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# Argentina

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## LEGAL MEMORANDUM

### ARGENTINA

*The following are summaries of recent measures taken by the Argentine Government in an attempt to alleviate its foreign debt.*

#### I. DECREE 1334/82.

Decree 1334/82 (Boletín Oficial, December 3, 1982) authorizes the Central Bank of the Republic of Argentina (B.C.R.A.) to issue, one or more series of bonds, in U.S. dollars, on the external public debt with floating interest rates a five-year term, and in such aggregate amount as may be necessary to pay the external indebtedness owed by debtors who have entered into foreign exchange insurance contracts with the B.C.R.A. under Communications A 31 of June 5, 1981, A 54 of August 14, 1981, A 61 of September 24, 1981 and A 76 of November 30, 1981.

Such bonds are called "Registered Bonds in U.S. Dollars" and will be subject to the following:

#### (a) *Interest:*

Interest shall be paid semi-annually in arrears. The first such payment will be made six months after the date of issue. Interest shall accrue at an annual rate equal to the annual rate for 180-day eurodollar deposits in the London Interbank Market. The B.C.R.A. shall determine this rate based on the average of rates reported by London correspondent banks at the close of business on the day before the first day of each interest period. The B.C.R.A. may decide, at the time of issuing each series, that the payment of a supplementary rate shall be added to the aforesaid rate.

#### (b) *Amortization:*

Each bond shall be paid in four consecutive equal semi-annual installments, the first such installment to mature no earlier than 42 months after the date of issue.

(c) *Title and Negotiation:*

Each bond shall be payable to a named person who is a foreign creditor and whose debt is paid by the delivering of such bond. The transferor shall give notice of any transfer being made and shall provide the name and domicile of the transferee and the serial number of each bond being transferred. A transfer can never be made to a person who is domiciled or resides in Argentina. The bonds cannot be offered to the public (as defined by article 16 of Law No. 17,811) within the Argentine territory, nor can they be the matter of any transaction involving any person having a residence or domicile in Argentina.

(d) *Payments:*

All payments shall be made by the B.C.R.A. in U.S. dollars which will be transferred to New York, Frankfurt, London or Zurich, at the owner's option, to be credited to his or her account.

(e) *Placement and Value:*

In the manner, conditions, and times as the B.C.R.A. may determine.

(f) *Anticipated Redemption:*

The Secretary of Finance may decide that, upon the anticipated redemption of all, or any part, of the bonds issued, the obligation thereon can be terminated by paying the principal then outstanding plus accrued interest.

(g) *Tax Exemptions:*

All payments shall be made without any deduction on account of any present or future charges, imposts, or taxes existing in Argentina.

(h) *Face-value of bonds:*

Bonds will be issued at a face-value not less than U.S. \$5,000.

II. *DECREE 1335/82.*

Decree 1335/82 (Boletín Oficial, December 3, 1982) authorizes

the Central Bank of the Republic of Argentina (B.C.R.A.) to issue, in one or more series, one bond with a five-year term, in an amount necessary to be distributed among persons having external debts who (i) have resorted to the foreign exchange insurance schemes arranged with the B.C.R.A. under Communications A 31 of June 5, 1981, A 54 of August 14, 1981, A 61 of September 24, 1981, and A 76 of November 30, 1981, and (ii) who have proceeded to renew, the external debts at their maturities subject to the above mentioned foreign exchange insurance schemes.

The bond shall be called a "Monetary Absorption Bond". It will be placed on the market at a value equal to the adjusted principal amount of the bond plus the accrued interest thereon. The subscription will be in pesos at an amount equal to the difference resulting from foreign exchange rate variations, at renewal calculated as follows:

- (a) where a new foreign exchange insurance is entered into in connection with a renewed debt, the difference will be the difference (in pesos) between such debt, converted at the rate of exchange provided for in the new foreign exchange insurance, and the same debt converted at the rate of exchange provided for in the foreign exchange insurance to mature;
- (b) where a new foreign exchange insurance is not entered into in connection with a renewed debt, the difference will be the difference (in pesos) between such debt, converted at the rate of exchange applicable to foreign borrowings at the time of renewal, and the same debt, converted at the rate of exchange provided for in the foreign exchange insurance to mature.

The amounts calculated according to paragraphs (a) and (b) above shall be decreased where, pursuant to B.C.R.A. regulations, the subscribers must apply such amounts to the payment of credits resulting from B.C.R.A. loans. The B.C.R.A. will take all necessary action to assure that the face-value investment of each subscriber is recorded in accounts opened for that purpose. Thus making unnecessary the delivery of documents of title. Such investments will be non-transferable.

The procedures and manners for the placement of the bond will be established by the B.C.R.A. Interest on the adjusted principal amount of the bond shall accrue at the rate of 8% per annum and shall be paid semi-annually in arrears. The first such payment shall be 6 months after the date of issue.

Each investment shall be amortized in seven semi-annual installments which are equal to: (i) 14% of the face-value of such investment for each of the first six installments; and (ii) 16% of the value of the seventh one. The first such installment shall be paid two years after the date of issue.

The face-value of each installment shall be adjusted for payment, on each maturity date, in the proportion that the peso-U.S. dollar exchange rate shall have varied between a date seven consecutive days prior to the date of issue, and to the maturity date of the corresponding installment. If more than one rate of exchange shall be in effect at that time, the rate of exchange used will be the rate applicable to the repayment or borrowing of foreign loans.

The Secretary of Finance may redeem all or part of the bond at the adjusted principal value and the interests accrued thereon.

Both principal and interest are exempted from all taxes.

### III. DECREE 1336/82.

Decree 1336/82 (Boletín Oficial, December 3, 1982) authorizes the Central Bank of the Republic of Argentina (B.C.R.A.) to issue bonds (government securities which could have the form of a promissory note) to cover the external public debt, in U.S. dollars, in such aggregate amount as may be necessary to pay the external indebtedness owed by debtors who have entered into foreign exchange insurance contracts with the B.C.R.A. under Communications A 31 of June 5, 1981, A 54 of August 14, 1981, A 61 of September 24, 1981 and A 76 of November 30, 1981.

Such bonds will be subject to the following:

(a) *Amortization:*

Each bond shall be paid in four consecutive equal installments, the first such installment to mature not earlier than 36 months after the date of issue. However, where the bonds are to be applied to the payment of foreign exchange insurance contracts after September 30, 1983, the B.C.R.A. is authorized to establish other conditions of amortization.

(b) *Interest:*

Interest shall be paid semi-annually in arrears. The first such payment shall be made six months after the date of issue. Interest

shall accrue at an annual rate equal to the annual rate for 180-day eurodollar deposits in the London interbank market. The B.C.R.A. shall determine this amount based on the average of the rates reported by London correspondent banks as the rate at the close of business on the date before the first day of each interest period. The B.C.R.A. may decide, at the time of issuing each bond, that the payment of a supplementary rate will be added to the aforesaid rate.

(c) *Title and Negotiation:*

Each bond shall be payable to the foreign creditor whose debt is paid by the delivering of the bond. The bonds will only be transferable to financial institutions which are domiciled abroad. The transferor shall give notice of any transfer being made, and shall provide the name and domicile of the transferee. There can never be a transfer to a person who is domiciled or resides in Argentina. The bonds cannot be offered to the public (as defined by article 16 of Law No. 17,811) within Argentine territory, nor can they be the subject of any transaction involving a person who resides or is domiciled in Argentina.

(d) *Payments:*

The B.C.R.A. shall make all payments in U.S. dollars, which will be transferred abroad and credited to the owner's account.

(e) *Placement and Value:*

In the manner, conditions and times that the B.C.R.A. may determine.

(f) *Tax Exemption:*

All payments shall be made without any deduction for present or future charges, imposts or taxes existing in Argentina.

(g) *Jurisdiction:*

The B.C.R.A. is authorized to consent to foreign jurisdiction in accordance with article 48 of Law No. 16,432, as amended by arti-

cle 7 of Law No. 20.548, exclusively in favor of the courts of London, New York, Tokyo or Frankfurt.

CARDENAS, HOPE & ORTERO MONSEGUR  
BUENOS AIRES, ARGENTINA

## BRAZIL

*The following is a brief summary of several legislative and administrative rulings, and several judicial and administrative decisions of the Brazilian government which may affect foreign trade and investments in Brazil.*

### I. LEGISLATIVE AND ADMINISTRATIVE RULINGS

#### *Foreign Vessels in Brazilian Coastal Navigation*

The President of the Republic, through Decree 88.009 of December 30, 1983, has authorized the National Superintendency of the Merchant Marine (SUNAMAM) to grant permission, until December 31, 1983, for foreign vessels to engage in coastwise shipping if chartered by a domestic shipping company (DOU-1, December 31, 1982).

#### *New Series of ORTNs Offers Option as to Method of Adjusting Redemption Value*

The Minister of Finance has authorized issuance of a new series of Readjustable National Treasury Bonds - ORTNs. They are available for voluntary subscription, and offer the holder the option, at the time of redemption, of either having the value corrected on the basis of the coefficients fixed by the Office of the Secretary of Planning, or by using the Central Bank's coefficients, which are based on the change in the quotation of the cruzeiro on the exchange market. Under Ordinance No. 289-82, the new bonds will have a maturity of five years, will not yield interest, and may be either bearer or registered endorsable instruments (DOU-1 December 31, 1982).

#### *Steps Taken to Reduce the Cost of Credit*

The following Central Bank Resolutions are part of a "package" of measures taken recently to reduce the cost of credit on the