent to 20 per cent of the Capital Stock, no further amount is to be allocated to that destination. Therefore, the Profit of the Fiscal Year, for a value of \$ 310,766 is allocated, as a whole, to the "Retained Earnings" account.

## ***Annex 1***

### ***Regulatory and Legal Framework***

#### **Laws 24485 and 25089**

*Law 24485 (passed on April 5, 1995; enacted on April 12, 1995)*

Its first section creates the System of Deposit Guarantee, of a limited, compulsory and onerous character, with the purpose of covering the risks of bank deposits, in a subsidiary and complementary manner to the system of deposit privileges and protection established by the Law on Financial Entities, without committing the resources of the Central Bank nor those of the National Treasury.

In the same section the Central Bank is enabled to organize and put into effect the system created.

*Law 25089 (passed on April 21, 1999; enacted on May 11, 1999)*

It modifies the first section of Law 24485 and establishes that "when the Central Bank provided for the total or partial suspension of operations or the revocation of the authorization to function of a financial entity, the System of Deposit Guarantee shall provide for the reimbursement to their holders of the amounts deposited in the special accounts for payment of salaries" in a term not longer than five working days as from the date of the suspension or the revocation of the authorization to function. This guarantee covers the whole of the last salary credited by the employer to the salary payment account.

#### **Decree N° 540/95 (amended text)**

The Deposit Guarantee System has been subject to amendments since its creation, and its regulations and operations have been adapted as the requirements of the resolution of different situations deemed it convenient. Thus, the modifications made to Decree 540/95 were referred to the type of assistance that SEDESA could grant as administrator of the Deposit Guarantee Fund (Decree N° 1292/96), to the extent of the guaranteed amount (Decree N° 1127/98), to the term within which the guarantee on the amounts deposited in the banking accounts for the payment of salaries was to be paid (Law N° 25,089 and Decree N° 499/99) and, now, to the possibility of the Deposit Guarantee Fund to contract debt (Decree 1292/99).



In view of the above, we have considered it convenient to transcribe the amended text of Decree 540/95, which states:

<sup>1</sup>**Section 1:** The "DEPOSIT GUARANTEE FUND" (DGF) is created with the purpose of covering the banking deposits with the scope foreseen in this Decree.

The constitution of the corporation "SEGURO DE DEPÓSITOS SOCIEDAD ANÓNIMA" (SEDESA) is decided, with the exclusive purpose of holding the functions of trustee of the Trust Agreement to be entered into between SEDESA and the NATIONAL GOVERNMENT, through the BANCO CENTRAL DE LA REPÚBLICA ARGENTINA, for the management of the DGF.

<sup>2</sup>When the Banco Central de la República Argentina should decide the total or partial suspension of the operations of a financial entity, or the revocation of the authorization to operate of a financial entity, the Deposit Insurance Guarantee System shall dispose the reimbursement, to their holders, of the amounts deposited in the special accounts for salary credit, opened by virtue of the provisions contained in section 124 of Law 20,744 (text amended in 1976), within a term not longer than five (5) working days as of the date of the suspension or the revocation of the authorization to operate.

<sup>3</sup>**The guarantee shall cover the full amount of the last salary credited by the employer to the account.**

<sup>4</sup>**Section 2:** The approval of the Charter and by-laws of the corporation "SEGURO DE DEPÓSITOS SOCIEDAD ANÓNIMA" (SEDESA), is delegated to the MINISTRY OF ECONOMY AND PUBLIC WORKS AND SERVICES. The corporation shall have as partners the BANCO CENTRAL DE LA REPÚBLICA ARGENTINA, with one share as a minimum, and whoever results to be trustee in the Trust Agreement to be entered into by the financial institutions authorized to operate in the ARGENTINE REPUBLIC which may express their will to be part of said Trust Agreement, in the proportion which for each one shall be determined by the BANCO CENTRAL DE LA REPÚBLICA ARGENTINA, on the basis of their assessments to the DGF. Until SEDESA is constituted, the assessments to the DGF shall be deposited to the account and entity that the BANCO CENTRAL DE LA REPÚBLICA ARGENTINA may determine.

<sup>5</sup>**Section 3:** SEDESA shall receive no compensation whatsoever for its activities as trustee of the DGF. The operational expenses of the corporation shall be those strictly necessary to operate and must be covered with the income of the DGF. The amendment of its by-laws or of its capital stock shall require at least the favorable vote of the shares belonging to the BANCO CENTRAL DE LA REPÚBLICA ARGENTINA.

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<sup>1</sup> Decree N° 1292/96, section 3

<sup>2</sup> Law 25,089/99, Section 1

<sup>3</sup> Vetoed by Decree N° 499/99

<sup>4</sup> Decree N° 1292/96, section 3

<sup>5</sup> Decree N° 1292/96, section 3

**Section 4:** The charter and by-laws of SEDESA, as well as any proceedings which must be given public deed rank, are ordered to be registered through the OFFICE OF THE GENERAL NOTARY PUBLIC OF THE NATION, without this implying any expense whatsoever.

**Section 5:** The SUPERVISORY BODY OF LEGAL ENTITIES is instructed to grant the respective agreements or authorizations and to take note of the recording of SEDESA on the registry kept by said body.

<sup>6</sup> **Section 6:** The financial entities authorized to operate in the ARGENTINE REPUBLIC shall be obliged to deposit with the DGF a normal monthly assessment to be determined by the BANCO CENTRAL DE LA REPÚBLICA ARGENTINA between a minimum of ZERO DECIMAL POINT ZERO FIFTEEN PER CENT (0.015%) and a maximum of ZERO DECIMAL POINT ZERO SIX PER CENT (0.06%) of the average of the daily balances of deposits in pesos and foreign currency constituted with the financial institutions, and with the additional assessments that the BANCO CENTRAL DE LA REPÚBLICA ARGENTINA may establish for each entity on the basis of the risk indicators it may deem appropriate. In no case the additional assessment of an entity shall exceed the equivalent of a normal assessment.

In what refers to the calculation of the average of the daily balances of deposits in pesos and in foreign currency, the deposits corresponding to national official accounts opened with the BANCO DE LA NACION ARGENTINA are excluded.

The BANCO CENTRAL DE LA REPÚBLICA ARGENTINA may determine that the payment of the assessment be in cash, or through the assumption of the commitment to make said payment, implemented under the conditions and formalities that the BANCO CENTRAL DE LA REPÚBLICA ARGENTINA may determine, and the contributing financial entities, in this last case, shall comply with the rules in force pertaining to minimum capital requirements. Said commitments may not be over FIFTY PER CENT (50%) of the pertaining assessment to be made.

<sup>7</sup> **Section 7:** The BANCO CENTRAL DE LA REPÚBLICA ARGENTINA shall determine the deadline of the obligation to deposit the assessments. The financial entities shall punctually deposit their assessments as a condition for operating legally. All financial entities that start to operate in the ARGENTINE REPUBLIC may join the trust referred to in Section 2 of the present Decree, and those which cease operating shall lose their capacity to integrate it, making cession of their right to the face value of SEDESA's shares. The Authority of Application shall annually establish the proportion of participation in the trust for each financial entity, and the transfers corresponding to the face value of the shares shall be immediately effected.

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<sup>6</sup> Decree N° 1292/96, section 3

<sup>7</sup> Decree N° 1292/96, section 3

<sup>8</sup> **Section 8:** When the DGF reaches the amount of TWO THOUSAND MILLION PESOS (\$ 2,000,000,000) or FIVE PER CENT (5%) of the total deposits to the financial system, should such a proportion be higher, the BANCO CENTRAL DE LA REPÚBLICA ARGENTINA may suspend or reduce the obligation of making assessments to the DGF, totally or partially restoring said obligation when the DGF decreases from said amount or proportion. To the purposes of this Section, only the cash assessments made by the financial entities shall be computed. The BANCO CENTRAL DE LA REPÚBLICA ARGENTINA may adapt the total amount that the DGF must reach, when it considers that the accumulated amount is sound in relation to the financial market situation and to the functions of the DGF.

<sup>9</sup> **Section 9:** At any time, the BANCO CENTRAL DE LA REPÚBLICA ARGENTINA may require from the financial institutions the advance payment of the contribution of up to TWO (2) years of the minimum foreseen for the normal assessments, whether it be totally in cash or including the assessment commitments up to the maximum authorized by Section 6 of the present Decree. It may also demand from whatever contributing financial entity the constitution of collaterals for the operations referred to in Paragraph e) of Section 10 bis of the present Decree. The BANCO CENTRAL DE LA REPÚBLICA ARGENTINA may, at SEDESA's requirement, debit directly the normal or additional assessments due by the financial entities, from the funds deposited by these with said Institution. It may proceed likewise in case the assessment commitments foreseen in Section 6 of the present Decree are not complied with.

The collaterals to be granted by the financial entities, in accordance to the provisions of the preceding paragraph, shall be determined on the basis of the amounts that individually pertain to them, and shall be at first request and in the conditions and formalities stipulated in this regard by the BANCO CENTRAL DE LA REPÚBLICA ARGENTINA.

<sup>10</sup> **Section 10:** The resources of the DGF shall be invested in similar conditions to those set for the placement of the international foreign currency reserves of the BANCO CENTRAL DE LA REPÚBLICA ARGENTINA. Notwithstanding this, the BANCO CENTRAL DE LA REPÚBLICA ARGENTINA may authorize that up to FIFTY PER CENT (50%) of the assets composing the DGF is invested in government public bonds. The earnings of the DGF shall be a part of it and shall be reinvested in the same conditions. SEDESA shall on a monthly basis inform the public and the SUPERINTENDENCY OF FINANCIAL AND FOREIGN EXCHANGE INSTITUTIONS the balance of the DGF.

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<sup>8</sup> Decree N° 1292/96, section 3

<sup>9</sup> Decree N° 1292/96, section 1

<sup>10</sup> Decree N° 1292/96, section 3

<sup>11</sup> **Section 10 bis:** SEDESA may perform, with the resources of the DGF, the following transactions:

- a) To make effective the coverage of the guarantee to the depositors, with the limits and conditions set forth in these presents, and their regulatory, complementary and clarifying provisions.
- b) To make capital contributions, non reimbursable contributions or loans to:
  - (I) The financial institutions which are subject to a regularization and restructuring plan and to the effect of supporting the fulfillment of same
  - (II) The financial institutions which acquire assets and assume the responsibility for the payment of the deposits of another institution subject to the regime of Section 35 bis and concordant of Law on Financial Entities N° 21,526 and its modifying laws, when it were convenient to compensate the inadequacy of said assets with regard to the whole of the deposits transferred; or
  - (III) The financial institutions which take over or purchase financial institutions in the framework of a regularization and restructuring plan.
- c) To enter, with financial entities acquiring assets and taking charge of the payment of the deposits of another entity subject to the regime of Section 35 bis and concordant of Law N° 21,526 and its modifications, a contract of sale option in favor of the acquiring entity, on the whole or part of the assets transferred.

The transaction foreseen in this Paragraph may be performed through the constitution of a trust agreement to which the assets of an entity subject to the regime of Section 35 bis of the above mentioned Law are transferred, and in which SEDESA, in its capacity of administrator of the DGF, acquires beneficiary right on the proceeds of the sale or of the liquidation of the assets transferred to the trust agreement.
- d) To acquire deposits of banks suspended under Section 49 of Law N° 24,144, up to the amounts of the guarantees foreseen in Section 13 of the present Decree, surrogating itself in the rights of the depositors.
- e) To borrow or to receive loans or to enter whatever other credit operation on account of the DGF, in its capacity of administrator of same, up to an amount not higher than the total amount of the monthly normal and additional assessments of the financial entities referred to in Section 6, be it cash or through the assumption of the commitment to contribute in accordance with the provisions of Section 6, during the period of TWO (2) years effective as from the

<sup>11</sup> Decree N° 1292/99, section 2

moment when the loan or the credit transaction is initiated. To the effect of determining the total assessments during the above-mentioned TWO (2) year term, the amount of the monthly assessments of each entity at the time of contracting the loan or performing the credit transaction, shall be computed.

- f) To perform, maintain or finance swap programs with foreign banks, with the purpose of contributing to the stability of the Financial System, with the previous agreement of the BANCO CENTRAL DE LA REPÚBLICA ARGENTINA, and on account of the DGF.

The application of the alternatives foreseen in the foregoing paragraphs b), c) and d) as well as the transactions to which paragraph e) refers, shall be exclusively decided by a Steering Committee, the decisions of which shall be binding to SEDESA. A representative of the BANCO CENTRAL DE LA REPÚBLICA ARGENTINA and a number of members to be determined in the Trust Agreement between a minimum of FOUR (4) and a maximum of SEVEN (7) representatives of the financial entities which contribute to the DGF shall make up said Committee.

The representative of the BANCO CENTRAL DE LA REPÚBLICA ARGENTINA shall be the President and will have a right of veto, but no right to vote.

The members shall have a right of vote in proportion to the assessments made to the DGF by the institutions they represent and in accordance to the provisions of the Trust Agreement.

The Steering Committee shall decide on the application of some of the alternatives foreseen in the preceding paragraphs b), c) and d) when, on the basis of estimates which may be made at the time when the decision must be taken, their adoption implies a direct cost to the DGF lower than that which would result on account of the DGF in case the authorization to operate of the affected institution were revoked and the payment to the depositors, foreseen in the preceding paragraph a), were to be effected, for which purpose the equity capital situation of the affected institution and the possible recovery of SEDESA's disbursements by way of subrogation shall have to be taken into account.

Exceptionally, and in case it is reckoned that the revocation of the authorization to operate of the affected entity could endanger the stability of other financial entities or of the financial system as a whole, the application of some of the alternatives foreseen in the preceding paragraphs b), c) and d) may be admitted even though this may imply a higher direct cost for the DGF than the one resulting from the application of the alternative foreseen in paragraph a); however in no way such cost may be higher than the total amount of the guaranteed deposits constituted at the affected financial entity.

Any aspect referring to the Steering Committee shall be foreseen in the Trust Agreement to be entered into by the BANCO CENTRAL DE LA REPÚBLICA ARGENTINA and SEGURO DE DEPÓSITOS SOCIEDAD ANÓNIMA.

**Section 11:** The deposits in PESOS and in foreign currency constituted with the participating entities under the form of checking accounts, saving accounts, certificates of deposit or other forms that the BANCO CENTRAL DE LA REPÚBLICA ARGENTINA determines and which meet the requirements set forth herein and the other requirements to be decided by the Authority of Application, shall benefit from the insurance coverage offered by the system.

**Section 12:** The following do not benefit from the coverage of the guarantee system:

- a) Deposits of financial entities with other intermediaries, including certificates of deposit acquired by secondary negotiation.
- b) Deposits made by persons connected, directly or indirectly, to the entity, according to the established guidelines or to those guidelines to be established in future by the BANCO CENTRAL DE LA REPÚBLICA ARGENTINA.
- c) Certificates of deposit of securities, acceptances or guarantees.
- d) Deposits constituted after July 1 of the present year, on which there had been agreed a rate of interest higher by two yearly percentage points to the deposit interest rate for equivalent terms of the BANCO DE LA NACIÓN ARGENTINA corresponding to the day prior to that of the deposit. The BANCO CENTRAL DE LA REPÚBLICA ARGENTINA may modify the reference rate set forth in this clause, communicating it with an anticipation of FIVE (5) banking working days.
- e) All other deposits which the Authority of Application may exclude in future.

<sup>12</sup> **Section 13:** The guarantee will cover the reimbursement of the sight deposits or of the certificates of deposit constituted for up to the amount of THIRTY THOUSAND PESOS (\$ 30,000).

The BANCO CENTRAL DE LA REPÚBLICA ARGENTINA may decide, at any time and with a general character, the modification of said coverage amount of the guarantee system, on the basis of the evolution that the process of consolidation of the financial system shows and of another pertinent economic indicators it may care to consult.

Deposits for amounts higher than the amount of the coverage are also included in the guarantee regime up to the maximum limit mentioned above.

<sup>13</sup> **Section 14:** The reception by the depositors of the amounts disbursed by SEDESA with the funds available in the DGF, implies the legal subrogation

<sup>12</sup> Decree N° 1127/98, section 1

<sup>13</sup> Decree N° 1292/96, section 3

in favor of SEDESA in the rights to collect from the liquidation or bankruptcy of the entity, with the privileges corresponding to the depositors and with collection priority over them up to reaching the amounts paid by SEDESA in accordance to the provisions of Section 13 of the present Decree.

**Section 15:** The guarantee is in force on equal conditions both for natural and juridical persons. In order to determine the amount benefiting from the guarantee and its reimbursement to the depositor, the total amount of the deposits that each person has with the institution on the date of revocation of the authorization to operate shall be computed. In the accounts and certificates of deposit made in the name of TWO (2) or more persons, it is understood that only one of them benefits from the guarantee, and the same shall be distributed on a pro-rata basis among the participants.

<sup>14</sup> **Section 16:**

**Section 17:** The guarantee shall be paid in a subsidiary and complementary manner to the reimbursement of deposits by application of the privilege set forth in the law on financial entities, within the term of THIRTY (30) working days as of the day following that of the revocation of the authorization to operate of the entity, provided the depositors meet the established requirements and the DGF has funds available. At SEDESA's request, the BANCO CENTRAL DE LA REPÚBLICA ARGENTINA may authorize the extension of said term, when the number of beneficiaries in process of settlement so justifies it. When the resources of the DGF are insufficient to cover the payment of the amounts guaranteed, the reimbursement shall be made through the distribution of the available funds on a pro-rata basis. The balance shall be paid within a term of THIRTY (30) days counted as of the date when the DGF reports the existence of financial availability. In these cases and when there were more than one entity whose authorization had been revoked, the payment priority shall be governed by the chronological order resulting from the beginning of the counting of the term of payment of the guarantee. In no case shall the DGF cover or acknowledge interests for the period going from the original due date of the deposits and the date of payment of the guarantee.

**Section 18:** Payment of the amounts guaranteed shall be made in pesos or in foreign currency, according to the proportion of each type of currency resulting from the total capital deposited. With this last objective in mind and in order to equalize the balances of the total deposited when dealing with deposits in foreign currency, its equivalent in pesos shall be applied according to the seller rate of exchange for bills of the BANCO DE LA NACIÓN ARGENTINA, corresponding to the day prior to that of the revocation of the authorization to operate of the entity concerned.

<sup>15</sup> **Section 19:** SEDESA may reject or postpone until its judicial recognition the request for coverage of the guarantee when the respective

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<sup>14</sup> Repealed by Decree N° 1127/98, section 2

<sup>15</sup> Decree N° 1292/96, section 3

deposits do not meet the formal or substantial requirements set forth in the present regulations or other provisions that the BANCO CENTRAL DE LA REPÚBLICA ARGENTINA may issue.

<sup>16</sup>**Section 20:** SEDESA may exercise the pertaining legal actions when, in its judgement, there were real possibilities of recovering the amounts disbursed.

**Section 21:** The regime established herein will be in force with regard to certificates of deposit constituted or renewed as from April 18, 1995, and with regard to the sight deposits existing in the balance sheets corresponding to the closing of that day, constituted in financial entities which were not suspended by the BANCO CENTRAL DE LA REPÚBLICA ARGENTINA or whose authorization to operate had not been revoked.

**Section 22:** The BANCO CENTRAL DE LA REPÚBLICA ARGENTINA shall be the Authority of Application of the system created by Law 24,485 and regulated herein, it being authorized to issue the necessary rules of interpretation and application.

**Section 23:** The Board of Directors of SEDESA shall inform the SUPERINTENDENCY OF FINANCIAL AND FOREIGN EXCHANGE ENTITIES depending from the BANCO CENTRAL DE LA REPÚBLICA ARGENTINA its opinion regarding the financial entities which, in its judgement, have credit or commercial policies considered of a risk higher than normal. It shall equally be possible to request its opinion with regard to the applications for authorization to operate or of transformation under consideration by the BANCO CENTRAL DE LA REPÚBLICA ARGENTINA.

**Section 24:** The present Decree shall be in force as of the date of its publication in the Official Gazette.

**Section 25:** To be communicated, published, given to the National Direction of Official Registry and filed.

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<sup>16</sup> Decree Nº 1292/96, section 3



*Communiqués of the Banco Central de la República Argentina*

Communiqué "A" 3064

(January 21, 2000)

Deposit Guarantee Fund. Assessments and Loans.

It establishes a normal assessment of 0.015%, as from January 2000, for the financial entities which enter into loans with SEDESA, allocated to the DGF. For those entities which do not enter into loans a monthly assessment of 0.03% is maintained.

It regulates the general conditions of the loans allocated to the DGF.

Communiqué "A" 3068

(January 28, 2000)

Deposit Guarantee Fund. Assessments and Loans. Text Amended.

It updates the regulations of Application of the System of Deposit Guarantee as a consequence of Communiqué "A" 3064, clarifying that the loans of the entities to the DGF are excluded from the limits established in the matter of credit risk breakdown (Communiqué "A" 2140 and complementary).

Communiqué "A" 3153

(August 24, 2000)

Deposit Guarantee Fund. Loans Rescission.

The provisions pertaining to loans from the financial entities to the DGF are rescinded (without it affecting the loans in force), establishing the normal minimum monthly assessment at 0.015% of the monthly average of the daily balances of the pertaining allotments.

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