



Agreement Establishing the Latin American Reserve Fund

17TH EDITION

Bylaws of the Assembly of Representatives of the Latin American Reserve Fund

3RD EDITION

Bylaws of the Latin American Reserve Fund

18TH EDITION

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Content

Agreement Establishing the Latin American Reserve Fund

1. Legal Status, Headquarters, Objectives and Duration	4
2. Capital	5
3. Operations of the Fund	6
4. Administrative Bodies	9
5. Privileges and Immunities	15
6. Adherence, Duration, Denunciation and Dissolution	16
7. Transitional Provision	17
Appendix: Notes to the Agreement for the Establishment of the Latin American Reserve Fund	18

Bylaws of the Assembly of Representatives of the Latin American Reserve Fund

1. Assembly meetings	23
2. Meeting Attendance	23
3. Agenda for the Assembly	24
4. Election of Chairman and Vice-Chairman	24
5. Secretary	25
6. Annual Report of The Board of Directors And Annual Budget	25
7. Voting	25
8. Amendments to the ByLaws	26
Appendix: Notes to the Bylaws of the Assembly of Representatives of the Latin American Reserve Fund	26

Bylaws of the Latin American Reserve Fund

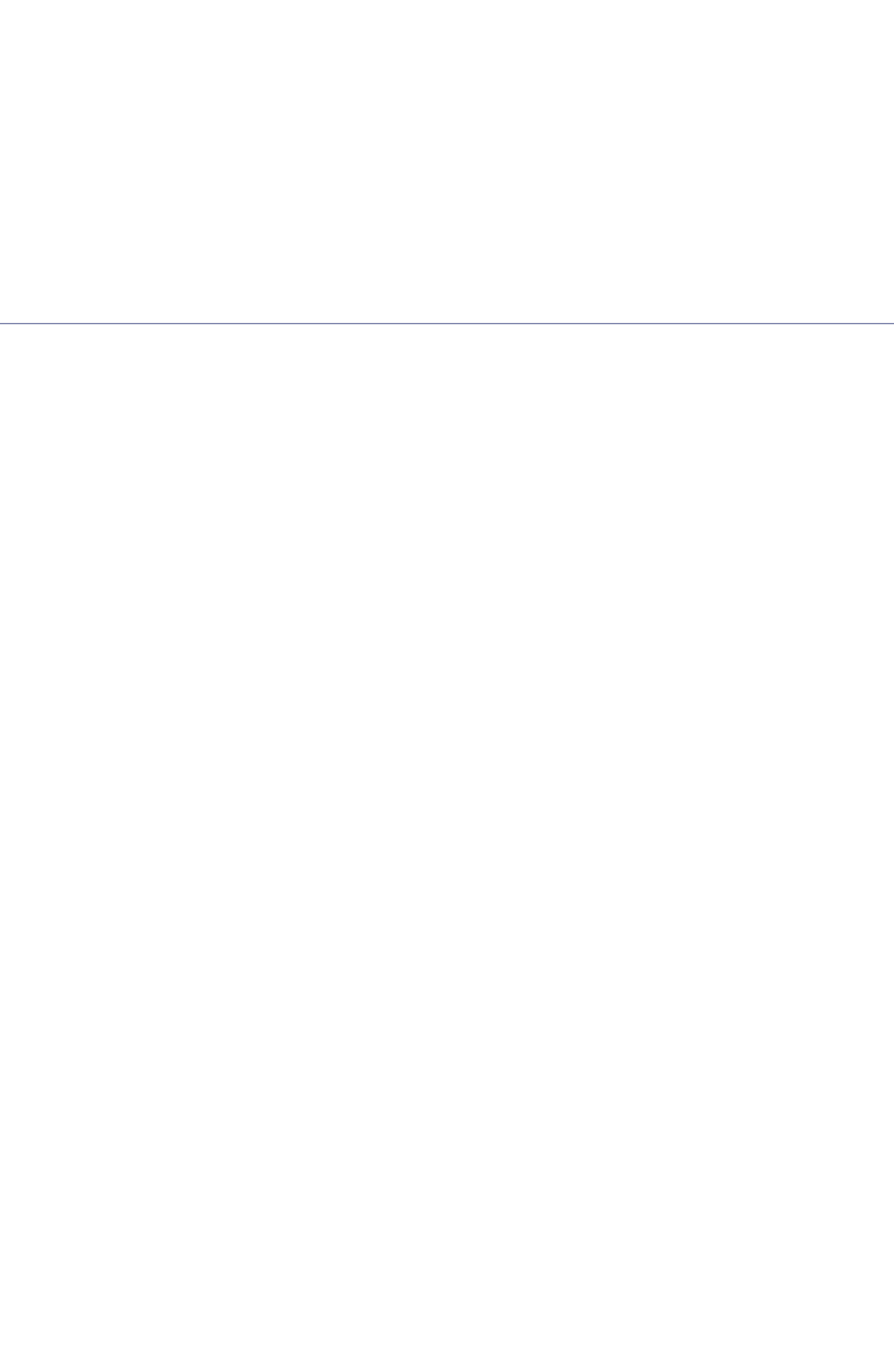
1. Scope and Duration of the Bylaws	29
2. Contributions	29
3. About the Principles Applicable to the Credits and Other Forms of Financial Support	30
4. Credit Transactions	31
5. Guarantees	36
6. On Operations Affecting Liabilities	37
7. Agent Banks	37
8. Board of Directors	37
9. Assembly	38
10. Executive Presidency and the Secretary General	38
11. Financial Statements	39
12. Withdrawal From The Fund	40
13. Consultative Committee	40
14. Reserves and Provisions	41
15. Decision Procedure on the Credit or Other Financial Support Application	43
16. Compensation of Delinquent Operations	44
Appendix: Notes to the Bylaws of the Latin American Reserve Fund	44



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The Governments of Bolivia, Colombia, Ecuador, Peru, and Venezuela. Whereas:

The Andean Reserve Fund has proven to be of valuable support to member countries in particular and to sub-regional integration in general, inasmuch as the Cartagena Agreement was subscribed to facilitate the integration of Latin America through the Latin American Free Trade Association (ALALC), and as of 1980 through the Latin American Association of Integration (ALADI).

It is essential for the Latin American region to have its own financial institution that, through mutual cooperation, allows for the solution of problems derived from external sector imbalances in the economies of member countries and, at the same time, facilitates the regional integration process;

The joint administration of a Fund partially established with international monetary reserves from member countries may effectively contribute to the harmonization of their monetary, exchange, financial and payments policies;

The cooperation among member countries may help channeling financial resources towards investments that will contribute to the development of regional trade;

The financing granted by the Fund to solve balance of payments problems of member countries may facilitate access by these countries to financial markets;

Several Latin American heads of State and regional organizations have raised the possibility of expanding the Andean Reserve Fund activities to the Latin American level in view of its positive operating experience;

Based on the foregoing, the administrative bodies of the Andean Reserve Fund have conducted a thorough analysis of the various proposals put forth for the establishment of a financial institution to support the balance of payment needs of Latin American countries;

This analysis concluded that a viable project to achieve a financial entity capable of providing substantial balance of payments support in Latin

America would stem from the firm grounds of a fully operational organization such as the Andean Reserve Fund.

For the above purpose, it would be necessary to modify the Andean Reserve Fund Agreement as necessary to allow for the gradual incorporation of other countries from the region, while preserving the financial balance of the institution.

Taking into Account:

That the Assembly of the Andean Reserve Fund, in conformity with Article 20 (j) of the Andean Reserve Fund Agreement, has recommended pertinent modifications in said Agreement to the governments of member countries,

They Agree: Through their Plenipotentiary Representatives to constitute the following: LATIN AMERICAN RESERVE FUND

1. LEGAL STATUS, HEADQUARTERS, OBJECTIVES AND DURATION

Article 1. The Latin American Reserve Fund is a legal entity of public international law, with its own capital, governed by the provisions contained hereunder and by the Agreements adopted by the Assembly and the Board of Directors.

Article 2. The Fund is headquartered in Bogotá D.C., Colombia, and it may establish such branches, agencies or representative offices as may be necessary to perform its duties, in any city of a member country or elsewhere, as decided by the Board of Directors.

Article 3. ⁽¹⁰⁾ The objectives of the Fund are:

- a) To provide support to member's balance of payments by granting credits or guaranteeing third-party loans.
- b) To contribute to the harmonization of member's exchange, monetary and financial policies, thus facilitating fulfillment of commitments acquired within the framework of the Cartagena Agreement and the Montevideo Treaty of 1980.
- c) To improve the conditions of international reserve investments by members.

Article 4. The term of the Fund is indefinite.

2. CAPITAL

Article 5. ⁽¹⁾ The Fund's subscribed capital is six billion four hundred and six million two hundred and fifty thousand United States dollars (USD 6,406,250,000), distributed as follows:

Full members:

- Bolivia: four hundred ninety million United States dollars (USD 490,000,000);
- Colombia: nine hundred eighty million United States dollars (USD 980,000,000);
- Costa Rica: nine hundred eighty million United States dollars (USD 980,000,000);
- Ecuador: four hundred ninety million United States dollars (USD 490,000,000);
- Paraguay: four hundred ninety million United States dollars (USD 490,000,000);
- Perú: nine hundred eighty million United States dollars (USD 980,000,000);
- Uruguay: four hundred ninety million United States dollars (USD 490,000,000); and
- Venezuela: six hundred fifty-six million two hundred fifty thousand United States dollars (USD 656,250,000).

Associate members:

- Central Bank of Chile: eight hundred fifty million United States dollars (USD 850,000,000)

Article 6. ⁽¹⁰⁾ The Assembly shall decide, upon proposal of the Board of Directors, on any ordinary capital increase or as a result of the entrance of a new member of Latin America, in either of the following categories:

- i. Full member, by the adherence of a country to the Constitutive Agreement (hereinafter, also referred to as a member country); or
- ii. Associate member, by the entrance of an associated central bank through a membership agreement with the Fund (hereinafter, also referred to as associated central bank).

The capital increase due to the entry of a member country that adheres to the Constitutive Agreement shall be approved by the Assembly upon the proposal of the Board of Directors, considering the provisions for its adherence established in articles 39 to 41 of this Agreement.

The capital increase due to the entrance of an associated member shall be approved by the Assembly upon the proposal of the Board of Directors through an Assembly Agreement that shall include the conditions of the membership, conditions that must be also included in the agreement between the respective central bank and FLAR. The associated central bank's country may decide, at any time, to be a full member of FLAR by adhering this Agreement.

Article 7. (10) No member may withdraw, transfer or offer as guaranty its capital contributions to the Fund, without the country having denounced the present Agreement and until denouncement has produced all of its effects or while the membership agreement with the associated central bank is in force. Said agreement shall end according to the terms and conditions established therein for such purpose and, in any case, it shall contemplate comparable measures to those established in articles 42 and 43 of this Agreement.

3. OPERATIONS OF THE FUND

Article 8. The Fund may engage in the following operations affecting its liabilities:

- a) Receive term deposits
- b) Receive trust funds
- c) Receive credits
- d) Receive guarantees
- e) Issue bonds and debentures
- f) Any other operation consistent with the objectives of the Fund and approved by the Board of Directors upon proposal of the Executive President

The Board of Directors shall regulate, by means of Agreements, the timing and conditions for conducting said operations.

Article 9. ⁽²⁾ ⁽¹⁰⁾ The Fund may engage in the following operations that affect its assets:

- a) Grant credits or other financial support to the central banks of the member countries and to associated central banks, for up to 2.5 times their paid-in capital contribution to FLAR for balance-of-payments problems, with the exception of Bolivia and Ecuador, which will have access to up to 2.6 times their paid-in capital contribution to FLAR.

The provisions established in this Agreement for the granting of credits to support the balance-of-payments of FLAR's member countries shall also apply to the associated central banks, in all aspects that may result applicable to them.

To grant balance-of-payments support credits, the requesting member country or the requesting associated central bank will be required to declare it is facing a reserve shortage situation and be qualified as such by the Board of Directors. To grant balance of payment support credits, the applicant shall be required to declare that its reserves are insufficient, and this situation shall be examined by the Board of Directors. Furthermore, the applicant shall attach to its application a written report setting forth the measures it has adopted and intends to adopt to restore the equilibrium of its balance of payments. The credits referred to in this item shall be subject to a commitment by the applicant country, stating that in the event of adopting any restrictive measures to remedy its balance of payments deficit, they will not affect imports from the other member countries. Credits shall be granted up to a maximum period of three (3) years*. For a member country or associated central bank to be able to apply for this type of credit again, it must have serviced its debt with the Fund satisfactorily, up to its full repayment.

Interest, commissions, and other charges shall be those in effect at the time each credit operation is undertaken, in accordance with the provisions of Article 10.

The Assembly may decide, upon proposal of the Board of Directors, to change the limits and terms of the credits referred to in this section.

- b) Grant guarantees for a member country central bank or associated central bank to obtain balance of payment support credits, subject to the same limits and conditions referred to in above (a).

Credits, whether direct or obtained by means of a Fund guarantee, may not total more than the limits referred to in above (a).

- c) Invest, within the limits, guidelines and conditions established by the Board or Directors, its own resources or those received in deposit or trust, in bank acceptances from member countries' and associated central bank countries' international trade, or any other public or private instrument or security of member countries or associated central banks, or international financial organizations.

The Board of Directors shall ensure that the main purpose of these investments is to provide liquidity to the investment of central bank reserves in these securities.

- d) Invest, within the limits, guidelines and conditions established by the Board of Directors, its own resources or those received in deposit or trust, in deposits in prime banks or in securities with adequate security, liquidity and rate of return that circulate in international money markets.
- e) Any other operation consistent with the Fund objectives and approved by the Board of Directors upon proposal of the Executive President.

The Board of Directors shall regulate, by means of Agreements, the timing and conditions for conducting these operations.

Article 10. ⁽³⁾ ⁽¹⁰⁾ The Board of Directors, upon proposal of the Executive President shall determine:

- a) The interest rate, commissions and other charges to be received by the Fund for its credit and guarantee operations, taking into account international market conditions.
- b) The rules of priority, or of apportionment where appropriate, to be applied if at any time the resources of the Fund should be insufficient to meet applications for credits or guarantees. These rules shall consider the amount of the applicant global balance of payment deficit vis-à-vis its total foreign trade, in addition to the evolution of the applicant country's trade with other member countries or associated central bank's country.

Likewise, the Board of Directors may set out rules to induce the debtors of the Fund to expedite payment of their debts, provided they are in a position to do so.

The Agreements adopted by the Board of Directors on these matters shall apply without exception to all operations conducted while these Agreements are in force.

Article 11. ⁽¹⁰⁾ To accomplish the specific purposes to achieve the objectives set forth in Article 3, the Assembly may authorize the establishment of special funds with resources contributed by one or more of the member countries and associated central banks, by third countries or central banks or by international organizations.

When creating special funds, the Assembly shall decide upon their administrative and operations regime.

In no case may the special funds encroach upon the rights and obligations within the Fund of the member countries and associated central banks not participating in the special funds.

Article 12. With the express approval of the Board of Directors, the Fund may enter into operational or agent bank agreements with central banks, prime banks and financial institutions.

4. ADMINISTRATIVE BODIES

Article 13. The Assembly, the Board of Directors, and the Executive Presidency are the administrative bodies of the Fund.

SECTION A. The Assembly

Article 14. ⁽⁴⁾ ⁽¹⁰⁾ The Assembly shall consist of the Treasury or Finance Ministers or such alternates as may be appointed by the Government of each founding member country, Costa Rica, Paraguay and Uruguay, which shall have permanently the right to one chair and vote regardless of the amount of their paid in capital to the Fund.

Referring to other countries that adhere the Constitutive Agreement, the contribution of minimum paid in and demandable capital to determine the correlative exercise of vote at the level of the Assembly, shall be of two hundred fifty million dollars of the United States of America (USD 250,000,000).

In the event that the individual contribution from a member country is below the set limit, it shall have a chair in the Assembly, but will not have a vote until completing the required minimum. Two or more member countries whose individual contribution is lower than the indicated limit may join together to add their contributions and complete the minimum capital required to obtain one (1) vote.

The member countries that, individually or in union with one or more other member countries, reach a paid in capital equal or greater than two hundred fifty million dollars of the United States of America (USD 250,000,000) will have in any case one (1) vote.

The minimum capital contribution required to have the right to vote in the Assembly will not apply to the founding member countries, Costa Rica, Paraguay and Uruguay, which will always have the right to a chair and vote in the Assembly regardless of the amount of their paid in capital.

Referring to associated central banks, without being members of the Assembly, they may attend all meeting as Directors and participate in it without vote.

Article 15. The Assembly shall have a Chairman who shall have a one year term in office. This post shall be held by the representative of each member country on a rotational basis.

Article 16. The Assembly shall hold regular meetings once a year and special meetings as often as necessary, at the request of its Chairman or of at least forty percent (40%) of the Representatives.

Article 17. Assembly Members may be represented at meetings by a Special Representative who shall be accredited in each case.

Article 18. Quorum for regular and special meetings shall be at least seventy-five percent (75%) of the Representatives.

Article 19. Assembly Agreements shall be adopted with the affirmative vote of at least seventy-five percent (75%) of the total Representatives attending, with the exception of those pertaining to (f), (g), (h), (i), of Article 20. In these cases, in addition to the foregoing requirement, it shall be necessary that the negative vote be less than twenty percent (20%) of the votes casted.

Article 20. The Assembly is empowered to:

- a) Formulate the Fund's general policy and adopt the measures required to achieve its objectives.
- b) Approve the Annual Budget of the Fund, which, upon proposal of the Executive President, is presented by the Board of Directors
- c) Approve, as proposed by the Board of Directors, the distribution of profits and the establishment of reserves.
- d) Hire external auditing with prestigious firms.
- e) Approve or reject the Annual Report and, subject to the External Auditor Report, the Fund's Annual Balance Sheet and Profit and Loss Statement submitted by the Board of Directors.
- f) Authorize capital increases in the Fund, as proposed by the Board of Directors.
- g) Authorize the establishment of special funds referred to in Article 11.

- h) Decide, upon proposal of the Board of Directors, on changes in the credit limits and terms referred to in Article 9 (a).
- i) Approve, upon proposal of the Board of Directors, amendments to this Agreement; and
- j) Establish its own Bylaws.

SECTION B. The Board of Directors

Article 21. ⁽⁵⁾ ⁽¹⁰⁾ The Board of Directors of the Fund shall be made up of the Governors of the central banks of founding member countries, Costa Rica, Uruguay and Paraguay which shall permanently have the right to one vote and one chair regardless of the amount of their paid in capital. Other members of the Board of Directors are the Governors of the other member countries central banks, Governors of associated central banks and the Executive President, who shall chair the Board without the right to vote.

Referring to other member countries or associated central banks, each one shall have a chair and voice in the Board of Directors. The minimum paid in and demandable capital to be entitled to one (1) vote shall be two hundred fifty million dollars of the United States of America (USD 250,000,000).

Two or more member countries or associated central banks whose individual contribution is less than the indicated limit may join together to add their contributions and complete the minimum capital required to obtain one (1) vote. The union between member countries and associated central banks for this purpose will also be admissible.

Member countries or associated central banks that, individually or in union with one or more other member countries or associated central banks, reach a paid in capital equal or greater than two hundred fifty million dollars of the United States of America (USD 250,000,000) will have in any case one (1) vote.

The minimum capital contribution required to have the right to vote on the Board of Directors will not apply to the central banks of the founding member countries, Costa Rica, Paraguay and Uruguay, which will always have the right to a chair and a vote in the Board of Directors regardless of the amount of their paid in capital.

Article 22. The Board of Directors shall hold regular meetings at least twice a year and special meetings as many times as necessary, upon request of its Chairman or of at least forty percent (40%) of its Directors.

Article 23. Members of the Board of Directors may be represented at meetings by a Special Director, who shall be accredited in each case.

Article 24. Quorum for regular and special meetings of the Board of Directors shall be at least seventy-five percent (75%) of the Directors.

Article 25. ⁽⁶⁾ Agreements of the Board of Directors shall be adopted with the favorable vote of at least three quarters ($\frac{3}{4}$) of the total attending Directors.

Article 26. ⁽¹⁰⁾ The Board of Directors is entitled to:

- a) Set forth the regulations needed to achieve the objectives of the Fund.
- b) Appoint the Executive President of the Fund and remove him from office.
- c) Approve new operations affecting the assets or liabilities of the Fund pursuant to the terms of Articles 8 and 9, at the proposal of the Executive President.
- d) Approve balance of payment support operations referred to in Article 9 (a) and (h).
- e) Propose the Assembly the policies the Fund must apply to strengthen regional and sub-regional economic integration. These policies shall be considered when granting credits to member countries and associated central banks.
- f) Establish limits, guidelines and conditions for the Executive President to carry out the operations referred to in Article 9 (c) and (d).
- g) Submit the Annual Report, the Annual Balance Sheet and the Profit and Loss Statement to the Assembly for consideration, along with the report of the External Auditors on these financial statements.
- h) Submit to the consideration of the Assembly the Annual Budget of the Fund as proposed by the Executive President.
- i) Propose distribution of profits and establishment of reserves to the Assembly.
- j) To propose capital increases in the Fund to the Assembly.
- k) Adopt, upon proposal of the Executive President, the Agreements referred to in Article 10.
- l) Submit proposals to the Assembly regarding modifications in the credit limits and terms referred to in Article 9 (a).
- m) Propose the Assembly the entry conditions of a country and the membership agreement of an associated central bank (7);

- n) Submit to the Assembly any other modification to the present Agreement; and
- o) Exercise any other powers conferred on the Board of Directors by this Agreement.

SECTION C: Executive Presidency

Article 27. The Executive Presidency is the permanent technical body of the Fund. It shall carry out studies, submit to the Board of Directors all measures it deems appropriate for the achievement of the objectives of the Fund, and maintain direct contact with the central banks of member countries.

Article 28. The Executive Presidency shall be the responsibility of the Executive President, who shall be the legal representative of the Fund.

Article 29. The Executive President shall be a national of any Latin American country. While performing his duties, he shall act solely in accordance with the interests of all member countries and shall neither request nor accept instructions from any Government or national or international organization.

He shall refrain from any action inconsistent with the nature of his functions. He shall be accountable to the Board of Directors for his actions.

Article 30. ⁽⁸⁾ The Executive President shall be elected for a three year term, and he may be reelected. He shall not pursue any professional activity, remunerated or not, except teaching or academic endeavors.

Article 31. Should the post of Executive President become vacant, the Board of Directors shall elect a new Executive President for a three year term. Until the new President is elected, or in case of temporary absence, the post shall be filled by the person indicated in the Bylaws drawn up for this purpose by the Board of Directors.

Article 32. The Executive President is entitled to:

- a) Adopt the provisions needed to implement: this Agreement and the Agreements of the Assembly and the Board of Directors;
- b) Chair meetings of the Board of Directors, without being entitled to vote;

- c) Conduct the daily business and administration of the Fund;
- d) To analyze applications for credit as referred to in Article 9, and to submit proposals enabling the Board of Directors to comply with the provisions of Article 26 (d);
- e) When recruiting technical and administrative Board of Directors to comply with the provisions of Article 26;
- f) Carry out the operations referred to in Article 9 (c) and (d), in accordance with the limits, guidelines and conditions established by the Board of Directors;
- g) Participate without the right to vote, in Assembly meetings, except when the Assembly deems it advisable to hold private meetings;
- h) Recruit and discharge permanent or temporary members of the technical and administrative staff of the Fund;
- i) Entrust implementation of specific tasks to national or international experts or organizations;
- j) To carry out the mandates and exercise the powers entrusted to him by the Assembly or the Board of Directors;
- k) To prepare the annual Budget of the Fund and submit it to the Board of Directors for consideration; and
- l) To exercise the powers and make the decisions which are not reserved by this Agreement or by the internal Agreements for the Assembly or the Board of Directors.

Article 33. When hiring technical and administrative personnel, who may be of any nationality, the Executive President shall only consider the ability, competence and integrity of the applicants; and he shall endeavor, insofar as this is not inconsistent with the above mentioned criteria, to fill the posts in such a manner among its member countries. The staff shall consist of the minimum number needed to carry out its specific tasks.

In performing its duties, the staff of the Fund shall neither request nor accept instructions from any Government, or from any authority other than the Fund.

SECTION D. Coordination with the Latin American Integration Institutions

Article 34. The Assembly, the Board of Directors and the Executive President of the Fund shall maintain close contact with the main bodies of the Cartagena Agreement and the Montevideo Treaty signed in 1980,

in order to establish adequate coordination between their activities and thus facilitate the achievement of objectives of this Agreement and of the regional and sub-regional integration process.

5. PRIVILEGES AND IMMUNITIES

Article 35. To achieve its objectives, the Latin American Reserve Fund shall enjoy the following privileges and immunities:

- a) Immunity of its property and other assets and all deposits and other resources entrusted to the Fund, be they liabilities, net worth or yields from fiduciary operations, with respect to any form of compulsory seizure that may alter its control over said assets and liabilities as a result of any administrative action whatsoever on the part of member countries and as pertains to restrictions, regulations and control or default measures established by said countries.

Property and other assets and all deposits and other resources entrusted to the Fund, be they liabilities, net worth or yields from fiduciary operations, shall enjoy the same immunity with respect to judicial action;

- b) Inviolability of property and archives;
- c) Exemption from restrictions on holding resources in gold or in any currency;
- d) Free convertibility and transferability of assets;
- e) Exemption from all taxes on its income, property and other assets;
- f) Exemption from taxes on the issue of securities or guarantees and, in general, on any other operations it may carry out in fulfillment of its purposes;
- g) Exemption from customs duties, other taxes of equivalent effect, and from import prohibitions and restrictions;
- h) Exemption from all responsibility related to the payment, with-holding or collection of any tax;
- i) Treatment of its communications identical to that granted to the official communications of member countries; and,
- j) Carriage of its correspondence, parcels and printed matter free of charge by the postal services of member countries when bearing its franking stamp.

Article 36. In the headquarters country, the Executive President shall enjoy the same immunities, privileges and guarantees accorded to member countries' Ambassadors. The international officials of the Fund

shall enjoy the immunities and privileges that the headquarters country grants to diplomatic officials of comparable rank.

Article 37. Should the Fund establish branches, agencies or representative offices within member countries territories, they shall grant the international officials staffing these posts the same immunities and privileges that they grant to diplomatic officials of comparable rank.

Article 38. The Fund shall enter into agreements with the Governments of member countries in order to define the privileges and immunities to be enjoyed by the Fund and its international officials pursuant to the provisions of this chapter, as well as the treatment to be given to national officials and employees.

6. ADHERENCE, DURATION, DENUNCIATION AND DISSOLUTION

Article 39. This Agreement shall enter into force when Andean Group member countries have deposited the respective instruments of ratification with the central bank of the headquarters country. Until such time, the present Agreement applying to the Andean Reserve Fund shall remain in effect.

When a new Latin American country adheres to this Agreement, the respective ratification instrument shall be deposited with the central bank of the headquarters country, which shall proceed to remit corresponding authenticated copies of the Agreement and ratification instruments to the Board of the Cartagena Agreement and the General Secretariat of ALADI.

Article 40. ⁽⁹⁾ The Latin American countries that so desire may adhere to the present Agreement, corresponding to the Assembly to determine the contribution to capital and other necessary conditions.

Article 41. The signature, ratification or adherence to this Agreement may not be subject to reservations.

Article 42. If a member country denounces this Agreement, it shall be considered that it withdraws from the Fund as of the date when the denunciation is communicated to the Assembly. Nevertheless, the obligations and rights corresponding to the country by virtue of its participation in the Fund shall remain valid until they have been fully met and fulfilled.

Article 43. In the case referred to in the preceding Article, the other member countries shall subscribe the capital to be returned to the denouncing country, in the same proportion of their participation in the capital of the Fund at the time of denunciation, excluding the share to be refunded. The Assembly shall decide when the capital so subscribed is to be paid.

Article 44. It shall be the task of the Assembly to dissolve the Fund by means of an Agreement which shall bring about its liquidation.

7. TRANSITIONAL PROVISION

Article 45. The Agreement for Establishment of the Andean Reserve Fund, signed in the City of Caracas on November 12, 1976, shall be revoked automatically and assets, liabilities and net worth shall be assumed in their entirety by the new institution once this Agreement becomes effective.

In witness whereof, the undersigned Plenipotentiary Representatives sign this Agreement on behalf of their respective Governments, with the witness of the President of the Republic of Peru, Alan García Pérez.

Made in the city of Lima, Peru, June 10, 1988.

Ñuflo Chávez

For the Government of the Republic of Bolivia

Arturo Ferrer Carrasco

For the Government of the Republic of Colombia

Eduardo Cabezas

For the Government of the Republic of Ecuador

César Robes Freyre

For the Government of the Republic of Peru

Jorge García Duque

For the Government of the Republic of Venezuela

Alan García Pérez

Honorary Witness

APPENDIX: NOTES TO THE AGREEMENT FOR THE ESTABLISHMENT OF THE LATIN AMERICAN RESERVE FUND

- (1) Article 5, related to the subscribed capital of the Fund, was amended by the following Agreements:
 - (i) Agreement N°42 of the Assembly, September 28, 1988.
 - (ii) Agreement N°51 of the Assembly, April 30, 1991.
 - (iii) Agreement N°71 of the Assembly, October 11, 1995.
 - (iv) Agreement N°87 of the Assembly, March 30, 1999.
 - (v) Agreement N°93 of the Assembly, March 22, 2000.
 - (vi) Agreement N°114 of the Assembly, September 17, 2002.
 - (vii) Agreement N°145 of the Assembly, June 19, 2007.
 - (viii) Assembly Agreement N°169 of September 25, 2012.
 - (ix) Assembly Agreement N°174 of September 24, 2013.
 - (x) Assembly Agreement N°190 of April 5, 2016.
 - (xi) Assembly Agreement N°219 of February 16, 2022.
 - (xii) Assembly Agreement N°226 of March 28, 2023.
 - (xiii) Assembly Agreement N°244 of March 17, 2026.
- (2) Article 9, related to the operations in which the Fund may engage, was amended and/or regulated by the following Agreements:
 - (i) Agreement N°88 of the Assembly, March 30, 1999.
 - (ii) Agreement N°124 of the Assembly, October 7, 2003.
 - (iii) Agreement N°170 of the Board of Directors, March 25, 1994.
 - (iv) Agreement N°184 of the Board of Directors, March 23, 1995.
 - (v) Agreement N°195 of the Board of Directors, March 14, 1996.
 - (vi) Agreement N°201 of the Board of Directors, March 4, 1997.
 - (vii) Agreement N°222 of the Board of Directors, March 30, 1999.
 - (viii) Agreement N° 200 of the Assembly, April 3, 2018.
 - (ix) Agreement N° 218 of the Assembly, July 12, 2021.

*The amount and the maximum term of the balance of payments credit, were amended by Agreement N° 124 of the Assembly, October 7, 2003.
- (3) Article 10, relating to the fees to be charged by the fund for its operations and the priority rules or the rules for the distribution of the fund's resources, was amended by Agreement N°200 of the Assembly dated April 3, 2018 and Agreement N° 218 of the Assembly, July 12, 2021.
- (4) Article 14, related to the Assembly structure, was amended by Agreement N° 110 of the Assembly, April 9, 2002 and Agreement N° 218 of the Assembly, July 12, 2021.
- (5) Article 21, related to the Board of Directors structure, was amended by Agreement N° 110 of the Assembly, April 9, 2002 and Agreement N° 218 of the Assembly, July 12, 2021.

- (6) Article 25, relating to the decision-making majority for Board of Directors Agreements, was amended by Assembly Agreement N°200 dated 3 April 2018.
- (7) The item m) of article 26, related to the powers of the Board of Directors, was added by Agreement N° 110 of the Assembly, April 9, 2002 and amended by Agreement N° 218 of the Assembly, July 12, 2021.
- (8) Article 30, related to the election of the Executive President, was regulated by Agreement N° 494 of the Board of Directors, March 27, 2023.
- (9) Article 40, related to the Latin-American countries that can adhere to the Agreement, was amended by Agreement N° 85 of the Assembly, March 30, 1999.
- (10) Articles 3, 6, 7, 9, 10, 11, 14, 21 and 26 were amended by Agreement N° 218 of the Assembly, July 12, 2021.



Bylaws of the Assembly of Representatives of the Latin American Reserve Fund

3RD EDITION



Bylaws of the Assembly of Representatives of the Latin American Reserve Fund

3RD EDITION

1. ASSEMBLY MEETINGS

Article 1. ⁽¹⁾ The annual meeting of the Assembly of Representatives, constituted by the Ministers of Treasury or Finance or the corresponding representative appointed by the government of each of the member countries, shall be held as determined by the Bylaws of the Fund.

Nevertheless, the Board of Directors may change the date and place of the annual meeting when deemed necessary because of special reasons.

Article 2. ⁽²⁾ Special Assembly meetings may be summoned at any time, and shall be convened when requested by a number of Representatives equivalent to forty percent (40%) of the member countries or by the Assembly Chairman.

When only one country asks the Board of Directors to convene a special meeting of the Assembly, the Executive President shall notify all Representatives of this request, informing them of the reasons adduced. As soon as the number of countries which together account for at least forty percent (40%) of member countries adhere to the proposal, the Assembly shall be convened within thirty (30) days following the date when adherence of the last member country is received.

Article 3. The quorum for regular and special Assembly meeting shall be at least seventy-five percent (75%) of the Representatives.

Article 4.(3) The Executive Presidency shall notify each Representative of the place and date for each Assembly meeting through a rapid means of communication, at least fifteen (15) days prior to the date set for the meeting.

2. MEETING ATTENDANCE

Article 5. The Directors may attend and take part in Assembly meetings, but no Director shall be empowered to vote in any of said meetings un-

less he is expressly accredited to do so as Principal Representative or Special Representative.

Article 6. The Assembly Chairman, in coordination with the Board of Directors, may invite observers to attend any Assembly meeting.

Article 7. The Board of Directors is authorized by these Bylaws to invite representatives from the Cartagena Agreement institutions and from the Montevideo Treaty to attend the Assembly meeting, as observers.

Article 8. Repealed.

3. AGENDA FOR THE ASSEMBLY

Article 9. ⁽⁴⁾ Guided by the Board of Directors, the Executive President shall draw up a brief agenda for each Assembly meeting and send it to the Representatives along with the summons letter to the meeting.

Article 10. Any Representative may add items to the agenda of an Assembly meeting, provided that he informs the Executive President of these items at least seven (7) days prior to the date set for the meeting.

Under special circumstances, the Executive President, at the suggestion of the Board of Directors, may include other items on the agenda for any Assembly meeting at any time. The Executive President shall inform member countries of any additional items that have been included on a meeting agenda as soon as possible.

Article 11. The Assembly may at any time authorize the inclusion of any item on a meeting agenda, even without having complied with the notification provided for in Articles 9 and 10.

Article 12. The Assembly Chairman, together with the Executive President, shall be in charge of all necessary arrangements for Assembly meetings, unless the Assembly expressly indicates otherwise.

4. ELECTION OF CHAIRMAN AND VICE-CHAIRMAN

Article 13. At each annual meeting, the Assembly shall appoint two (2) Representatives to act as Chairman and Vice-Chairman until the next annual meeting. The Chair shall be occupied on a rotational basis by the

Representatives of each member country. In the absence of the Chairman and Vice-Chairman, the Executive President shall perform their duties until the next Assembly meeting.

5. SECRETARY

Article 14. The Secretary of the Fund shall act as Secretary of the Assembly.

6. ANNUAL REPORT OF THE BOARD OF DIRECTORS AND ANNUAL BUDGET

Article 15. The Board of Directors shall prepare an Annual Report to be submitted to the Annual Assembly meeting including the financial statements duly audited. The Annual Report shall analyze the operations and policies of the Fund. Likewise, the Board of Directors shall make pertinent recommendations to the Assembly.

Article 16. The Assembly shall consider and approve the annual budget of the Fund submitted by the Board of Directors as proposed by the Executive President.

7. VOTING

Article 17.(5) All decisions of the Assembly shall require the affirmative vote of at least seventy-five percent (75%) of the number of Representatives attending, except in those cases specified in Article 19 of the Agreement.

Article 18. No Special Representative to the Assembly shall vote in any meeting by proxy or in any manner other than in person.

Article 19. When a decision requiring Assembly approval cannot be postponed until its next regular meeting and does not justify convening a special meeting, the Board of Directors is hereby empowered to request the Representatives to vote without a meeting.

Paragraph 1. The Board of Directors shall submit to each member country, through any rapid means of communication, the contents of the proposed measure.

Paragraph 2. The votes shall be cast within the period of time determined in each case by the Board of Directors. The Executive Presidency shall count the votes and inform all member countries of the results.

8. AMENDMENTS TO THE BYLAWS

Article 20. These Bylaws may be amended by the Assembly in any regular or special meeting at the proposal of the Board of Directors or of the Executive President.

APPENDIX: NOTES TO THE BYLAWS OF THE ASSEMBLY OF REPRESENTATIVES OF THE LATIN AMERICAN RESERVE FUND

- (1) Article 1, related to the Assembly annual meeting, was amended by Agreement N° 110 of the Assembly, April 9, 2002.
- (2) Article 2, related to the Assembly special meetings, was amended by Agreement N° 110 of the Assembly, April 9, 2002.
- (3) Article 4, related to the notification and date for each Assembly meeting, amended by Agreement N° 110 of the Assembly, April 9, 2002.
- (4) Article 8, related to travel expenses of the Assembly's members, was repealed by Agreement N°230, March 28, 2023.
- (5) Article 9, related to the agenda to be presented to the Assembly by the Executive President for each Assembly meeting, was reformed by application of Agreement N° 110 of the Assembly, April 9, 2002.
- (6) Article 17, related to the percentage of affirmative votes that require an Assembly decision, was amended by Agreement N° 110 of the Assembly, April 9, 2002.



Bylaws of the Latin American Reserve Fund

18TH EDITION



Bylaws of the Latin American Reserve Fund

18TH EDITION

1. SCOPE AND DURATION OF THE BYLAWS

Article 1. Scope. These Bylaws supplement the Agreement for the Establishment of the Latin American Reserve Fund (FLAR) (here in after referred to as “Agreement”) and the Bylaws of the Assembly of Representatives of the Latin America Reserve Fund. The purpose of these Bylaws is to establish operational and procedural norms, as well as the rules and interpretations necessary and advisable to implement the purposes and faculties of the Fund as established in the Agreement. If any provision of the Bylaws conflicts with the provisions of the Agreement, the latter shall prevail and the corresponding modification will be introduced into the Bylaws.

Article 2. Duration. These Bylaws shall come into force once approved by the Board of Directors. Additions and reforms shall be made when experience shows that it is advisable to modify standing procedures.

2. CONTRIBUTIONS

Article 3. Payment of contributions. The Assembly of Representatives shall indicate the schedule of payments for new capital subscriptions in the same Agreement by which the new subscribed capital of FLAR is established.

Without prejudice to the above, FLAR’s member countries and associated central banks (hereinafter the “members”) may make prepayments of subscribed capital in the Institution at any time, with previous notice to the Executive President.

With each payment that FLAR members make of subscribed capital, including new members, they will simultaneously make a payment for the institutional reserves. This payment will be calculated by applying the percentage represented by the institutional reserves to the capital contribution being made to FLAR, at the time before payment.

In case a term for the payment of capital to the members, these may resign to the same and anticipate at any time and in the proportion deemed convenient, the pending balance of payment of their initial subscription.

In all cases, the register with participation purposes in the profits of said financial exercise shall be carried out based on the weighted average of the duration of the new capital paid during the exercise of the reference.

This payment will be calculated by applying the percentage represented by the institutional reserves to the capital contribution being made to FLAR, at the time before payment.

If a certain time period has been granted to the acceding countries for the payment of the capital contribution, they may waive this deadline at any time and anticipate their payment in the proportion they deem proper, settling the outstanding balance of their initial subscription.

In all cases, the posting for profit sharing purposes of that financial year shall be made on the basis of the weighted average of the term of the new capital paid during the referenced financial year.

3. ABOUT THE PRINCIPLES APPLICABLE TO THE CREDITS AND OTHER FORMS OF FINANCIAL SUPPORT

Article 4. The Fund's financial support modalities may only be used to assist its members while solving their balance-of-payments problems, whether these are transient (short-term or liquidity), current or potential, or structural (medium term).

FLAR shall determine the modality of financial support to be used in each application.

FLAR's financial support means the monetary resources or guarantees the Fund provides to its members via credits, guarantees or other financial figures authorized by the Board of Directors aimed at fulfilling the purpose of Article 3 a) of the Constitutive Agreement.

The Board of Directors shall regulate, via agreement, the characteristics of the financial support modalities not defined in these Bylaws.

Article 5. In determining the maximum amounts of financial support referred to in Article 9 of the Constitutive Agreement and in these Bylaws, in any modality, it shall be understood that they will be calculated based on the average monthly paid-in capital of a member over the twenty-four months prior to the approval of the credit or other financial support, without considering the profits capitalized during this period, which shall be added to that calculation without averaging them.

Article 6. In all credits, guarantees and other forms of financial support granted by the Fund to its members, the Executive Presidency shall assess that the members have a reasonable payment capacity to repay the credit or other financial support.

4. CREDIT TRANSACTIONS

Article 7. Credit modalities or other financial support. The Fund may grant credits or other financial support to the central banks of its member countries and associated central banks that may contribute to correct or prevent situations of balances of payments lack of equilibrium or to solve temporary liquidity difficulties, under the following modalities and conditions:

- a) Balances of Payments Support Credit:
 - i. Three (3) years maximum term, including one year of grace period for capital amortization;
 - ii. Amount equivalent to 2.5 times the contributed capital by each member country, excepting Bolivia and Ecuador, which will have access to 2.6 times their contributed capital. In no event may it exceed the absolute difference between the amount of the credits or other financial support in place owed by the respective member country central bank or the associated central bank and the amount of the credit quotas to which it is entitled pursuant to article 9 a) of the Fund's Constituent Agreement.
 - iii. Credit or other financial support interest and charges, estimated according to Articles 14 and 15 of these Bylaws, shall be paid by expired quarters;
 - iv. Granting of this credit or other financial support shall be an attribution of the Board of Directors and shall be subject to the availability of liquid funds by the Fund.
- b) Liquidity CREDITS:
 - i. The maximum period of the credit, including all its extensions, may not exceed one year in any case.
 - ii. The maximum amount can never exceed the smaller of the following values:
 - One (1) time the paid-in capital by the requesting member, excepting Bolivia and Ecuador, which it shall be 1.1 times their paid-in capital;
 - The absolute difference between the amount of each member country central bank's or associated central bank's cur-

- rent credits or other financial support and the maximum amount of credit quotas to which it has a right, according to paragraph a) of Article 9 of the Fund's Agreement.
- iii. Credit interest and charges, estimated according to Articles 14 and 15 of these Bylaws, shall be paid by expired quarters, and the payment of the principal shall be made at the expiration of the credit term or of its renewal;
 - iv. Granting of these credits or other financial support shall be an attribution of the Executive President and shall be subject, in any case, to the availability of liquid funds by the Fund.
 - v. Disbursement of the liquidity credit shall be made automatically once it has been approved and the respective agreement has been signed.
- c) Contingent Financing:
- i. Maximum availability term of six (6) months that may be extended upon the debtor's request by two periods of up to six (6) months each, subject to the Fund's authorization regarding the terms and conditions applicable to each extension;
 - ii. Once it has disbursed, the amortization term is six (6) months, which may be extended once for an equal term;
 - iii. Capital amortization is done at the expiration of the initial term or at its extension;
 - iv. The maximum amount can never exceed the smallest of the following values:
 - Twice the paid in capital by the requesting member , except for Bolivia and Ecuador, for which it shall be 2.1 times of their paid-in capital;
 - The absolute difference between the amount of each central bank's current credits or other financial support and the maximum amount of credit quotas to which it has a right, according to that established in paragraph a) of Article 9 of the Fund's Agreement.
 - v. Interest and charges for contingent financing, estimated according to Articles 14 and 15 of these Bylaws, shall be paid by expired quarters.
 - vi. The contingent financing shall have a compromise fee during the availability term which shall be determined by the Assets and Liabilities Committee. The compromise fee shall be paid the day of its disbursement or the day of the availability term's expiration, according to the case.

- vii. Contingent financing shall have a guarantee to the satisfaction of the Fund.
- viii. Granting of these credits shall be an attribution of the Executive Presidency and shall be subject, in any case, to the availability of liquid funds by the Fund.

Paragraph. If it is necessary to attend simultaneous credit or other financial support requests under a lack of fund situation, the Executive Presidency shall recommend the Board of Directors the approval of the requested credits or other financial supports with a proportional distribution of the available funds among the requests made, within a calendar month considered from the date of the first one, proportionally to the amount that would correspond to each member according to what is established in paragraph a) of Article 9, and paragraph b) of Article 10 of the Agreement.

Article 8. Credit Studies. Regarding balance of payments credits, referred to in paragraph a) of Article 7 of the Bylaws, when the central bank of a Member Country or an associated central bank intends to request one to the Fund, it shall previously ask the Executive Presidency in order to consider its justification and the modalities related to the amount, term, disbursement programs, interests, amortization plan and all other related aspects of technical and financial order that require processing.

The Executive Presidency shall study by consulting with the requesting member country central bank or associated central bank whatever is relative to the economic and financial policies that the country of the interested central bank has adopted or is preparing to adopt to attenuate the lack of equilibrium of its balance of payments and that may provide the Fund a reasonable assurance that the requested credit can be paid within the agreed term.

Article 9. Credit request. For balance of payments credit requests mentioned on paragraph a) of Article 7 of the Bylaws once the consultation mentioned on the previous Article is done, the member country central bank or associated central bank, besides fulfilling the corresponding requirements established on the second paragraph Article 9 of the Agreement, shall present a written request to the Executive Presidency that shall have the following information:

- a) Amount of credit requested;
- b) Proposed amortization term;
- c) Indication of proposed dates and amounts for the gradual disbursement of the credit or other financial support funds, if it is the case;

- d) Explanation of the nature and duration of the balance of payments lack of equilibrium, which motivates the request, supported by the corresponding statistical data, especially the ones relative to the behavior of international monetary reserves, trends and perspectives on the international trade and the movements of capital during the two years prior to the date of the request; and,
- e) Indication of the requesting member country central bank or associated central bank about financing that it would have obtained already or intends to obtain from other foreign sources to complement the financial assistance requested to the Fund.

Regarding liquidity and contingency credits or other financial support, when the central bank of a member country or an associated central bank intends to request one from the Fund, it shall provide the Executive Presidency with a document including the main terms of restructuring of its foreign debt transaction.

Article 10. Information about economic policy. For balance of payments credits mentioned in paragraph a) of Article 7 of the Bylaws, the information of the requesting member country central bank or associated central bank regarding the measures of economic policy that its country is applying or intends to apply to correct or attenuate the foreign sector lack of equilibrium which motivates the request, shall adjust to the following guidelines:

- a) The requesting member country central bank or associated central bank shall present report on the measures of monetary, credit, exchange, fiscal and international trade policy that the corresponding national authorities have adopted, as well as on the measures that intends to adopt to correct or attenuate the balance of payments lack of equilibrium. The report already mentioned shall include the quantitative goals and limits of the economic and financial program.
- b) For the purpose of these Bylaws, international net reserves are defined as the monetary authority's property of freely convertible reserve assets excluding gold minus the same monetary authority's international debt with expiration terms inferior to a year, and other obligations to support the balance of payments.

Article 11. Executive Presidency Report. For the balance of payments credits mentioned in paragraph a) of Article 7 of the Bylaws based on the information established on previous articles, the Executive Presidency

shall prepare a confidential report for the Board of Directors including the study, the credit request evaluation and its opinion about the latter.

The report shall be sent to the Board of Directors members through the fastest and safest communication method, within the month following the date when such request was received and when necessary information of the requesting member country central bank or associated central bank would have been completed.

Article 12. Board of Directors Agreement. For the balance of payments credits mentioned in paragraph a) Article 7 of the Bylaws, the Board of Directors shall consider the reports and documents presented by the Executive Presidency during an informal meeting within the term of thirty (30) calendar days considered from the date when the Executive President would have sent the report. Also, the Board of Directors shall consider, among other factors, that the adopted measure to solve the balance of payments deficit of the requesting central bank's country should not affect imports coming from other members of the Fund, even though such measures are adopted according to safeguard clauses.

Article 13. Credit or other financial support documents. The obligations derived from the different credit modalities or other financial support offered by the Fund, shall be documented according to the easiest and fastest usual procedures that may result in each case, without detriment of what the documents related to the funds that are to be used establish.

Within six (6) months of the approval of the credit or other financial support, the Executive President, together with the representative of the credit applicant, shall sign the relevant documentation stating the terms of the credit or other financial support granted.

If the relevant documentation is not signed within the above deadline, the approval of the credit or other financial support shall expire.

The expiration of the approval of the credit or other financial support shall not prevent the credit applicant from submitting a new application for a credit or other financial support.

Article 14. Interest rates. The basic interest rate that the Fund may apply on its credit transactions shall be periodically determined by the Assets and Liabilities Committee.

The member that does not comply with the timely payment of any credit that would have been granted by the Fund, shall pay, besides the applied basic interest rate and its corresponding fees, a back interest of

two percent (2%) estimated over the amount pending payment, and during the time payment is not made. The Board of Directors shall check the basic and back interest rates when considered convenient, taking into account what paragraph a) of Article 10 of the Agreement establishes.

Article 15. Credit fees. A fee shall be added over the basic interest rate determined according to Article 14 of these Bylaws, which shall be periodically determined by the Assets and Liabilities Committee. The Board of Directors shall check the fee when considered convenient, taking into account what paragraph a) of Article 10 of the Agreement establishes.

Article 16. Credit amortization. Amortizations for credits to support balances of payments, shall be made on equal and consecutive quarterly quotas, from the last day of the last quarter of the grace period.

Advanced payments of the credits, granted under any of the modalities established on Article 7 of the Bylaws, may be made upon agreement with the Fund and subject to a pre-payment fee established by the Assets and Liabilities Committee.

A commission for pre-payment will not be charged when the pre-payment, in advance and complete, of a current credit operation or other financial support has as purpose that the member country central bank or associated central bank presents to FLAR a new credit request to support balance of payments, for the maximum amount of access allowed for the respective credit or other financial support.

5. GUARANTEES

Article 17. Granting Guarantees. According to the provisions of Article 9, (b) of the Agreement, the Fund may grant guarantees for a member country central bank or associated central bank to obtain balance of payments support credits. Granting these guarantees shall be subject to compliance with the same stipulations established for credits in Articles 8, 9 and 10 of these Bylaws. For granting guarantees and their extensions, the Fund shall charge a commission of one-fourth of one percent (0.25%) per annum, payable when the guarantee is granted.

The direct cost incurred by the Latin American Reserve Fund to process credits from other financial institutions shall be paid by the borrowing member, simultaneously with the interest payment for the first quarter.

6. ON OPERATIONS AFFECTING LIABILITIES

Article 18. Operations Affecting Liabilities. When the conditions of the Fund or of its members make it advisable, the Board of Directors shall regulate, at the proposal of the Executive President and through specific Agreements, the different operations referred to in Article 8 of the Agreement.

7. AGENT BANKS

Article 19. Agreements with agent banks. For the Board of Directors to approve the Agreements with agent banks proposed by the Fund, the Executive President shall submit a report on the economic status of the prime banks and financial institutions chosen.

8. BOARD OF DIRECTORS

Article 20. The Chair. The Executive President shall chair the meetings of the Board of Directors, without the right to vote.

Article 21. Board of Directors Meetings. The Board of Directors shall hold regular meetings at least twice a year and special meetings as many times as necessary, at the request of its Chairman or of at least forty percent (40%) of its members.

Paragraph. The Board of Directors meetings ordinarily should take place in the headquarters of the institution. In this case FLAR will pay travel and per-diem expenses to its members at their request.

Article 22. Special Members. According to Article 23 of the Agreement, the members of the Board of Directors may have a Special Director, accredited in each case, to represent them at the meetings. They may also attend the meetings accompanied by the technicians or officials from their central banks that they wish to accredit before the Secretary General for each specific session; they will not be entitled to vote.

Article 23. Calling. A call shall be sent by the Executive Presidency, which shall dispatch the agenda for the proposed meeting well in advance. A Director may add items to the agenda by informing the Executive Presidency.

Article 24. Of the minutes of meetings. The FLAR's General Secretary shall prepare any minutes of meetings of the Board of Directors, and shall submit them to its approval. The Executive President and the General Secretary shall authorize with their signature the minutes of meetings approved by the Board of Directors, and a copy shall be delivered to each of the permanent members.

Article 25. Agreements. The Board of Directors shall regulate by means of agreements, the following operations of the Fund:

- a) Operations affecting liabilities authorized in Article 8 of the Agreement;
- b) Basic interest rate;
- c) Norms for speedier cancellation of debts;
- d) Operations affecting assets referred to in Article 9 of the Agreement; and
- e) Any other operation consistent with the objectives of the Agreement.

These Agreements shall be signed by the Executive President and the Secretary General of FLAR.

9. ASSEMBLY

Article 26. Assembly meetings. Regular annual Assembly meetings shall be held in the month of March, unless the Board of Directors sets another date due to special circumstances.

10. EXECUTIVE PRESIDENCY AND THE SECRETARY GENERAL

Article 27. Appointment of the Executive President. The Executive Presidency shall be under the responsibility of an Executive President, appointed by the Board of Directors, who must be a national of any Latin American country. The Executive President shall be elected for a three year term and may be reelected.

Article 28. Appointment of the Secretary General. The Executive President will appoint the Latin American Reserve Fund's Secretary General, who will have the status of international staff member and should have in mind that his nationality must be different from his own to appoint him.

To this respect, the Executive President shall previously notify the members of the Board of Directors of the candidate's name and qualifications, who will have fifteen (15) calendar days to formulate their respective comments. The Secretary General may be freely appointed and removed by the Executive President.

Article 29. Duties. The duties of Secretary General shall be:

- a) To act as Secretary of the Assembly, of the Board of Directors and of the Fund;
- b) To certify or legalize both the Agreements of the Assembly and of the Board of Directors and any other relevant document;
- c) To perform the duties of the Executive President when he is temporarily absent, according to the provisions of Article 31 of the Agreement; and,
- d) Any other task entrusted to him by the Board of Directors, the Executive President or the Bylaws.

11. FINANCIAL STATEMENTS

Article 30. Submittal of financial statements. The Executive President shall submit the financial statement corresponding to December 31 of the previous year to the Board of Directors at the first meeting of each calendar year, and at the first meeting of the second semester of each year, he shall present the financial statement corresponding to the preceding June 30, providing that these meetings are not held before sixty (60) days following the date of each closing. These statements shall be sent to the Directors fifteen (15) days in advance for their study and consideration.

Article 31. Budget. The Executive Presidency shall submit to the Board of Directors a draft budget which, once approved, shall be sent to the regular Assembly meeting.

Article 32. Fiscal Year. The annual fiscal year of the Fund shall be from January 1 to December 31.

Article 33. Accounting. By virtue of the acts envisaged in the Agreement, the Fund shall record, in its accounting, operations affecting its assets and liabilities and capital resulting from its relations with its members and with other legal or natural persons.

Article 34. Unit of Account. The unit of account for all the operations, accounts and financial statements of the Fund shall be the dollar of the United States of America.

12. WITHDRAWAL FROM THE FUND

Article 35. Withdrawal of a member country. According to the stipulations of Article 42 of the Agreement, if a member country denounces the Agreement, it shall be understood that it withdraws from the Fund as of the date when the denouncement is communicated to the Assembly. The Fund shall immediately credit to the account indicated by the respective central bank the value of the country's paid-in contributions minus the outstanding obligations contracted with the Fund.

In order to specify the obligations and rights that apply, the Fund shall enter into an agreement with the Central Bank of the withdrawing Member Country, in which the guarantees granted by the Central Bank to the Fund or by the Fund to the Central Bank shall be entered into, to support the remaining obligations or debts after the settlement of accounts.

13. CONSULTATIVE COMMITTEE

Article 36. Objective and constitution. With a view to facilitating the expeditious treatment of matters to be considered by the Board of Directors of the Fund, a Consultative Committee is created, made up of the Executive President of the Fund, who shall act as Chairman, by a Representative appointed by each of the principal Directors and by the Secretary General of the Fund, who shall act as Secretary of the Committee.

Article 37. On meetings. Committee summons shall be sent by the Executive Presidency at its own initiative or at the request of at least forty percent (40%) of the Principal Directors. The meetings may be held in any of the countries of the associated central banks or member countries.

Paragraph. The Consultative Committee meetings should be held ordinarily in the headquarters of the institution. In such case, the Fund will pay travel and per-diem expenses, upon members' request.

Article 38. Functions. The basic functions of the Committee shall be to act as consultative, advisory, and coordinating body in the areas of drawing up the Draft Budget, the analysis of the Annual Report and Fi-

nancial Statements, the expansion of the activities of the Fund and any other administrative or technical aspect assigned thereto by the Board of Directors or the Executive President of the Fund.

Article 39. On minutes. The Executive President and Secretary General shall authorize, with their signatures, the minutes on matters discussed and the recommendations adopted; these minutes shall be submitted to the Board of Directors at its next meeting.

Article 40. Quorum. To hold a meeting, the Committee shall require the presence of at least seventy-five percent (75%) of the representatives of the members.

Article 41. On Recommendations. The recommendations discussed in Article 38 shall be drawn up with the support of at least seventy-five percent (75%) of the members attending the corresponding meeting.

14. RESERVES AND PROVISIONS

Article 42. Provisions. The size of the provisions will be determined by the Assets and Liabilities Committee.

For the establishment of provisions, the Assets and Liabilities Committee may consider the following parameters:

1. Nominal exposure to credit risk;
2. Probability of non-compliance;
3. Estimated loss in case of default;
4. Individual risk rating of the country of the debtor member for its long-term debt in other currencies; and
5. FLAR's nature as de facto preferred creditor.

Article 43. Credit Risk Commission. FLAR will charge a credit risk fee to all credits granted under any of the modalities set forth in Article 7, to cover the provisions of Article 42.

This commission shall be at least the total amount of the provisions calculated pursuant as set forth in Article 42. FLAR's Assets and Liabilities Committee shall determine the initial value and the increases in the credit risk fee to be charged for each credit operation.

Article 44. Authority of the Assets and Liabilities Committee to determine the credit risk fee. The Assets and Liabilities Committee may de-

termine the modalities, amounts and method of payment of the credit risk fee, seeking its effective collection at the time of granting the credit and considering increases in the expected loss of the credit due to impairment, during the entire duration of the credit.

At the first regular meeting of the Board of Directors each year, calculations of the initial commission and possible increases to the credit risk fee for each member will be submitted indicating the risk levels at that time.

Article 45. Compliance incentive. FLAR may recognize a compliance incentive to the debtor of any of the credits granted under the modalities set forth in Article 7, provided that:

1. The central bank has paid the credit risk fee set forth in Article 43.
2. The associated central bank or the member country central bank has timely and fully complied, to the satisfaction of FLAR, with all the obligations arising from the credit agreement signed with FLAR, including those not related to the repayment of the credit's principal, interest or fees.

If the above conditions are met, the value of the compliance incentive shall be equal to the face value of the total credit risk fee paid to FLAR for the specific credit operation.

Article 46. Size of the institutional reserves. Institutional reserves will be no less than ten percent (10%) of the Fund's paid-in capital and may be used to cover losses incurred in a given financial year.

Increases in institutional reserves above their minimum size should be justified in special conditions regarding their financial goodness.

Article 47. Sources of institutional reserves. Institutional reserves shall consist of:

- Contributions to institutional reserves made by the members pursuant to the provisions set forth in the third subparagraph of Article 3 of the Rules; and
- The amount of the profits of each financial year allocated to institutional reserves.
- On an annual basis, the Board of Directors shall make a proposal to the Assembly regarding the percentage of the profits of the financial year to be allocated to the institutional reserves account, based on the recommendation of the Executive President.

Article 48. Limitation of access to financial credit services. As long as a member is in breach of any of its contractual obligations with the Fund, and regardless of whether those obligations are related or not to the payment of the credit's principal, interest or fees, FLAR will not grant new credits, make pending disbursements on approved credits.

Access to the credits offered by the Fund will resume when the member has remedied its breach to the satisfaction of the Fund.

Upon report of the Executive President, the Board of Directors may approve an exception to the above limitation, in the case of breach of contractual obligations not related to the payment of the credit's principal, interest or fees.

15. DECISION PROCEDURE ON THE CREDIT OR OTHER FINANCIAL SUPPORT APPLICATION

Article 49. Submission to the Board of Directors. Applications for credits or other financial support will be discussed once the quorum has been verified and the agenda item on the approval of the minutes of the previous session has been exhausted.

Submissions will be made in the following order:

1. Presentation of the Executive Presidency Report on the credit or other financial support application and its opinion about it.
2. Presentation by the applicant to the credit or other financial support.

The requesting member country central bank or associated central bank may present the arguments to the Board of Directors supporting its application and the policy measures it has taken and/or undertakes to take to solve the imbalance in its balance of payments.

It may also present its comments to the report of the Executive Presidency.

Article 50. Board of Directors' discussion of the credit or other financial support application. The Board of Directors shall have time to discuss the credit or other financial support application behind closed doors and without the presence of the Director of the requesting member country central bank or associated central bank or his/her representative and the guests invited to the meeting, once the presentations referred to in Article 49 have concluded.

Article 51. Secret ballot. The Board of Directors' vote on the credit or other financial support application shall be secret and must be attended

by all the members of the Board of Directors who have attended the meeting.

The General Secretary shall count the votes and inform the result to the Board of Directors.

The decision of the Board of Directors may not be subject to review or appeal.

If the applicant is dissatisfied with the decision, it may submit a new application for evaluation at another meeting of the Board of Directors.

16. COMPENSATION OF DELINQUENT OPERATIONS

Article 52. Compensation of delinquent operations. In the proposal for the distribution of profits and the establishment of reserves, the Board of Directors shall inform the Assembly whether a member is in arrears (delinquent) with FLAR, so as to, after the amount corresponding to the establishment of reserves has been deducted, the profits corresponding to that member be devoted to repay its obligations with FLAR, for the entire time it remains in arrears (delinquent).

If the profit amount exceeds the amount applied to the repayment of the obligations in arrears, such excess shall be capitalized or paid in the form of cash dividends as determined by the Assembly.

APPENDIX: NOTES TO THE BYLAWS OF THE LATIN AMERICAN RESERVE FUND

- (1) Article 3, related to the payment of contributions, was amended by the following Agreements:
 - (i) Agreement N° 71 of the Board of Directors, February 17, 1984.
 - (ii) Agreement N° 105 of the Assembly, August 27, 2001.
 - (iii) Agreement N° 254 of the Board of Directors, August 27, 2001.
 - (iv) Agreement N° 169 of the Assembly, September 25, 2012.
 - (v) Agreement N° 432 of the Board of Directors, October 2, 2017.
- (2) Chapter 3, relating to the principles applicable to credit and other forms of financial support, was added by means of Agreement N° 435 of the Board of Directors, December 4, 2017.
- (3) Chapter 4, related to credit transactions was amended by Agreement N°309 of the Board of Directors, June 14, 2004.
- (4) Article 7, related to credit modalities, was amended by the following Agreements:
 - (i) Agreement N° 53 of the Board of Directors, November 26, 1982.
 - (ii) Agreement N° 133 of the Board of Directors, March 16, 1989.

- (iii) Agreement N° 138 of the Board of Directors, September 15, 1989.
 - (iv) Agreement N° 180 of the Board of Directors, February 20, 1995.
 - (v) Agreement N° 197 of the Board of Directors, March 14, 1996.
 - (vi) Agreement N° 202 of the Board of Directors, March 4, 1997.
 - (vii) Agreement N° 212 of the Board of Directors, March 12, 1998.
 - (viii) Agreement N° 235 of the Board of Directors, March 21, 2000.
 - (ix) Agreement N° 273 of the Board of Directors, September 16, 2002.
 - (x) Agreement N° 297 of the Board of Directors, October 6, 2003.
 - (xi) Agreement N° 309 of the Board of Directors, June 14, 2004.
 - (xii) Agreement N° 435 of the Board of Directors, December 4, 2017.
- (5) Article 8, related to credit evaluations, was amended by Agreement N°138 of the Board of Directors, September 15, 1989.
 - (6) Article 9, related to credit request, was amended by the following Agreements:
 - (i) Agreement N° 309 of the Board of Directors, June 14, 2004.
 - (ii) Agreement N° 435 of the Board of Directors, December 4, 2017.
 - (7) Article 10, related to the information about economic policy to be provided by the country requesting the credit, was amended by the following Agreements:
 - (i) Agreement N° 17 of the Board of Directors, September 24, 1979.
 - (ii) Agreement N° 54 of the Board of Directors, November 26, 1982.
 - (iii) Agreement N° 138 of the Board of Directors, September 15, 1989.
 - (8) Article 12, related to the Board of Directors credit approval, was amended by the following Agreements:
 - (i) Agreement N° 17 of the Board of Directors, September 24, 1979.
 - (ii) Agreement N° 138 of the Board of Directors, September 15, 1989.
 - (iii) Agreement N° 309 of the Board of Directors, June 14, 2004.
 - (9) Article 13, relating to credit and other financial support documents, was amended by Agreement N° 442 of the Board of Directors, April 2, 2018.
 - (10) Article 14, related to interest rates on credits, was amended by the following Agreements:
 - (i) Agreement N° 02 of the Board of Directors, November 23, 1978.
 - (ii) Agreement N° 55 of the Board of Directors, December 10, 1982.
 - (iii) Agreement N° 196 of the Board of Directors, March 14, 1996.
 - (iv) Agreement N° 297 of the Board of Directors, October 6, 2003.
 - (v) Agreement N° 309 of the Board of Directors, June 14, 2004.
 - (11) Article 15, related to the fees on credits, was amended by the following Agreements:
 - (i) Agreement N°03 of the Board of Directors, November 23, 1978.
 - (ii) Agreement N°48 of the Board of Directors, September 24, 1982.
 - (iii) Agreement N°55 of the Board of Directors, December 10, 1982.
 - (iv) Agreement N°181 of the Board of Directors, February 20, 1995.

- (v) Agreement N°309 of the Board of Directors, June 14, 2004.
- (12) Article 16, related to credit amortizations, was amended by the following Agreements:
 - (i) Agreement N° 56 of the Board of Directors, September 10, 1982.
 - (ii) Agreement N° 181 of the Board of Directors, February 20, 1995.
 - (iii) Agreement N° 197 of the Board of Directors, March 14, 1996.
 - (iv) Agreement N° 297 of the Board of Directors, October 6, 2003.
 - (v) Agreement N° 309 of the Board of Directors, June 14, 2004.
 - (vi) Agreement N° 407 of the Board of Directors, September 22, 2014
 - (vii) Agreement N° 435 of the Board of Directors, December 4, 2017.
- (13) Article 17, related to guarantees provided by the Fund, was amended by Agreement N° 04 of the Board of Directors, November 23, 1978.
- (14) Article 21, related to Board of Directors meetings, was amended by Agreement N° 10 of the Board of Directors, May 21, 1979.
- (15) Article 24, related to the minutes of the meetings held by the Board of Directors, was amended by Agreement N° 138 of the Board of Directors, September 15, 1989.
- (16) Article 25, related to the operations that shall be regulated by means of Board of Directors Agreements, was amended by Agreement N° 271 of the Board of Directors, September 16, 2002.
- (17) Article 26, related to Assembly meetings, was amended by the following Agreements:
 - (i) Agreement N° 39 of the Board of Directors, April 27, 1982.
 - (ii) Agreement N° 179 of the Board of Directors, November 18, 1994.
 - (iii) Agreement N° 271 of the Board of Directors, September 16, 2002.
- (18) Article 27 related to the Executive President appointment, was amended by the following Agreements:
 - (i) Agreement N° 39 of the Board of Directors, April 27, 1982.
 - (ii) Agreement N° 179 of the Board of Directors, November 18, 1994.
 - (iii) Agreement N° 426 of the Board of Directors, March 6, 2017, repealed Agreements N° 179 of 1994, 283 of 2003 and 338 of 2006.
- (19) Article 28, related to the Secretary General's appointment, was amended by the following Agreements:
 - (i) Agreement N° 39 of the Board of Directors, April 27, 1982.
 - (ii) Agreement N° 120 of the Board of Directors, November 20, 1987.
 - (iii) Agreement N° 307 of the Board of Directors, April 19, 2004.
- (20) Article 30, related to financial statements presentation, was amended by Agreement N° 18 of the Board of Directors, March 6, 1980.
- (21) Article 32, related to the fiscal year, was amended by the following Agreements:
 - (i) Agreement N° 18 of the Board of Directors, March 6, 1980.
 - (ii) Agreement N° 271 of the Board of Directors, September 16, 2002.

- (22) Chapter 13, related to the Consultative Committee, was added by Agreement N°19 of the Board of Directors, April 7, 1980.
- (23) Chapter 14, relating to reserves and provisions (Articles 42 to 48), was incorporated by Agreement N° 432 of the Board of Directors, October 2, 2017.
- (24) Chapter 15, relating to the procedure for deciding on requests for credits or other financial support (Articles 49 to 51), was incorporated by Agreement N° 436 of the Board of Directors, December 4, 2017.
- (25) Article 52 of the Bylaws, relating to the setoff of operations in arrears, was added by Agreement N° 442 Board of Directors, April 2, 2018.
- (26) Articles 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 33, 37, 40, 41, 42, 44, 45, 47, 48, 51, 52 of the Bylaws were amended by Agreement N° 477 of the Board of Directors, 21 June, 2021, in accordance with Agreement N° 218 of the Assembly, 12 July, 2021.



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