
GUIDE ON A BANK OR A FINANCIAL COMPANY ORGANIZATION

In accordance with the statements of Article 27 et seq. of the General Banking Act and with the by-law and by-rule provisions, banks and financial companies shall constitute as stock corporations and comply with the following procedures:

A. ORGANIZATION.

The first procedure to be conducted by the founding shareholders of a bank or a financial company is to submit a prospectus to the Superintendency of Banks and Financial Institutions stating all the foundations on which the company shall be organized and shall function.

The prospect shall contain the following information:

1. Given name, surname, profession and domicile of the founding shareholders. As founding shareholders shall be considered those shareholders who, in addition to signing the prospectus, shall have a significant participation in its ownership, in accordance to the provisions in article 36 of the General Banking Act.

Significant participation is understood as the acquisition by an individual, directly or through third parties, of more than 10% of a bank or financial company's shares.

In case some of the founding shareholders were a financial institution; an investment trust or a different nature's company, constituted abroad, it shall comply with the dispositions of the General Banking Act, Article 29.

2. The domicile of the projected company.
3. The name or denomination of the company, where the terms "Bank" or "Financial Company" shall be included as the case may be.

It shall be borne in mind that Law 18,046, Article 8 on Stock Corporations, indicates that no stock corporation's name shall be identical to the name of any previously constituted company, nor shall adopt as name a similar (misleading or confusing) name of an already constituted company.

On the other hand, the insertion of expressions such as "Nation", "State", "Republic" in a company's name is not admissible as said company may be considered as a national state entity.

4. The purpose of banks or financial companies shall not be other than the one indicated in the General Banking Act for each kind of company.
5. The amount of capital and how it shall be divided. As every stock corporation, the capital of banks and financial companies shall be divided into shares. The following dispositions shall be considered on this respect:
 - a) Shares shall only be issued in a nominative form;
 - b) Minimum capital to organize a bank and a financial company shall not be less than 800,000 and 400,000 *Unidades de Fomento* respectively;
 - c) Capital shall only be paid in cash, so the payment in any other type of property or credit documents (General Banking Act, article 49, 1) shall not be admitted;
 - d) The founding shareholders of a bank or financial company shall post a guarantee equivalent to 10 per cent of the capital of the projected company, by means of a deposit to the order of the Superintendent with any financial institution subject to the supervision of the Superintendency. The funds that are so deposited may only be drawn once the existence of the company has been authorized and its board of directors has assumed its duties and the Superintendency has duly authorized it to function;
 - e) The founding shareholders may not receive, directly or indirectly, any compensation whatsoever for the work they perform in such capacity (General Banking Act, Article 27);
6. Number of directors: the board of directors of a bank or financial company shall be formed by a minimum of five and a maximum of eleven members and they shall be in an odd number (General Banking Act, Article 49, Fourth paragraph).
7. Signature of the founding shareholders.

In addition to the prospectus, the Superintendency may request the following supplementary documentation:

- A feasibility study of the projected company.
- The agreement to be signed with the share subscribers.
- The official brochure of the propaganda it shall be used.
- An organizational expenses budget.

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- Those documents proving the compliance of the guarantee indicated in the Fifth paragraph, letter d) above, that every banking or financial company organizer shall submit.

At all events, according to the law, shall the prospect be accompanied, by a business development plan for the first three years of activities.

The founding shareholders of a bank shall meet the following requirements:

1. Solvency. To have a consolidated net worth equivalent to the projected investment and, whenever it is reduced to a lower figure, timely inform such fact.
2. Integrity. Absence of material or reiterated, fraudulent or negligent conduct, which may risk the stability of the entity whose establishment is proposed or the security of its depositors, to which end they shall provide all the information regarding their commercial activities and, especially, with respect to the banking or financial administration where they have participated. The existence of the fraudulent or negligent conduct previously indicated shall be presumed in the cases referred to in the General Banking Act, Article 36, Fourth paragraph.

Further to the study of the information submitted to the Superintendent or directly obtained by him, he may reject the prospectus by a grounded resolution, or he may grant to the founding shareholders a provisional certificate of authorization.

This certificate entitles the founding shareholders to:

1. Act under the denomination of a developing bank or financial company, to place shares or for propaganda purposes, etc.
2. Open one or more bank current accounts where the money corresponding to the shares subscription shall be deposited.

The guarantee to be submitted by the organizers is aimed to caution their personal and joint responsibility according to the law, due to the return of funds received as payment for the shares subscription during the company's formation period. Such responsibility may be effective on the referred guarantee in case a new bank or financial company is not established, either because the authorization of existence of the company was not requested within the ten-month lapse counted from the date the provisional certificate of authorization is issued or in the event such authorization were denied.

If the bank or financial company would not work, the disbursement by the founding shareholders shall be of their sole charge and they shall not be imputed to the contribution they must refund.

This organization period is over upon delivery of the public deed constituting the company, that shall not exceed ten months counted from the date of

the provisional certificate of authorization, where some documentation should be included, such as:

1. By-laws duly revised by the Superintendency of Banks and Financial Institutions.
2. The appointment of an interim board of directors, that shall conduct as such until the renewal date is determined, what should normally take place in the first shareholders ordinary meeting.
3. The appointment and individualization of the interim manager and deputy manager.
4. Power of attorney to the individuals that shall proceed with the company's legalization.
5. Insertion of the provisional certificate of authorization.

Corporate deed containing the by-laws shall involve the following information:

I. Indicated by the General Banking Act, Article 42, such as:

- 1) The name of the bank or financial company, in which it may be omitted the indication that it is a stock corporation.
- 2) The city in the Republic where its main office shall be located.

II. Indicated by Law 18,046, Article 4, on Stock Corporations:

- 1) Given name, surname, profession and domicile of the shareholders attending to its granting;
- 2) Clear, accurate and complete enumeration of the specific subject of the company, as indicated by the General Banking Act;
- 3) Duration of the company (it may be indefinite);
- 4) The capital; amount of shares where it is divided; if shares have or do not have nominal value and terms where the shareholders shall pay their shares. When the corporate deed is granted, the bank's capital shall be totally subscribed and paid up, at least, the minimum indicated in the General Banking Act, Articles 50 and 114;
- 5) The period established for the balance sheet and inventory preparation and the shareholders ordinary meeting celebration, being December 31 of each year for banks and the subsequent quarter respectively;
- 6) The administration and faculties of the administrators, those faculties reserved to the shareholders general meeting and standards on independent auditors or account inspectors in their case;
- 7) How to distribute profits;

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- 8) How to liquidate;
 - 9) Nature of arbitration where all differences arising during the company's business period or liquidation shall be submitted;
 - 10) Power of attorney conferred to the person in charge of the by-laws approval diligence; for accepting in the name of the subscribers, those modifications indicated by the authority and issuing the complementary deed.

B. LEGALIZATION PROCEDURE

The person indicated by the corporate deed shall request the Superintendent to authorize, by resolution, the existence of the company. The application shall be accompanied by two duly authorized copies of the public deed containing the by-laws. Additionally, it shall be provided evidence that the minimum capital requested by law was totaled the day the corporate deed was granted.

Additionally, a certificate providing evidence that the Resolution was granted, containing the abstract of the by-laws issued by the Superintendency, shall be once published in the Official Gazette and shall be registered in the Register of Commerce corresponding to the corporate domicile within the period of sixty days counted from the date of the corresponding resolution.

C. OTHER PROCEDURES

Once the legislation dealings are conducted and before the bank or financial company commences its operations, the following procedures shall be conducted:

- a) The company's interim board of directors shall be constituted in order to appoint a president and a vice president, and to establish the precedence order of the other directors, if appropriate.
- b) To appoint the regular manager and deputy manager of the bank or financial company and to grant them the corresponding faculties.

From such moment on, the company is entitled to draw the current account funds being used during the organization period to commence the bank's operations. Upon submission of a documented account, the expenses

incurred by the shareholders' payment shall be approved. Such expenses shall not exceed those indicated in the budget accompanying the prospectus.

D. AUTHORIZATION TO FUNCTIONING

Once the prior dealings are conducted, the company's official is entitled to apply to the Superintendent the authorization to functioning. The Superintendent shall authorize the functioning. The Superintendent shall verify within the period of 90 days, if the company is prepared to commence its activities and, especially, if it counts with the technological resources and with the systems and controls to adequately start its activities. In this very same opportunity, the Superintendency shall analyze the business development plan for the first three years. Upon fulfillment of said requirements, the corresponding authorization shall be granted and a term shall be set for such purpose.

For such a resolution, the Superintendent shall examine the completion of the procedures indicated in the previous paragraph. He shall also examine its compliance with fiscal and municipal tax obligations; if the company has an organizational structure, an adequate personnel plant and an implanted accounting system, and if the account code is adapted to the requirements set by this organism and, in general, all those matters allowing to regularly conduct its operations.

The resolution authorizing the bank or financial company functioning shall be registered at the edge of the corporate by-laws abstract registration in the Register of Commerce.

E. INITIATION OF OPERATIONS

Upon authorization to functioning, the banking enterprise shall be allowed to commence its operations if the following formalities are complied:

- 1) To notify the Superintendent the day it shall open to the general public.
- 2) To communicate and deliver to the Superintendency:
 - a) a list of the Bank's officials.
 - b) a fascimile containing the authorized signatures.