

CENTRAL BANK OF URUGUAY

Montevideo, August 15th 2012

CIRCULAR N° 2.120

Ref: Frozen Funds to increase holdings of Central Bank Securities by non residents.

We hereby inform you that the Central Bank has adopted the resolution, dated August 15, 2012, which is reproduced below:

1) INCORPORATE to the Rules of Operations BOOK XV- FROZEN FUNDS REGIME REGARDING THE INCREASE IN THE HOLDINGS BY NON RESIDENTS OF CENTRAL BANK SECURITIES.

2) **INCORPORATE** to BOOK XV of the Rules of Operations the following articles 180, 181, 182, 183, 184 and 185, which shall be drafted as follows:

Article 180 (APPLICABLE REGIME) All individuals or legal entities holding an account in the Uruguayan Central Bank of securities issued by this institution, corresponding to non resident clients, will be subject to the provisions set forth in this Chapter.

Article 181 (FROZENING OF FUNDS OVER THE HOLDING OF SECURITIES OF NON RESIDENTS IN LOCAL CURRENCY) All individuals or legal entities that operate accounts of securities of non residents in local currency issued by the Central Bank of Uruguay, shall maintain funds frozen up to an amount of no less than 40% of the daily average (including non- business days) of the securities held in local currency in the calendar month before last¹ that exceeds the balance of August 16 2012. For all purposes face value of securities will be considered.

Article 182 (FROZENING OF FUNDS OVER THE HOLDING OF SECURITIES OF NON RESIDENTS IN INDEX UNITS).- All individuals or legal entities that operate accounts of securities of non residents in Indexed Units issued by the Central Bank of Uruguay, shall maintain funds frozen up to an amount of no less than 40% of the daily average (including non- business days) of the securities hold in Index Units in the calendar month before last² that exceeds the balance of August 16, 2012. For all purposes face value of securities will be considered.

¹ For the computation of the marginal reserves of October it will be compared the average of August 16 to August 31 (including non business days) with the balance of the 16th day of the respective month.

² For the computation of the marginal reserves of October it will be will compared the average of August 16 to August 31 (including non business days) with the balance of the 16th day of the respective month.

Article 183 (REAL COMPUTATION OF THE FROZEN FUNDS OVER THE HOLDING OF SECURITIES OF NON RESIDENTS IN LOCAL CURRENCY).

The frozen funds referred to in article 181 shall be deposited in a fixed term deposit in local currency in a special account established for such purposes in the Central Bank of Uruguay, according to instructions to be issued.

The deposits constituted in the Central Bank of Uruguay, which shall be of the exclusive property of the institution and be free from all attachments, shall be considered for the available balances, registered by such institution at the end of each day.

Article 184 (REAL COMPUTATION OF THE FROZEN FUNDS OVER THE HOLDING OF SECURITIES OF NON RESIDENTS IN INDEX UNITS).

The frozen funds referred to in article 182 shall be deposited in a fixed term deposit in Indexed Units in a special account established for such purposes in the Central Bank of Uruguay, according to instructions to be issued.

The deposits constituted in the Central Bank of Uruguay, which shall be of the exclusive property of the institution and be free from all attachments, shall be considered for the available balances, registered by such institution at the end of each day.

Article 185 (METHOD TO ESTABLISH THE STATUS OF FROZEN FUNDS HOLDING SECURITIES OF NON-RESIDENTS IN LOCAL CURRENCY OR INDEX UNITS)

The status of the frozen funds over the holding of securities of non-residents issued by the Central Bank of Uruguay in local currency or indexed units shall be established according to the daily average during the respective month. For this purpose non business days will be considered.

The surplus or deficit of frozen funds will be determined by the difference between the daily average of the fixed term deposit made in a special account and the daily average of the obligation.

3) REPLACE in BOOK XII of the Regulation of Operations **FIRST PART: INFORMATION OF GENERAL EXCHANGE POSITIONS, EXCHANGE OPERATIONS AND RESERVES**, for: **“FIRST PART: INFORMATION OF GENERAL EXCHANGE POSITIONS, EXCHANGE OPERATIONS, RESERVES AND FROZEN FUNDS:**

4) INCORPORATE to BOOK XII of the Rules Operations, articles 155.5 and 155.6, which will have the following text:

Article 155.5 (INFORMATION OF FROZEN FUNDS): Institutions subject to the Frozen Funds Regime of Book XV of the Rules of Operations, shall report on a monthly basis using the respective forms, the information about their day to day situation of frozen funds. Such information shall be delivered to the Superintendency of Financial Services within eight business days subsequent to the period informed.

Article 155.6 (DAILY INFORMATION OF FROZEN FUNDS): Institutions subject to the Frozen Funds Regime of Book XV of the Rules of Operations, shall report on a daily basis to the Superintendency of Financial Services information about their daily frozen funds situation, according to the instruction to be issued.

5) INCORPORATE to BOOK XIII of the Rules of Operations, articles 166.4, which will have the following text:

Article 166.4 (FINES DUE TO LACK OF FROZEN FUNDS): Failure to comply with the Frozen Funds Regime of Book XV of the Rules of Operations, shall be punished with a fine of 5 o/oo (five per thousand) applied to the difference of the monthly sum of all the daily registered insufficiencies and the daily excess registered. To such effects, non business days will also be considered. However, the minimum fine in case of failure to comply with the frozen funds regime shall be of UI 40,000 (Indexed Units 40 thousand).

The fines in indexed units shall be paid in Uruguayan pesos at the exchange rate on the day of the liquidation.

6) INDICATE that this resolution will become in force as from October 1ST, 2012.