



Bank Finance and Regulation Survey

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I. BANKS AND FINANCIAL INSTITUTIONS SUPERVISION

- 1) **Applicable laws and regulation. Provide a list of the main laws and regulations that refer to the supervision and control of banks and financial institutions. Give a brief summary of the substance of each of them.**

The legal and regulatory framework governing financial intermediation activities is the following:

- (i) Law No. 15.322, dated September 17, 1982, (as amended by Law No. 16.327, dated November 11, 1992, Law N° 17.523 dated August 4, 2002, and Law referred to as in point iii below) (hereinafter the “**Financial Intermediation Law**” or “**FIL**”);
- (ii) Regulatory Decree 614/992 of December 11, 1992,
- (iii) Law No. 17.613, approved on December 27, 2002;
- (iv) Law No. 16.696, approved on March 30, 1996 (as amended by Law No. 18.401, dated October 24, 2008) and by Law No. 18.670, dated July 20, 2010) (hereinafter “**BCU’s Charter**”);
- (v) Central Bank of Uruguay Communications Compilation of Financial System Regulation and Control Rules (hereinafter “**RNRCSF**”);

2) Entities/Authorities in charge of the control and supervision. Purposes, powers and functions of each of them- their organization and structure (i.e. public or private, independency or body of the Government to which they belong, size, etc).

The Central Bank of Uruguay ("*Banco Central del Uruguay*") (hereinafter the "**BCU**"), through the Superintendency of Financial Services ("*Superintendencia de Servicios Financieros*") (hereinafter the "**SFS**"), is the entity in charge of the supervision and control of public and private institutions composing the financial intermediation system.

The BCU was created in 1967 by Article 196 of Uruguay's Constitution, and it has the legal status of "Ente Autónomo" (state autonomous entity). A state autonomous entity is a service within the commercial domain of the State, not subject to the Central Administration and endowed with technical, administrative and financial autonomy.

The BCU's Charter establishes that its government and management are in charge of a three members' board of directors, which is responsible for the policy and general administration of the bank. It has its legal domicile and headquarters in the city of Montevideo.

According to Article 7 of the BCU's Charter, the BCU's missions are: a) to have under its exclusive charge the issuing and retirement of money; b) to apply the necessary monetary, currency exchanging and crediting instruments, for the fulfillment of the purposes determined by the law; c) to act as economic advisor, banker and financial agent of the Government; d) to administrate the international reserves of the State; e) to be the banker of the financial institutions; f) to represent the Republic's Government at the international financial institutions and to execute the financial transactions related with the state's membership at these organizations; g) to pass the rules and supervise its accomplishment by the public and private institutions operating in the financial system.

(i) Superintendency of Financial Services

Law No 18.401 dated October 24, 2008 introduced significant changes to the BCU's Charter, particularly in terms of regulation and supervision of financial system. The current SFS is created from the unification of the sectors that previously existed within the bank: Superintendency of Financial Intermediation Institutions, Superintendency of Insurance and Reinsurance and the Securities Market Division and Control of AFAP.

The SFS is subordinated to the BCU's board of directors, but has technical and operative autonomy. It is headed by a Superintendent having an adequate professional training, standing and technical expertise. Said executive shall hold office for an eight-year term, and his appointment or removal, as the case may be, is decided by the unanimous vote of the members of the board of directors.

The SFS is responsible for:

1) dictating generic rules of prudence, as well as particular instructions, intended to preserve and maintain the stability, solvency, transparency and orderly and competitive functioning of the supervised institutions and markets in which they operate as well as for the protection of consumers of financial services and the prevention and control of money laundering and terrorist financing.

- 2) authorizing upon approval by the Executive Power the establishment of supervised entities referred to in literals A), D) and E) of Section 37 of the Charter (see answer 3) .
- 3) Granting permission to operate, to the supervised entities referred to in literals B), C) and F) of Section 37 of the Charter; revoke said permits in case of serious infringements, and regulate their functioning.
- 4) Authorizing the opening of branches/offices of already installed supervised entities.
- 5) Giving opinion or deciding on merger projects, absorptions and any other transformation of supervised entities, taking into account, the Corporation's Bank Savings Protection opinion, with regard to those entities who contribute to the fund managed by it.
- 6) Authorizing the issuance and transfer of shares of supervised entities organized as corporations, taking into account, the Corporation's Bank Savings Protection opinion, with regard to those entities who contribute to the fund managed by it.
- 7) Approving plans for net worth restructuring filed by the supervised entities, taking into account, the Corporation's Bank Savings Protection opinion, with regard to those entities who contribute to the fund managed by it.
- 8) Requiring from the supervised entities to provide information and to disclose records and documents with the periodicity and in the form it deems necessary.
- 9) Determining the accounting information regime to which supervised entities shall be subject.
- 10) Regulating the periodic publication of financial statements and other information of supervised entities.
- 11) Periodically evaluate the economic and financial situation of the supervised entities, the permanent compliance with obligatory rules and the quality of the management of these entities.
- 12) Applying to the supervised entities sanctions which may be observations, warnings and fines, up to 10% (ten percent) of the Banks' basic net worth responsibility in case they infringe the laws and decrees which govern their activities and the general rules or specific instructions given thereon.
- 13) Proposing to the BCU's board of directors the application of more serious monetary sanctions or other measures, such as the intervention, suspension of activities or revocation of the operating licenses to the supervised entities in case they infringe the laws and decrees which govern their activities and the general rules or specific instructions given thereon. It may also recommend to the BCU's board of directors to pursue before the Executive Power the revocation of operating licenses when appropriate.
- 14) Conducting preliminary investigations for senior personnel of any of the supervised entities and propose to the Board of Directors the adoption of sanctions that may apply in case of infringement of the law.
- 15) Granting no objection for the designation of senior personnel of any of the supervised entities in the cases specified by regulation.
- 16) Requiring the supervised entities restructurings of its organization and displacement or replacement of its senior personnel and modifications to the structure and composition of its share capital.
- 17) Exercising control on the supervised entities, taking into account its operations in the country and abroad.
- 18) Keep registries established by law and enabling the registries it deems necessary for the adequate functioning of the financial system, authorizing the inscription of those who meet the relevant requirements, and ordering its cancellation when appropriate, as indicated therein.
- 19) Agreeing basis with the Bank Savings Protection Corporation to coordinate actions aimed at the efficient operation of the financial system and full implementation of the objectives they have in common.
- 20) Disclosing information about individuals, businesses and institutions contained in its registries , which in no case will involve disclosing information regarding funds and assets

which are deposited in the national financial system or held by the supervised entities nor with regards to the affidavits submitted by the shareholders, directors and senior personnel of the supervised entities.

- 21) Suscribing cooperation agreements with international financial institutions or supervisory agencies of foreign countries as provided therein.
- 22) Carry out the activities assigned to the Bank in order to combat the offenses of money laundering and terrorist financing under current rules.
- 23) Addressing the claims of the supervised entities' consumers.

3) Describe briefly the activities under supervision and give a list of the different types of licenses available.

The activities under supervision and control of the BCU are those developed by the entities listed in section 34 of the Charter (the "**Supervised Entities**"). Said entities are:

- A) Institutions which integrate the financial intermediation system
- B) Entities which render financial services, transfers whether domestic or international, payments and debt collections services (excluding activities which are exclusive of Financial intermediation institutions)
- C) Exchange Houses ("*Casas de Cambio*")
- D) Savings Consortium Management Companies ("*Administradoras de Fondos de Ahorro Previsional*") and the Funds managed by them ("*Fondos de Ahorro Previsional*")
- E) Insurance and Reinsurance companies
- F) Stock Markets, Brokers dealers, custody entities and Securities compensating and clearance institutions;
- G) Investment Funds Managers, professional trustees, investments funds and Financial Trusts publicly offered;
- H) Those entities which issue publicly offered securities.

Article 1 of the FIL establishes that it is considered as financial intermediation the habitual and professional performance of intermediation or mediation transactions between the offer and demand of securities, money or precious metals.

It is now understood that the financial intermediation activity ruled by the FIL implies an activity consisting of "credit intermediation", both in the active and in the passive side of the credit relationship, being also a requirement that the activity be performed on a professional and habitual basis in Uruguay. Any time when entities engaged in financial intermediation raise funds from the public, they are having access to the public's savings. Then, financial intermediation implies the raising of funds from the general public in Uruguay, and the supervision of the entities having access to such general public's savings (banks) is a matter of public interest.

As stated above the BCU also supervises the activities of those companies which, not being financial intermediation institutions, make financial placements and investments with their own resources, or in the funding of which there is no participation of public savings, and those companies which only bring together parties in transactions of a financial nature without assuming any obligation or risk.

There are different licenses to carry on financial intermediation activity. Full banking activities are only permitted to those entities licensed as “Banks”. However, our law and regulations provide for other companies that may carry out limited banking activities such as “Casas Financieras” (Banking Houses) (hereinafter “BH”), “Cooperativas de Intermediación Financiera” (Financial Intermediation Cooperatives) (hereinafter “FIC”), “Bancos de Inversion” (Investment Banks), “Administradoras de Ahorro Previo” (Savings Consortium Management Companies) (hereinafter “SCMC”) and “Instituciones Financieras Externas” (External Financial Institutions) (hereinafter “EFI”). A more detailed description of each license is addressed in section II.

There are also, other financial institutions that do not carry out “financial intermediation” as defined in Article 1 of the FIL, and are under the supervision and control of the BCU, through the SFS, .

These financial institutions are: exchange houses (“*casas de cambio*”), organizations that engage in credit card and charge card business (“*empresas administradoras de crédito*”), and representative offices (“*oficinas de representación de entidades financieras constituidas en el exterior*”) acting on behalf of banks not established in the country, preparing or facilitating business transactions for the represented party. Other regulated entities are those that carry out financial investments with their own resources or with conferred credits under the terms and conditions provided for in the charter; those entities that approximate or provide advise in financial transactions (financial advisors); that provide transfer of funds services; that provide ancillary services to the financial system – such as rating agencies, etc; and accounting, data processing services etc from our country abroad

It should also be mentioned that the BCU is the entity in charge of the supervision and control of Pension Funds Administrators (“*Administradoras de Fondos de Ahorro Previsional*”), trustees, as well as all the entities listed above and the supervision and regulation of the securities market.

4) Describe briefly non regulated financial and banking activities.

Currently, there are no specific regulations regarding entities that exclusively provide loans.

5) Describe briefly non-permitted financial and banking activities and/or government monopolies.

The issuing of money is under the exclusive charge of the BCU, and therefore any other bank cannot carry out this activity. Also, any insurance hired by public companies, occupational accidents insurance and on-the-job illness insurance can only be carry out by a public bank called Banco de Seguros del Estado, because those activities are government monopolies.

It should also be taken into consideration that financial intermediation entities may not carry out activities outside their business purpose or grant loans to officers or directors or related entities, make investments in shares or values issued by private entities, or be owners of real estate unless it is necessary for their activity or were received in payment of credits, according to Article 18 of the FIL, described in answer to question 6. Certain very limited exceptions apply to this principle as provided by the Central Bank Regulations.

II. BANKING ACTIVITIES

6) Different types of banking licenses. Activities permitted under each of them. Activities prohibited.

There are different types of license to carry on financial intermediation activity. Full banking license is reserve for banks and FICs while restricted licenses apply for “BH”, “investment banks”, “SCMCs” and “EFIs”.

a) Full banking license allows entities to carry out “financial intermediation” as defined in answer to question 3 in accordance with Article 1 of the FIL. Within the concept of financial intermediation, banks and financial intermediation cooperatives acting as banks may give loans, issue and manage credit card systems, give custody services, operate in foreign trade and make money transfers, etc. But only banks and financial intermediation cooperatives may receive deposits and offer checking accounts, receive deposits without a term, receive time deposits from residents and use the word “bank” or “banking” in the case of banks and “financial intermediation cooperatives” in the case of FICs (according to Article 17 of the FIL).

b) A “BH” license allows to carry out any kind of financial intermediation activities, except those that can only be performed by banks and FICs (e.g. receive deposits and offer checking accounts, etc).

c) An “investment bank” license allows to perform only the operations established in Law 16.131, which are the following: a) accept deposits coming from non residents, for more than one year term; b) get directly from abroad credits with terms longer than one year or try to get them for third parties; c) issue liabilities, debentures or similar assets; d) invest or otherwise operate with commercial papers, bonds shares, debentures, or similar assets with the intention of financing their own issuance or their placing; e) buy shares, liabilities or portions of equity of those companies which do not operate in financial activities (according to the percentages and conditions established by the Executive Power as advised by the BCU); f) buy assets, non fungible goods or real estate in order to give their use to third parties trading them for money to be paid periodically with or without buying option; g) give credits and loans at mid and long term; h) give or grant bonds, guaranties of any kind; i) accept and place promissory notes from third parties or companies that carry out financial intermediation activities; j) give advisory service for investments and manage investment portfolios; k) give advisory service in company management, as well as in reorganizations, mergers, acquisitions and beginning business; l) act as representatives and operate under commission or mandate in managing and investing funds of non residents; m) comply with commissions or mandates directly connected with their kind/type of activity; n) operate with precious metals and foreign currency.

d) An “EFI” license allows only to carry out intermediation activities regarding the offer and demand of securities, money or precious metals located abroad. Strict compliance with this restricted banking license enables EFIs to be exempt from all tax obligations levying its activity, its line of business, net worth or income. This license has the restriction of dealing exclusively with securities, money or precious metals located abroad, and operating only with non-residents (section 4 of the FIL)

Securities, money and precious metals will only be considered to be located abroad when they are subject to rights and obligations regarding non-residents.

Non-residents means: a) visitors, tourists and other persons who are in the country due to various reasons, but who do not have a general center of interest in the national economy, as is the case of ship or plane crews in transit or temporarily in the country, or of those who participate in sports events, conferences, meetings, student programs or family matters; b) commercial travelers and non-resident company employees staying less than a year in the country; c) foreign embassies and diplomatic representations within the country, as well as the foreign staff assigned thereto; d) international agencies; e) foreign head offices, branches or agencies of resident companies; f) individuals who live abroad and foreign legal persons who do not have their general center of interest in the national economy, even though they own property, rights or shares in the country;; and g) those external financial institutions and other companies which activity is limited to be performed only in a tax-free zone.

e) A “SCMC” (Savings Consortium Management Companies) license allows the organizing or managing of financial groups -either closed or open-, in which their members invest money –in a reciprocal or joint way- to buy certain goods or services and do this in an exclusive way.

7) Procedures to be followed and requirements to be met to obtain each of the different licenses. Formalities to be fulfilled, documentation to be submitted, guaranties requested, time estimation, etc.

In accordance with the provisions of the RNRCSF, in order to obtain the authorization of the Executive Power and the favorable opinion of the Central Bank of Uruguay, the request for authorization to operate as a bank, a BH, a FIC, an investment bank a SCMC or an IFE, shall include the following information (Article 3.1 of RNRCSF):

- a) Name and type of financial intermediation entity whose authorization is being requested.
- b) Draft of the by-laws that shall govern the company.
- c) Personal data of the legal representatives of the company (name, nationality, identity card and domicile).
- d) Intended organizational chart and number of people to be employed. Estimation of set up expenses.
- e) Economic and Financial feasibility study including the budget for the first three years of operation.

Furthermore, Article 3.1.1 of the RNRCSF establishes that if the entity requiring the authorization has been incorporated as a corporation (*sociedad anónima*) the following information or documentation shall be required:

I) Minimum information:

- a) Capital to be paid-in by each shareholder.
- b) List of shareholders and of the senior personnel who will be in charge of the corporation.

II) In the event the shareholders are legal entities, the following additional information regarding the shareholders shall be submitted:

- a) Certified copy of its by-laws.
- b) If they are foreign companies, certificate issued by the competent authority of the country of incorporation that proves that the shareholder is legally incorporated and that, in

- compliance with the laws of such country, there are no restrictions or prohibitions for such companies to participate as partners, founders or shareholders of other corporations incorporated or to be incorporated in Uruguay or abroad.
- c) Report and accounting statements corresponding to the last three fiscal years, with the opinion of an external auditor.
 - d) Rating risk granted by a rating agency, if it has.
 - e) Proof of chain of shareholders up to the legal entity exercising control of the group. In such chain it shall not be admitted to have corporations with bearer shares transferable by simple endorsement.
 - f) In case it is an affiliate or subsidiary belonging to a financial group, a note shall be submitted whereby the supervising agency or agencies of the head office state that they have no objections to the incorporation of a subsidiary in Uruguay and the type of supervision carried out over the head office it also should be stated.
 - g) The shareholders must have a consolidated net worth not lower than twice the estimated investment, in order to face any future capitalizations of the entity in case it is necessary. Should the same be reduced to a lower amount the SFS should be informed.
 - h) In case the Central Bank of Uruguay deems it necessary it may request additional information to the one mentioned above.

As soon the authorization request is submitted to the Executive Power, the company shall deposit in the BCU an amount corresponding to the minimum net worth liability as set forth in section 15 of RNRCSF, which shall be in Indexed Units (see following answer).

Once the authorization to operate is obtained from the Executive Power -according to the procedure mentioned above- the company shall request the SFS the corresponding license to begin operation.

Consequently, the information described below shall be submitted:

- a) Copy of the corporate by-laws -duly authorized by the Government- allowing the new company to operate as a financial intermediation entity.
- b) A special permit issued by the Security Companies National Register –a Ministry of the Interior office- stating that the new company complies with the minimum security standards.
- c) If the senior personal list has been modified, the information requested according to Article 3.6 of the RNRCSF about the member who had not been included before, shall be submitted.
- d) A description of the Internal Control System to be implemented in compliance with the security regulations indicated in the RNRCSF and appointment of the Internal Controller Committee.
- e) Name of the External Auditors.
- f) A description of the system adopted to avoid being used to legitimate assets originated in illegal activities, according to regulations stated in the RNRCSF about money laundering. The name appointed as Compliance Officer shall be submitted.
- g) Full dossier explaining the IT systems.
- h) Proof of having complied with the minimum capital requested.
- i) A statement indicating the new company's domicile.

All documents coming from abroad shall be duly legalized before the closest Uruguayan Consulate and then the chain of legalizations shall be completed before the Ministry of Foreign Affairs in Uruguay.

All documents shall be accompanied by a translation into Spanish by a Uruguayan public translator.

The authorizations and permits mentioned above shall be granted as long as the corresponding authorities may consider convenient.

8) Legal structure admitted/requested for each of the different licenses.

- a) **Different types of legal structures that may be used, i.e. corporations, limited liability partnerships, branches, subsidiaries, etc.**
 - b) **Capital requirements and funding rules.**
 - c) **Transfer of control and ownership regime. Is it regulated?**
 - d) **Personal requirements and restrictions that may apply in each case for officers, directors, shareholders, etc.**
 - e) **Special requirements/restrictions for foreigners either individuals or legal entities (including short description of WTO/GATS commitments and exemptions).**
- a) A bank, a BH, an investment bank and an EFI may be established as branches of public or private foreign banks or as Uruguayan corporations (“*sociedad anónima*”), with registered shares that must belong to banks or to individuals, except for an EFI that shares shall be owned only by banks. SCMC may be an individual or any legal entity without special requirements.
- b) In accordance with article 15 of the RNRCSF, the financial intermediation institutions must have at all times a minimum net worth (*Responsabilidad Patrimonial Neta Mínima*) of not less than the basic one which is currently 130,000,000 Index Units (approximately USD 14,482,791) for banks and investment banks, and FICs, 91,000,000 Index Units (approximately USD 10,139,954) for BHs, 19,500,000 Index Units (approximately USD 2,172,418) for FICs with restricted authorization, and 6,500,000 Index Units (approximately USD 724,139) for SCMC;
- c) Yes. In connection with the transfer of stock of financial intermediation institutions, Article 43 of Law No. 16.337 (as amended by Article 18 of Law 17.613) establishes that said shares may be transferred with BCU’s previous authorization.
Transfer shall take place within 90 days following the notification of such authorization of such transfer.
- d) i) The persons to be appointed to hold positions as officers or directors of financial intermediation institutions shall submit to the SFS certain personal information in order to be analyzed that the person meets high standards (criminal records, etc).. Appointed directors and general managers shall only take possession of their positions once the SFS has informed that such appointment is not objected. Regulations provide for the different documents and information that has to be submitted regarding the superior personnel of the entity. Also, there exist regulations on corporate governance.
- ii) Regarding shareholders no restriction apply except for EFIs in which case shareholders shall be only banks. Information on the chain of shareholders up to the company that exercise the control over the local entity has to be submitted. No bearer form shares are admitted in such shareholders’ chain.-

e) In connection with WTO/GATS commitments and exemptions Uruguay established as special requirement for foreigners, that authorization for enterprises incorporated abroad to set up branches or agencies in Uruguay to engage in financial intermediation activities is subject to the requirement that their by-laws or statutes do not prohibit Uruguayan citizens from being members of the management or board of directors or holding any other senior post, employment or position in the institution, within the territory of Uruguay.

9) Is there a Deposits Insurance? Is it mandatory or based on self-regulation? Provide a brief explanation of how it operates.

Law 17.613, of December 27, 2002 in its Article 45, created the Bank Deposits Guarantee Fund (*Fondo de Garantía de Depósito*) (hereinafter the "**FGD**") in order to implement a mandatory deposits insurance. Article 45 of Law 17.613 is regulated by the Executive Power through Decree N° 103/2005 of March 7, 2005 (hereinafter the "**Decree**"). Moreover, Law N° 18.401 created the COPAB, The *Corporación de Protección de Ahorro Bancario*, ("**COPAB**") which is the public entity in charge of the management of the Bank deposits Guarantee Fund. COPAB Directors are appointed by the Executive Power, and for an eight years term.

The FGD is considered as an independent patrimony, neither liable for the BCU's nor the contributors' debts and it may not be seized by any authority. It will be integrated with the banks' and FICs' contributions to be determined by the Executive Power, interests or reimbursement of investments made by the COPAB and income arising from loans granted by the COPAB with the FGD's resources and capital invested by the State

The banks' and FICs' annual contribution shall be determined by the COPAB and be an amount between 1 o/oo (one per thousand) and 30 o/oo (thirty per thousand) of the annual average of the total amount of deposits of the non financial sector (except for Government's deposits and Social Security Authority's deposits constituted within the banks and FICs), according to the terms and conditions of the applicable laws. COPAB may request advanced payments.

The deposits that are not covered by the guarantee (besides deposits made by financial intermediation entities which are also not covered) are: a) deposits pledged to guaranty credit transactions; b) deposits against which a negotiable certificate is issued, as from the date of the Decree; c) every investment made against the issuance of a negotiable security in the stock markets; and d) subordinated deposits made as from the date of the Decree.

The guarantee will cover up to US\$ 5,000 (US dollars five thousand) for all deposits in foreign currencies and up to the equivalent to UI 250,000 (indexed units two hundred fifty thousand) (currently approximately US\$ 27,851) for all deposits in national currency, which each individual or legal person may have in each financial intermediation institution.

10) Interest rate. Is it regulated? Should the answer be affirmative, explain briefly its regulatory framework.

Interest rates are regulated in Law N° 18.212. As stipulated therein, interests accrued in any credit operation are subject to certain maximums rates, except for certain limited exceptions indicated

in such law, such as credit operations made between financial intermediations institutions; and credit operations made between non financial entities exceeding UI 2.000.000.

The maximum interest rates for credit operations are fixed as a percentage over the average interest rates used by financial intermediation institutions with Uruguayan residents, depending on the amount of capital of the operation, and many variables have to be taken into consideration when analyzing the issue on a case by case basis. However, in order to have an idea of the system, below we will provide a general view on the system.

If the capital of the operation is lower than UI 2.000.000 (USD 234.042 aprox) the maximum interest rate (implicit interest rate) which can be charged are: : a) for *Compensatory interests*: 60% calculated over the average rates published by the BCU corresponding to the previous quarter to the date in which the obligation was constituted; b) for *Moratory interests*: 80% calculated over the indicated average rates.

If the capital of the operation exceeds UI 2.000.000 (USD 234.042 aprox) the maximum interest rates which can be charged are: a) *Compensatory interests*: 90% calculated over the average of the previous quarter rates published by the BCU corresponding to the previous quarter to the date in which the obligation was constituted; b) *Moratory interests*: 120% calculated over the indicated average rates.

If interests fixed are higher than the averages published by BCU , configures civil usury.

11) Sanctions (civil, administrative, or criminal) for violations of the legal and regulatory dispositions.

Article 20 of the FIL establishes that private persons who infringe laws and decrees governing financial intermediation or the general rules and special instructions issued by Banco Central del Uruguay, shall be subject, without prejudice to the criminal action that may correspond, to the following measures: 1) observation; 2) warning; 3) fines of up to 50% (fifty percent) of the minimum net worth required for the operation of banks; 4) intervention, which may be accompanied by the total or partial replacement of authorities; 5) total or partial suspension of activities, 6) temporary or permanent revocation of the license granted to the financial companies; 7) revocation of the authorization to operate.

The measures set forth in items 1) through 6) shall be applied by BCU, the measures set forth in items 4) and 5) and others related to the one indicated in item 3), may be accumulative and the revocation of the authorization to operate shall be decided by the Executive Power and consent by the BCU.

III. BANK SECRECY LAWS

12) Is clients' information protected? Are there any restrictions for its use?

Yes. See answer to question 13.

13) Should answer to number 12) be affirmative, please describe the legal framework, i.e. scope, limitation, exceptions.

Client information is subject to Article 25 of the FIL regarding bank secrecy law, which expressly prohibits the sharing of information with any third party (affiliates being considered third parties to such effects) with the exceptions provided in such article. Exceptions are: a) express authorization of the client, and b) grounded resolution issued by a criminal court or by a civil court but in this case only when alimony payments are at stake. On December 2005 Law No. 17.948 was approved by the Congress with the main purpose of clarifying the scope of the bank secrecy. Article 1 of this law establishes that bank secrecy only covers the transactions in which financial intermediation institutions undertake liabilities and any other transactions where they act as debtors, depositories, mandators or custodians of money or goods with respect to their clients, and not those regarding assets as loans, credits, etc.

14) Sanctions (civil, administrative, or criminal) for violations.

Criminal responsibility may lay on the bank employees who has breached the confidentiality duty. The criminal sanction established by Article 25 of the FIL goes from three months to three years of prison, depending on the seriousness and characteristics of the violation.

The BCU, according to Article 20 of the FIL, can also impose the following administrative sanctions: observation; warning; fines of up to 50% of the minimum net worth; total or partial suspension of activities and revocation of the bank license, depending on the seriousness and characteristics of the violation.

Finally, in addition to the responsibilities described above, the bank and its employees can also be condemned, in a judicial process, to pay the economic damages that the violation of bank secrecy may cause according to the circumstances of the case (seriousness of the violation, the amount demanded, etc.).