



San Martín, Suárez y Asociados

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MEMORANDUM 32/05

Ref.: **B.C.R.A. COMMUNICATION "A" 4359**

Buenos Aires, June 21, 2005

The B.C.R.A. (Central Bank of the Republic of Argentina) through Communication "A" 4359, dated June 10, 2005, has established a new regime applicable to foreign currency receipts and disbursements into the local exchange market. Particularly, the rules set forth requirements applicable to foreign indebtedness transactions by residents.

We describe below the essential provisions of this new regime:

1- A registered, non-transferable and non-earning deposit for thirty per cent (30%) of the amount involved must be constituted for every receipt of foreign currency into the local exchange market resulting from the foreign indebtedness of individuals or corporations belonging to the private sector, during a term of 365 running days. The above deposit must be made in United States dollars with the financial entities and may not be used as guarantee or collateral of credit transactions. There are transactions exempted from this regulation, basically transactions related to the financing of foreign trade and the primary issues of debt securities under public offer and listed in self-regulated markets.

2-The receipts into the local exchange market and their renewals under the financial indebtedness of residents, must be arranged for terms of no less than three hundred and seventy five (365) running days, counted as from the date of arrangement of the settlement of foreign currency in the single and free exchange market, which amount may not be cancelled prior to such term.

3- The exchange receipts from direct investments due to contributions made by non-residents in direct investment companies belonging to the country, i.e. foreign shareholders owning more than 10% of the domestic company capital stock, shall not be subject to this new regulation. Financial entities may request the documentation they may deem necessary to support the ranking of the funds received as direct investment.

4- The foreign advances and pre-financing of exports received after, and including, June 10, 2005 non-cancelled with shipments –and, therefore, subject to the regulations applicable to the cancellation of financial loans- must make the specified deposit in the above-mentioned percentage and term, prior to the access to the exchange market for their cancellation. The advances and export pre-financing loans and the import financing corresponding to the Argentine foreign trade of goods shall be excluded.



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5- The financial indebtedness disbursed prior to May 26, 2005 that are pending settlement shall be governed, as to minimum terms to access the exchange markets for the cancellation thereof, by the exchange provisions in force at the time of the disbursement of funds.

We recommend resorting to the specific advisory services of the Foreign Trade Sector of your bank in the case of a transaction implying receipts of foreign currency into the country.