

LEGAL WARNING

*"The following English translation of the Public Offering Law No. 17,811 has been prepared to facilitate the approach of potential future investors and any person interested in the legal framework that regulates the capital market of Argentina.
Notwithstanding, only the Spanish version of this law is binding."*

AVISO LEGAL

*"La siguiente traducción al idioma inglés de la Ley de Oferta Pública N° 17.811 ha sido preparada para facilitar el acercamiento de posibles futuros inversores y toda persona interesada en el marco legal que regula el mercado de capitales de la República Argentina.
Sin perjuicio de ello, sólo la versión en español de esta ley es vinculante".*

Public Offering Law No. 17,811

Buenos Aires, July 16, 1968

To the President of the Nation:

We have the honor to submit to your consideration the Bill referred to stock exchanges and stock markets, as well as the public offering of securities.

The object of the bill in question is to replace the old existing legislation contained in the Commercial Code and in the rules and modifying decrees, with a streamlined system that shall regulate to the fullest extent all that is referred to the organization and operation of Stock Exchanges and Stock Markets, the public offering of securities, and to the updating of the people devoted to the trading thereof.

The intention to revamp the institutions essential for the Argentine economic activity combines with the project with the aim to protect investors, especially those conforming the business community that, due to the lack of relevant information, have suffered most the consequences of the companies not sound enough as to guarantee internal savings a productive and safe destination.

The importance and the technicality of the mentioned project urge to include in this message the motives submitted to the Secretary of State of Justice by the Drafting Committee.

God save Your Excellency

Text of the Act

Buenos Aires, July 16, 1968

In use of the powers conferred by Section 5 of the Argentine Revolution Statute, the President of the Argentine Nation enacts and passes the present law:

CHAPTER I NATIONAL SECURITIES COMMISSION

Section 1: The National Securities Commission is an autarkic entity having jurisdiction over the entire territory of Argentina. Its relations with the Executive Branch are conducted through the National Ministry of Economy and Labor.

(* **Section 2:** Its functions are carried out by a Board of Directors consisting of five members appointed by the Executive Branch. Board members remain in office for a seven-year term and they may be re-elected. They must have recognized competence in the subject hereof, duly accredited by their qualifications or professional activities.

The Chairman may not engage in any other remunerated activity, except teaching or research assignments.

The remaining directors may not engage in, hold or perform:

(a) Any other remunerated activity in any national, provincial, or municipal Government agency, including the legislative and judicial branches, except teaching or research assignments.

(b) Professional positions, tasks or advisory assignments in any matter either directly or indirectly relating to persons subject to the provisions hereof.

(c) Representation of others, counsel, or action in any judicial or extra judicial proceedings before the national Government, provinces, municipalities, instrumentalities, state-owned companies, government corporations, banks or any other government agency.

Section 3: The National Executive Branch appoints the Chairman and Vice Chairman of the Board. The Chairman or the Vice Chairman, as the case may be, is the representative of the National Securities Commission and has a casting vote in the event of a tie. Board meetings may be validly held with three of its members present, and the decision of a majority of the directors present at a meeting shall be the decision of the Board.

Section 4: Staff members are appointed, suspended and removed by the Board. Board and staff members are entitled to such remuneration as is established in the National Budget.

Section 5: Any expenses required for the functioning of the National Securities Commission shall be defrayed with the appropriations assigned by the National Budget. The proceeds of any penalties herein prescribed shall accrue to the National General Revenues.

(**) **Section 6:** The National Securities Commission shall have the following functions:

(a) Authorize public offerings of securities;

(b) To advise the FEDERAL EXECUTIVE BRANCH with regards to the petitions for authorization to operate within the stock exchanges, whose by-laws foresee the trading of securities, and capital markets.

(c) Keep a record of all Stockbrokers registered with Securities Markets;

(d) Keep a register of all natural and artificial persons authorized to make public offerings of securities, and prescribe the rules that such persons and those acting for their own account are to observe;

(e) Approve the rules and regulations of Exchanges relating to the public offering of securities and those of Securities Markets;

- (f) Supervise compliance with applicable laws, rules and regulations in all matters within the scope of this Law;
- (g) Request the National Executive Branch to revoke the registration of Stock Exchanges and Securities Markets, whenever such institutions should fail to comply with the functions herein assigned to them.
- (h) To declare irregular and inefficient, for administrative purposes, the acts subject to their control, when the acts are against the law, the regulations passed by the SECURITIES AND EXCHANGE COMMISSION, the by-laws or the regulations.

Section 7: The National Securities Commission establishes the rules that natural or artificial persons involved in any capacity in the public offering of securities must observe for the purpose of evidencing compliance with the requirements herein set forth. In the exercise of its functions it may:

- (a) Require reports and carry out inspections and investigations in respect of natural or artificial persons subject to its supervisory authority;
- (b) Request the aid of law enforcement agencies;
- (c) Report crimes or prosecute in court.

Section 8: All information gathered by the National Securities Commission in exercising its inspection and investigative powers shall be kept secret. Courts shall ex officio dismiss any request for the Commission to provide such information, save in the case of criminal proceedings for ordinary crimes directly related to the facts being investigated.

Section 9: The National Securities Commission Board and staff members shall maintain the secrecy of any information obtained in performing their functions. Upon violating such duty of secrecy, they shall be liable to any applicable administrative and criminal sanctions.

(**) **Section 10:** Without prejudice of any pertinent civil or criminal actions, natural or artificial persons failing to comply with the provisions hereof, shall be liable to the following penalties:

- (a) Censure;
- (b) Fine of ONE THOUSAND PESOS (\$ 1,000) to ONE MILLION FIVE HUNDRED THOUSAND PESOS (\$ 1,500,000) that may be raised to up to FIVE (5) times the amount of the obtained benefit or the damage suffered as a consequence of the illegal action, if any of them is higher.
- (c) Suspension of up to FIVE (5) years from performing their functions as directors, managers, auditors, members of the supervisory council, members of the qualification council, accountants giving their opinion or external auditors or managers of issuers authorized to make the public offering, or to act as such in investment or depository companies of mutual funds, in rating agencies or in companies developing the activity of financial trustees, or to act as intermediaries in the public offering or in any other manner which may be under the control of the SECURITIES AND EXCHANGE COMMISSION.
- (d) Suspension of up to TWO (2) years to make public offerings or, in its case, of the authorization to act in the public offering. In the case of mutual funds, only joint administration acts may be performed and requests may be approved for the redemption of quotas, being able to sell for that purpose the property in the portfolio controlled by the SECURITIES AND EXCHANGE COMMISSION.
- (e) Prohibition to make public offerings of negotiable securities or, in its case, to authorize to act in the public offering of negotiable securities or forward contracts, futures or options of any nature whatsoever.

For the purposes of establishing the above mentioned penalties, the SECURITIES AND EXCHANGE COMMISSION shall especially take into account: the damage to the confidence

in the capital market; the scope of the violation; the generated benefits or the damages caused by the defaulting party; the operating volume of the defaulting party; the individual performance of the members of the administration and control bodies and their relation with the control group, especially, the nature of independent or external member(s) of said bodies; and the circumstance of having been penalized in the SIX (6) previous years by the application of this law. In the case of the artificial persons the following shall be joint and severally liable: the directors, administrators, auditors or members of the supervisory boards and, in its case, the managers and members of the qualification board, whose individual responsibility was determined in the commitment of the penalized behaviors.

(**) **Section 10 bis:** Fines. The amount corresponding to fines shall be entered by the persons bound to pay them within a term of TEN (10) days after the date of the final decision that imposes them.

The amounts entered for the proceeds of the fines shall be incorporated to the National Treasury.

Summary Nature, Precautionary Measures. The lack of payment of the imposed fines and of the amounts due shall be demandable for their payment through the procedure of fiscal execution established by the Procedural Court on Civil and Commercial Matters of the Nation. For said purpose, the evidence issued by the SECURITIES AND EXCHANGE COMMISSION shall be enough, which shall be subscribed by its legal representative or the person vested in said power, and no other exceptions may be argued except for prescription, stay and documented payment. Moreover, the interests of said fines shall accrue commensurate with the interests offered by BANCO DE LA NACIÓN ARGENTINA for ordinary discount operations beginning from the expiration of the term of TEN (10) days until its effective payment. The final decision of the SECURITIES AND EXCHANGE COMMISSION to impose a fine shall make the decision for an injunction, or any other equitable remedy, possible and the submission of the evidence for said decision shall have similar effects to the case established in section 212, subsection 3 of the Code of Procedure in Civil and Commercial Matters of the Nation.

Penalties Register. The SECURITIES AND EXCHANGE COMMISSION shall keep a public register of the imposed penalties, where the successive resolutions until the last legal instance shall appear as well as the data of the responsible parties and the measures adopted regarding that matter.

Existence of Criminal Cases. The concurrent proceedings of criminal cases regarding behaviors described by this Law and that may further generate sentences in that matter, shall not impede the prosecution and conclusion of the respective summary proceedings before the SECURITIES AND EXCHANGE COMMISSION or in self-regulated entities.

Statute of Limitations. The statute of limitations for which claims may be brought against actions which are in violation of Act No. 17,811 and amending regulations, of Act No. 24,083 and amending regulations, and/or the Regulations on Transparency of the Public Offering, shall be SIX (6) years after the event that caused it. Said period shall be extended by any other violation and by any acts and proceedings inherent to the summary proceedings, once brought by resolution of the Board of Directors of the SECURITIES AND EXCHANGE COMMISSION. The statute of limitations to impose fines shall take place THREE (3) years as from the date of notice of said final penalty.

Section 11: Upon ascertaining that a Stockbroker has violated any provisions hereof or any rules or regulations in conducting transactions at a Securities Market, the National Securities

Commission shall report such circumstance to the relevant Securities Market, which is to take fitting disciplinary action.

(**) **Section 12:** The penalties established in this chapter shall be applied by the Board of Directors of the SECURITIES AND EXCHANGE COMMISSION, through grounded resolution, prior summary proceedings through the process established by the regulations of the SECURITIES AND EXCHANGE COMMISSION, which shall observe and apply the principles and rules established in this section and the procedure rules passed by the SECURITIES AND EXCHANGE COMMISSION.

The principles and rules of administrative procedure shall be applied in a supplementary way and all records shall be protected through the transcription in the record of oral hearings, for the eventual revision in second instance.

Summary proceedings shall be brought on the basis of the conclusions of the investigation, by administrative initiative or for denunciation, that an office of the SECURITIES AND EXCHANGE COMMISSION shall carry out and that shall include a proposal of bringing charges to be evaluated by the Board of Directors that shall be the competent body to decide the opening of the summary proceedings. The summary proceedings shall be conducted by another office of the SECURITIES AND EXCHANGE COMMISSION, separate and independent from the one that brought the charges. The office that brought the charges, once the summary proceedings have been tried, shall take the records to the Board of Directors with its recommendations for its consideration and decision.

When the proceedings are brought by a denunciation before the SECURITIES AND EXCHANGE COMMISSION, the denouncer shall not be considered a party of the proceedings and in no case shall he take knowledge of said records protected by confidentiality established in sections 8° and 9° of this law. The Board of Directors of the SECURITIES AND EXCHANGE COMMISSION prior judgement of the competent bodies, shall dismiss the denunciation when the preliminary exam determines that the events do not constitute violations described by the applicable law or regulation. In such a case, notice of the decision shall be given to the denouncer who may appeal according to the provisions of section 14 of this law.

The SECURITIES AND EXCHANGE COMMISSION may request, at any time prior to the summary proceedings, the appearance of the parties involved in the investigation to provide the explanations it deems necessary and also to reconcile or minimize the differences that may exist on questions of fact, drawing up a record of the factual accounts during said preliminary hearing. In the summons, the purpose of the appearance shall be specifically stated. If the alleged events are explicitly by the investigated parties, the SECURITIES AND EXCHANGE COMMISSION may decide to terminate the investigation and apply the corresponding penalties according to section 10 of this law.

Prior to the trial of the case, a preliminary hearing, apart from attaining explanation, shall be conducted, so that differences on questions of fact shall be reduced and different procedural guidelines shall be deliberated and agreed upon for the sake of the principles of concentration, procedural economy and immediacy.

(**) **Section 13:** Whenever a systematic risk practice, or any other serious financial threat, is identified, the SECURITIES AND EXCHANGE COMMISSION, or the respective self-regulated entity, may suspend in a preventive manner the public offering or the negotiation of negotiable securities, or forward contracts, futures and options of any nature whatsoever and the execution of any act submitted to its control. This may further be ordered when

initiating an investigation or at any stage of the summary proceedings, and it shall not be extended once the investigation or the summary proceedings are concluded or after a year of their initiation. When it affects self-regulated entities, it may extend for a maximum period of THIRTY (30) days, except when the measure is extended by the FEDERAL EXECUTIVE BRANCH.

Interruption. The SECURITIES AND EXCHANGE COMMISSION, or the respective self-regulated entities, may temporarily interrupt the public offering of negotiable securities or forward contracts, futures and options of any nature whatsoever when the diffusion of the relevant information is pending, or there are extraordinary circumstances that make the suspension advisable, until the reasons for suspension have been eliminated.

(**) **Section 14:** The decisions of the SECURITIES AND EXCHANGE COMMISSION to carry out summary proceedings during said proceedings shall not be appealable, but they may be objected to when filing an appeal of final decisions.

Final decisions for penalties, which are more severe than that of a warning, may be appealed before the Federal Court of Appeals of the corresponding jurisdiction. In the AUTONOMOUS CITY OF BUENOS AIRES, the National Court of Appeals in Commercial Matters shall intervene.

The remedy shall be filed and grounded in writing before the SECURITIES AND EXCHANGE COMMISSION within FIFTEEN (15) business days after giving notice of the measure and shall be returnable, except for the remedy against the imposition of the fine that shall have staying effect.

The records shall be referred to the competent legal body with the summary proceedings within TEN (10) days after filing the remedy.

(**) **Section 15:** Only rulings imposing censure are appealable for reversal to the National Securities Commission. It shall be filed in writing within a term of TEN (10) business days after giving notice of said penalty and solved without any other proceeding. In case where the warning penalty is imposed jointly with any of the remaining measures described in section 10 of Act No. 17,811 and amending regulations, they shall both be appealable through the procedure established in the previous section.

CHAPTER II PUBLIC OFFERING OF SECURITIES

Section 16: A public offering is an invitation made to the general public or to specific groups or sectors to do any kind of juridic act with securities, by the issuers or by sole proprietorships, firms or companies either exclusively or partly engaged in the trading thereof, by means of personal offers, newspapers and periodicals, radio or television broadcasts, films, posters, placards or billboards, programs, circulars and printed communications or any other means of public communication.

Section 17: Only securities issued in a mass which on account of having the same characteristics and enjoying the same rights within their class are offered generically and identified specifically at the time of performance of the respective contract may be publicly offered.

Section 18: Public offerings of securities issued by the Nation, the provinces, the municipalities, autarkic entities and government corporations do not fall within the scope of this law, without prejudice to the powers vested in the Central Bank of the Argentine Republic (Banco Central de la República Argentina) in the exercise of its functions as regulator of money and credit. Trading of the above mentioned securities shall be considered to be a public offering when carried out by a natural or artificial person upon the conditions set forth in section 16 hereof.

Section 19: The National Securities Commission shall resolve upon an application for authorization to make a public offering within thirty days as of the date of the application. If at the end of such thirty-day period no resolution has been adopted, the interested party may require a prompt resolution thereon. If ten days after such request was filed the National Securities Commission should have failed to issue a resolution, authorization shall be deemed to have been granted, unless such time limit shall have been extended by a duly grounded resolution of the Commission. Such extension may not exceed thirty days after the date thereof. Upon expiration of such additional time, authorization shall be deemed to have been granted. A resolution refusing authorization is appealable, and the rules set forth in section 14 as to competent jurisdiction and procedure shall likewise apply. Such refusal may not be resolved on the grounds of opportuneness or expediency.

The authorization to make a public offering of a specified number of securities does not entail an authorization to offer other securities issued by the same issuing entity, even though their characteristics may be the same.

Section 20: In regulating money and credit, the Central Bank of the Argentine Republic may restrict, on a general and temporary basis, the public offering of new security issues. It may also exercise this authority in respect of government securities. Such resolution shall be communicated to the National Securities Commission for the latter to suspend authorization of new public offerings and to the Stock Exchanges so that they suspend authorization of new listings.

Section 21: Public offerings of securities may be made by the issuing corporations and by the natural or artificial persons registered in the Register provided in section 6, subsection (d) hereof. Such persons shall carry a record or file with the personal data, identification documents, and signatures of their clients. Stockbrokers operating exclusively as members of a Securities Markets shall be exempted from the requirements provided for in this section.

CHAPTER III MERCANTILE EXCHANGES OR MARKETS IN GENERAL

Section 22: Mercantile Exchanges or Markets shall be organized as incorporated associations or as corporations.

Section 23: The rules and regulations of Mercantile Exchanges or Markets are to ensure the genuineness of transactions and the accuracy of the registration and publication thereof.

Section 24: The result of transactions regularly carried out on a Mercantile Exchange or Market determines the current price of traded assets.

Section 25: Exchange transactions shall be executed with a view to performance. The parties may not forgo performance alleging they had intended to settle the transaction by payment of the bid and ask spread prevailing at the time of execution and performance.

Section 26: The rules and regulations of Mercantile Exchanges or Markets shall stipulate in which cases and upon which conditions such institutions guarantee performance of the transactions therein carried out or recorded.

Section 27: Mercantile Exchanges or Markets may organize clearing houses to settle transactions. In addition, they may carry out financial transactions in order to facilitate the execution of exchange transactions according to their rules and regulations.

CHAPTER IV REGISTERED STOCK EXCHANGES AND SECURITIES MARKETS

Section 28: Exchanges whose corporate by-laws provide for the listing of securities and Securities Markets wishing to organize in the future, shall apply for appropriate authorization to the National Executive Branch through the National Securities Commission to perform the functions herein assigned to such institutions.

Section 29: The involvement of the National Securities Commission as provided in the foregoing section will be without detriment to the involvement of other national or provincial government agencies.

Section 30: Exchanges whose corporate by-laws provide for the listing of securities shall:

- (a) Authorize, suspend and cancel the listing of securities in the manner provided by their rules and regulations;
- (b) Establish the requirements to be complied with in order to list securities while the relevant authorization remains in effect;
- (c) Monitor compliance with existing laws and regulations by listed corporations;
- (d) Adopt such rules and measures as may be necessary to ensure the accuracy of the financial statements and other reporting documentation that listed corporations are to file or publish;
- (e) Issue regulations ensuring the accuracy of recorded listings and publish such listings and their current prices.

Section 31: The powers mentioned in the foregoing section shall be exercised upon the opinion of a Listing Commission to be set up by each Exchange. Such securities commission shall be formed by the President, or Acting President, of the relevant Securities Market, and by representatives of the issuers, investors and other interested sectors that the Exchanges may designate.

Section 32: An Exchange may authorize the listing of a corporate security only upon the National Securities Commission's prior approval of such security for public offering.

Section 33: Exchanges whose corporate by-laws provide for the listing of securities are hereby authorized to collect listing fees from the issuing corporation as well as trading fees from the parties to any transaction, such fees to be set by the Exchanges and submitted to the National Ministry of Economy and Labor for approval. Final approval of such fees will be considered to have been granted if the Ministry fails to resolve thereon within sixty days of filing.

Section 34: Appeal from resolutions by the Exchanges refusing, suspending or cancelling listing of securities may be taken on the ground of violation of their regulations, within fifteen days, to the Ordinary Appellate Courts of the pertinent jurisdiction. The brief of

appeal supported by a statement of the grounds therefor is to be filed with the Exchange, which shall submit it to the Court within three days thereafter. The Court is to rule on the appeal without any further trial, except for any additional evidence it may require. The appeal shall be granted for purposes of review only, with no stay of execution.

Section 35: Securities Markets shall be organized as corporations with registered shares either transferable or non-transferable. Only such entities as may have been authorized to do so under this Law may use the designation Securities Markets or any other similar designation or engage in activities pertaining to such institutions.

Section 36: Securities Markets may only allow trading of securities whose listing shall have been authorized by the Exchange they belong to and transactions ordered by a court. Securities transactions ordered in the course of court proceedings shall be effected by a Stockbroker in the respective trading floor.

Section 37: Securities Markets shall establish all such rules and regulations as may be necessary to ensure the genuineness of the transactions effected by Stockbrokers.

Section 38: Securities Markets are hereby authorized to collect the trading fees payable by the parties to a transaction, according to the provisions of section 33 as to the manner in which they are to be set and approved.

CHAPTER V STOCKBROKERS

Section 39: Securities Markets shall keep a Register of Stockbrokers. No natural or artificial persons may trade on a Securities market or use the designation Stockbroker or carry out a stockbroker's activities unless they are registered with the relevant Securities Market.

Section 40: Securities Markets shall report to the National Securities Commission any information concerning any new Stockbrokers entered in their Register, any cancellation of such registrations and any changes in connection therewith.

Section 41: Without prejudice to any other conditions stipulated by the respective Securities Market, the following requirements are established to act as Stockbroker:

- (a) To be of legal age;
- (b) To be a shareholder in the relevant Securities Market and to have posted security to the order thereof;
- (c) According to the relevant Securities Market's judgment, to have professional competence, moral integrity, and financial solvency;
- (d) To be a shareholder of the Exchange with which the pertinent Securities Market is affiliated.

Section 42: The following persons may not register as Stockbrokers:

- (a) Bankrupts so adjudged for fraudulent or grossly negligent bankruptcy; bankrupts so adjudged for involuntary bankruptcy; and parties subject to insolvency proceedings, for up to five years after their discharge; convicts subject to penalties barring them from holding public office, convicts sentenced for crimes committed for profit-seeking reasons or for crimes contrary to the public credit;
- (b) Employees of listed corporations;

- (c) Paid employees and officials of the national, provincial and municipal governments, other than those performing teaching or research assignments;
- (d) Persons engaged in tasks declared to be incompatible with a Stockbroker's functions under the Securities Markets' regulations. In the event such incompatibility should arise after the Stockbroker's registration, the Stockbroker shall be temporarily barred from performing such functions until such incompatibility shall have ceased.

Section 43: Securities Markets' regulations shall establish the manner in which Stockbroker candidates should demonstrate fulfillment of registration requirements and conditions as well as the time within which the Market is to decide on such application.

In the event the Securities Market should refuse the application, the applicant may file the appeals provided for in section 60, and the provisions set forth in sections 60 and 61 shall apply.

If refused, an application may only be filed again two years after the pertinent final resolution shall have been issued.

Section 44: Securities Markets' regulations shall establish the formalities and requirements to be fulfilled by Stockbrokers firms and those formed by Stockbrokers and other parties. They shall likewise establish the admission, professional competence, moral integrity, and financial solvency requirements to be met by non-Stockbroker partners.

Partners will act on behalf of the firm and they may not deal in securities for their own account.

The provisions governing Stockbrokers' activities are also applicable to Brokerage firms and those formed by Stockbrokers and other parties.

Section 45: In the exercise of their functions, Stockbrokers shall conform to the provisions of each Market's regulations.

Section 46: Stockbrokers shall maintain the secrecy of all transactions they may perform for the account of others, as well as of their names. They may be relieved of this duty only by a court order issued in criminal proceedings related to such transactions or to third parties related thereto. They may accept orders only from persons who shall have previously duly evidenced their identity and other personal data and registered their signature in the record the Stockbrokers are to keep for that purpose.

Section 47: Securities Markets shall establish which books, records, and documents the Stockbrokers are to use, without prejudice to the provisions of applicable legislation in place.

Section 48: Securities Markets may inspect Stockbrokers books and records and request that they furnish any kind of report whatsoever. The information thus obtained may only be disclosed under the circumstances set forth in section 46.

Section 49: A Stockbroker's signature will validate the slips and other instruments for the transactions in which the Stockbroker is involved.

Section 50: The table of commission fees to be charged by Stockbrokers for their involvement in the various types of transactions is to be set by the respective Securities Markets and submitted to the National Minister of Economy and Labor for approval. Final

approval shall be deemed to have been granted if the Ministry fails to issue a resolution within sixty days thereafter.

Section 51: Stockbrokers shall only charge the commission fees established in the relevant fee tables. They may not waive payment thereof, or assign them to other Stockbrokers or third parties, unless so authorized by the respective Securities Market.

CHAPTER VI EXCHANGE CONTRACTS AND GUARANTEES

Section 52: Government or corporate securities are traded on Securities Markets, in accordance with the conditions established by the relevant regulations.

Section 53: Where a Securities Market should guarantee performance of the contracts, it shall settle any outstanding transactions of any Stockbroker who is adjudged bankrupt. If upon settlement a balance to the credit of the bankrupt should arise, such balance shall be deposited with the court in the bankruptcy proceedings.

Section 54: Where a Securities Market does not guarantee performance of the contracts, it shall issue to the Stockbroker incurring a loss as a result of the other party's default a certificate stating the amount in pesos moneda nacional (national lawful currency) arising from such default. Any such certificate grants executory rights for collection of the debt stated therein against the debtor Stockbroker.

Section 55: The margin requirement on futures contracts is to be set by the Securities Markets where the Market guarantees performance thereof, and the requirement shall become effective as of the time of its publication. The Central Bank of the Argentine Republic may, in exercising its powers as regulator of money and credit, exceptionally change the margin requirement amount.

Securities Markets' regulations shall establish the manner in which such margin is to be maintained and corrected for any deficiency caused by fluctuations in the market price of securities in respect of the agreed price. Initial margins and margin calls shall be deposited with the Securities Markets.

Section 56: The customer shall deliver to the Stockbroker the initial margin and margin call amounts within the term established by the Securities Markets regulations. Failing this, the Stockbroker shall be empowered to close the contract.

Section 57: Securities Markets shall set up a Guarantee Fund to meet any commitments not honored by Stockbrokers arising out of contracts guaranteed by the Markets, with at least fifty percent of their liquid and realized annual profits.

The sums accruing to this fund up to an amount equal to the subscribed stock shall be kept in cash or invested in listed government securities. Any surplus may be invested in a manner and upon conditions appropriate to the institution's purposes or capitalized in accordance with the rules and regulations of the respective Securities Market. The sums allocated to the Guarantee Fund and the Fund itself shall be exempt from any taxes, rates or any other fiscal levies.

Section 58: A Stockbroker shall be liable to the Securities Market for any sums the latter may have paid in the Stockbroker's stead. Until the Stockbroker shall have corrected the

situation and demonstrated that force majeure or Act of God was involved, he shall be suspended.

CHAPTER VII DISCIPLINARY SANCTIONS AND APPEALS

Section 59: Securities Markets have disciplinary authority over Stockbrokers who may violate this Law, any provisions that may be issued hereunder, and those institutions' rules and regulations. They act at their own initiative, upon requirement of the National Securities Commission or at the request of interested parties; in this last case, they must report such request to the National Securities Commission within three days after receiving it. They may apply the following disciplinary sanctions:

- (a) Censure;
- (b) Suspension;
- (c) Revocation of registration as Stockbroker.

Disciplinary sanctions shall be resolved after the respondent has submitted his answer to the charges or, failing this, upon expiration of the three-day period for publication of notices on the Securities Market board. Disciplinary sanctions shall be resolved with half plus one of the Securities Market Directors present and upon the vote of two thirds of the Directors present at the meeting.

Notice of the disciplinary sanctions shall be served in person or, should personal service be impracticable, by publication of the notice on the Securities Market board. Where the disciplinary proceedings shall have been instituted upon requirement by the National Securities Commission, or at the request of an interested party, the Commission shall be notified of the final ruling.

The Securities Market imposing the disciplinary sanction shall communicate such sanction, within three days thereafter, to all Securities Markets. The sanctions set forth in subsections (b) and (c) hereof shall have effect with respect to all Securities Markets.

Section 60: Appeal for reversal of a resolution on disciplinary sanctions may be lodged with the Market or a judicial appeal may be taken to a Court having competent jurisdiction. Appeals shall be filed by the sanctionee, or by the National Securities Commission where the Market has acted upon its requirement, within fifteen days of service of notice. In the case of censure or suspension for up to five days, judicial appeal may not be taken.

If the judicial appeal has been lodged by the National Securities Commission, the Court of Appeals for Federal Matters of the appropriate venue shall have competent jurisdiction, and, in the Federal Capital, the National Court of Appeals for Commercial Matters. If the appeal is lodged by the Stockbroker only, this latter Court shall have jurisdiction in the Federal Capital and the Ordinary Appellate Court in the provinces.

The appeal brief stating the grounds therefor is to be submitted to the Securities Market, which shall refer it to the Court with full background information within three days. The Court will resolve thereon, without any further trial, save for any additional evidence it may require. Appeal shall be granted for purposes of review only, without stay of execution.

Section 61: If the Stockbroker has requested reversal of the sanction, the judicial appeal must be lodged within three days of notification of a resolution on such request for reversal

or after a period of thirty days following the filing thereof shall have elapsed without the Market issuing a resolution.

Section 62: A Stockbroker whose registration has been cancelled may only apply again for registration after a five- year period has elapsed.

(**) CHAPTER VIII ISSUING ENTITIES' SYSTEM

Section 63: Applicable Rules. The provisions contained in this Chapter are applicable to the issuing entities included in the public offering system, in a complementary way to the applicable rules according to the legal form adopted by said companies.

Section 64: Accounting Information. The following provisions pertaining to accounting information are applicable to the issuing entities included in the public offering system.

Consolidated Financial Statements. Only as information, without prejudice of the obligations applicable to each company, the SECURITIES AND EXCHANGE COMMISSION in each particular case may authorize the controlling company to exclusively disseminate consolidated financial statements when they describe in a clear and truthful way and as accurately as possible the situation and information of the company with the authorized public offering.

Complementary Notes. Without prejudice of the information required by the applicable legal rules, the issuers should additionally include in the complementary notes to their financial statements the following information:

- (a) In the case of corporations, the issued shares or issued shares by authorization of the meeting or the effectively issued shares as well as, according to the applicable legal and regulatory system, the granted options and the securities convertible into shares and those granting rights to participate in the company's profits.
- (b) The agreements that prevent the encumbrance and/or disposal of all or part of its property, with the adequate information as regards said agreements.
- (c) Sufficient information as regards the assumption and coverage policy of risks in the markets, especially indicating the futures, options agreements and/or any other deriving agreement.

Additional Information in the Annual Report. Without prejudice of what is established in section 66 of Act No. 19,550 and its amending regulations and the additional rules that the SECURITIES AND EXCHANGE COMMISSION shall establish, the following shall be at least included in the Annual Report as additional information:

- (a) The projected commercial policy and other relevant aspects related to the company's, financial and investment information.
- (b) The aspects related to the decision making organization and to the company's internal control system.
- (c) The dividends policy proposed or recommended by the board of directors with a grounded and detailed explanation.
- (d) The board of directors' remuneration system and the remuneration policy of the company's managers, options plans and any other remuneration system of the board of directors and managers by the company. The obligation of informing shall be extended to

that corresponding to the controlled companies where substantially different systems or policies are applied.

Delivery of Information. The SECURITIES AND EXCHANGE COMMISSION may authorize the delivery of all the accounting documents and other financial information through electronic means or other communication means, as long as they abide by the security rules established for that purpose.

Section 65: Distance Meetings. The administration body of the issuing entities may conduct meetings in the physical presence of its members or via a communications system that provides for a simultaneous transmission of sound, images or words, when the by-laws establishes so. The control body shall indicate the regularity of the adopted decisions.

Only present members shall be computed as quorum, unless the by-laws otherwise establishes. Moreover, the by-laws shall establish the manner in which the distant participation of members will be registered in the minutes.

The minutes shall be written and signed within FIVE (5) days from the meeting by the present members and by the representative of the control body.

The by-laws may establish that the meetings may be held at a distance. For that purpose, the SECURITIES AND EXCHANGE COMMISSION shall establish the necessary means and conditions to grant security and transparency to the meeting.

Section 66: Excess of Subscriptions. When adopting the capital increase resolution, the meeting may authorize the board of directors to increase the authorized number of shares, indicating that in one issue, the subscription requests may exceed the number of shares offered by the company. In such case, the meeting shall fix the limit of that exceeding issue. It shall not exceed the limit established by the SECURITIES AND EXCHANGE COMMISSION, that shall establish the precautions to be fulfilled in these cases.

Section 67: Stock Options. In the listed companies, when the bylaws establishes so, the meeting may approve the issue of stock options to be issued or securities convertible into shares and to delegate in the board of directors the establishment of the issuing terms and conditions and the rights to be granted. The administration body may establish the price of the options and of the shares to which they are entitled. The meetings and board of directors' respective decisions shall be published and registered. Additionally, the provisions of sections 11, 12 and 17 to 27 of Act No. 23,576 amended by Acts No. 23,962 and No. 24,435 shall be applicable.

Section 68: Acquisition of Its Shares By the Company. A corporation may acquire the issued shares, as long as they are admitted to be listed by a self-regulated entity, pursuant to the conditions established in this section and those established by the SECURITIES AND EXCHANGE COMMISSION. The rules shall respect the equality treatment principle among the shareholders and the right to full information of the investors.

Conditions. The following are necessary conditions for all acquisitions of its shares by the issuing company:

- (a) That the shares to be acquired are completely paid-in.
- (b) That there is grounded resolution of the board of directors with a report of the audit committee and of the control authority. The board of director's resolution shall establish the purpose of the acquisition, the maximum amount to be invested, the maximum number of

shares or the maximum percentage of capital that may be acquired and the maximum price to be paid for the shares. The board of directors shall give complete and detailed information to shareholders and investors.

(c) That the purchase be carried out with net profits or with free or optional reserves, having the company to evidence before the SECURITIES AND EXCHANGE COMMISSION, that it has the necessary liquidity and that said acquisition does not affect the company's solvency.

(d) That all the shares acquired by the company, including those that may have been acquired before and held by the company, in no case shall exceed the limit of TEN PERCENT (10%) of the corporate capital or the lower percentage limit established by the SECURITIES AND EXCHANGE COMMISSION taking into account the traded volume of those shares.

The shares acquired by the company exceeding said limits shall be disposed of within NINETY (90) days as from the date of acquisition originating the excess in the manner established in paragraph d) of this section, without prejudice of the liability corresponding to the company's board of directors.

Proceeding. The operations related to the acquisition of its own shares may be carried out through operations in the market or through a public offering. In the case of acquisitions in the market, their amount, in one day, shall not exceed TWENTY FIVE PERCENT (25%) of the mean daily traded volume of the company's shares during the previous NINETY (90) days. In any case, the SECURITIES AND EXCHANGE COMMISSION shall require that said acquisition be carried out through a Public Offering when the shares to be purchased represent a significant percentage with regards the mean traded volume.

Disposal. The shares acquired according to the provisions of this section shall be disposed by the company within a maximum term of THREE (3) years as from their acquisition, unless the ordinary meeting shall establish an extension. Once the term is over, and there not being a meeting's resolution, the capital shall be decreased by law in an amount equal to the par value of the shares remaining in portfolio, which shall be cancelled. At the moment of transferring them, the company shall carry out a preemptive right offering of the shares to the shareholders according to the terms established in section 221 of Act No. 19,550 and its amending regulations. This offer shall not be binding in case of fulfilling a compensation program or plan in favor of the employees of the company, or the shares are distributed among all the shareholders according to their holdings, or as regards the sale of a number of shares that within a TWELVE (12) month period does not exceed ONE PERCENT (1%) of the share capital of the company, as long as in all cases the approval of the shareholders meeting exists.

If shareholders do not exercise, all or in part, the above established preemptive right or in the case of shares that are included in the mentioned limit, the transfer shall be carried out in a securities market.

Section 69: Shares for Personnel. At the moment of voting a capital increase, the meeting may decide to allocate a part of the new shares to be issued for delivery to the company's employees or employees of any or some of its controlled companies. The accumulated total of issued shares for this purpose shall not exceed TEN PERCENT (10%) of the corporate capital. The meeting may decide the delivery of shares as bonus, in which case the net profits or free reserves shall be affected or the beneficiaries shall pay them in. In such a case, it shall establish the methods of payment.

Section 70: Exchange of Stock Offerings. Voting Rights. Public Requests of Powers. The SECURITIES AND EXCHANGE COMMISSION shall establish the terms with regards to:

- (a) The offerings of exchange of stock, or stock swaps, or other similar proceeding.
- (b) The vote exercised by the entities holding shares on account of third parties, as trustees, deposit or other similar legal relations, when so authorized by the respective agreements.
- (c) The public request of proxies, in order to assure the full information right of the investor. The shareholders that wish to publicly request the granting of proxies in their favor shall do so according to the rules established for that purpose by the SECURITIES AND EXCHANGE COMMISSION. The shareholders presenting that request shall have as minimum TWO PERCENT (2%) of the capital represented by voting shares and a shareholder's seniority of at least ONE (1) year, and they shall comply with all the formal requirements established by the SECURITIES AND EXCHANGE COMMISSION. The representation shall always be irrevocable and for a determined meeting. The shareholders presenting said requirement shall be liable for the information included in the proxy form registered before the SECURITIES AND EXCHANGE COMMISSION, and for the information published during the requirement period. Said information shall allow shareholders to make a decision with full knowledge. The representatives participating in said requirement shall diligently verify the accuracy of said information. Without prejudice of the responsibility of common right that may correspond to them, the ones not fulfilling the duties established herein and the rules shall be penalized pursuant to sections 10 and 12 of this law.

Section 71: Notice and Information Prior to a Meeting. In listed companies, the notice of a meeting shall be published TWENTY (20) days in advance and not before FORTY-FIVE (45) days from the date of the meeting. The established terms shall be computed as from the last publication.

TWENTY (20) days before the date established for the meeting, the board of directors shall place at the shareholders' disposal in the main office or through electronic means, all the relevant information as regards the meeting to be held, the documents to be considered therein and the board's proposals.

Up to FIVE (5) days before the date established for the ordinary meeting where the documents of the fiscal year shall be considered, the shareholders representing at least TWO PERCENT (2%) of the corporate capital may deliver at the main office, comments or proposals related to the company's business corresponding to the fiscal year. The board of directors shall inform the shareholders that said comments or proposals are in the main office or that they may be consulted through any electronic means.

Section 72: Shareholders' Meeting. In listed companies, the ordinary meeting, apart from the matters mentioned in section 234 of Act No. 19,550 and amending regulations, shall decide the following:

- (a) The disposition or encumbrance of all or a substantial part of the assets of the company when it is not carried out in the ordinary course of the company's business.
- (b) Entering into the company's administration or management agreements. It is further applied to the approval of any other agreement in which the goods or services received by the company are totally or partially paid with a percentage of the company's income, results or profits, if the resulting amount is substantial taking into account the business and the shareholders' equity.

Section 73: Acts or Agreements With "Related Parties". In listed companies, the acts or agreements that the company enters into with a related party and involving a relevant amount, shall fulfill the following procedure.

Definitions. Related Party. Relevant Amount. For the purposes of this section:

(a) Related Party shall be the following persons related to the issuing company:

- I) the directors, members of the control body or members of the supervisory council of the issuing company, as well as the general or special managers named according to section 270 of Act No. 19,550 and amending regulations;
- II) individuals or artificial persons having control or a significant stake, according to what the SECURITIES AND EXCHANGE COMMISSION may determine, in the corporate capital of the issuing company or in the capital of its controlling company;
- III) another company controlled by the same controlling company;
- IV) the ascendants, descendants, spouses, brothers or sisters of any of the individuals mentioned in the above paragraphs I) and II);
- V) the companies in which any of the persons referred to in the above paragraphs I) to IV) have got direct or indirect significant stakes.

For the purposes of this section, a company controlled by the issuing company shall not be considered a "related party", unless it is included in any of the mentioned cases.

(b) An act or agreement shall be for a "relevant amount" when said amount exceeds ONE PERCENT (1%) of the corporate capital, measured pursuant to the last approved balance sheet, as long as said act or agreement exceeds the equivalent of ONE HUNDRED THOUSAND PESOS (\$100,000).

Previous Opinions. The board of directors, or any of its members shall require the audit committee a report stating if the conditions of the operation may be reasonably considered adequate to the normal market conditions. The audit committee shall submit a report in a term of FIVE (5) business and non-business days.

Without prejudice of the requirement to the audit committee, the company may solve with the report of TWO (2) independent evaluating firms that shall have informed about the same matter and about the other operation conditions.

Essential Fact. The acts or agreements referred to in this section, immediately after being approved by the board of directors, shall be informed according to section 5, subsection a) of the Regulations on Transparency of the Public Offering, indicating the existence of reports of the audit committee or, as the case may be, of the independent evaluating firms.

Information. The board of directors shall place at the shareholders' disposal the reports of the audit committee or of the independent evaluating firms, as may correspond, at the main office on the business day after the board's pertinent resolution was adopted, communicating to the shareholders said fact in the respective market bulletin.

Board of Directors' Approval. In the case it may pertain, the controlling party or the related person being the operation's counterpart shall place at the board of directors' disposal, before it approves the operation, all the antecedents, reports, documents and communications referred to the operation, presented to competent foreign supervising or regulating entities or foreign stock exchanges.

The vote of each director shall be stated in the minutes of the board of directors approving the operation.

Meeting's Approval. The operation shall be submitted for the meeting's approval when the audit committee or both evaluating firms have not considered the foreseen conditions as reasonably adequate for the market.

Objection. Burden of Proof. In the case where a shareholder demands compensation of the damages caused by a violation of this section, the burden of proof shall be placed on the defendant to prove that the act or agreement was in accordance to the market conditions or that the operations conditions did not cause any damage to the company. The transfer of the burden of proof shall not be applicable when the operation has been approved by the board of directors with the favorable opinion of the audit committee or the two evaluating firms, or if it has been approved by ordinary meeting, without the definite vote of the shareholder with respect to whom the condition of related party is derived, or has interest in said act or agreement.

Section 74: Remuneration of Directors. Civil Liability Insurance. The companies authorized to make a public offering of their shares may remunerate their directors with executive or technical-administrative functions, as well as the managers, with stock options of the same company, fulfilling the proceedings and requirements established by the SECURITIES AND EXCHANGE COMMISSION for that purpose. In these cases, the meeting shall establish the price of the options and of the shares to which they are entitled, and the value to be computed for the remuneration pursuant to the limits of section 261 of Act 19,550 and amending regulations. Unless otherwise provided for by the bylaws, the company may purchase a civil liability insurance for the directors, for risks corresponding to the exercise of the functions.

Section 75: Liability Corporate Action. In listed companies, the liability action foreseen in section 276 of Act No. 19,550 and its amending regulations, when it corresponds to be exercised by shareholders individually, may be exercised to claim in the company's benefit the compensation for total or partial damages suffered by the company or to claim the compensation for partial damages indirectly suffered by the shareholder proportionally to his holding, in which case the compensation shall become part of its equity.

When the claim is for the total of the damages alleged to be suffered by the company, the defendant may opt to settle the claim and acquiesce to the payment of the claiming shareholders of the compensation amount for the indirect damages to be determined as being suffered by them, in proportion to their shareholdings.

Section 76: Directors' Liability. In listed companies pursuant to the second paragraph of section 274 of Act No. 19,550 and amending regulations, the registration of assignment of functions in a personal manner shall be considered fulfilled with the information supplied to the SECURITIES AND EXCHANGE COMMISSION and the self-regulated entity where the shares are listed, according to the requirements established the relevant authority, without prejudice of their registration in the Public Registry of Commerce.

Section 77: Loyalty Duty. In listed companies, the following shall be considered included in the loyalty duty with which directors shall act:

- (a) the prohibition to use corporate assets and to use any confidential information for private objectives.
- (b) The prohibition to take advantage, or to allow another one to take advantage, by action or omission, of the business opportunities of the company.
- (c) The obligation to exercise their powers only for the purposes for which the law, the bylaws, the meeting or the board of directors have granted them.

(d) The obligation to take strict care so that its acts shall never go, directly or indirectly, against the company's interests.

In case of doubt as regards the fulfillment of the loyalty duty, the burden of proof shall be placed onto the director.

(***) **CHAPTER IX** **GENERAL PROVISIONS**

Section 78: The terms and time limits herein set forth shall be peremptory and shall be computed in business days.

Section 79: This law shall take effect as of January 1, 1969. Within the following one hundred and eighty days thereafter, existing registered Stock Exchanges and Securities Markets shall adjust their constitutions and rules to the provisions hereof and submit them for approval to the National Executive Branch through the National Securities Commission.

For that purpose, they may change their legal structure into any other authorized type, and any such change shall imply neither dissolution nor organization of a new association or corporation.

Until any proposed changes shall have been approved, the said Stock Exchanges, Securities Markets, and Stockbrokers shall conform to the provisions of their respective by-laws and rules.

Section 80: Existing stock commission brokers (comisionistas de bolsa) are hereby automatically registered as Stockbrokers with the respective Securities Markets.

Section 81: Any amendments to constitutions or changes to the institutions' legal structure as mentioned in section 64 shall be exempt from tax or any other levy.

Section 82: As of the effective date of this Law, the following legal provisions are hereby repealed: Sections 75 through 86 of the Commercial Code; Decree-Law No. 15,353/46 as ratified by Law No. 13,894; section 2, subsection 4, of Law No. 13,571; sections 3, subsection (a), first paragraph, 43, and 44 of Decree No. 25,120/40; Decree No. 12,793/49; sections 3, subsection (d), first paragraph, 44 and 45 of Decree-law No. 14,570/56; sections 2, subsection (b), 41, and 51 of Decree Law No. 13,126/57; and any other provision contrary to this Law.

Section 83: To be duly communicated, published, delivered to the National Records Office, and filed.

(*) As amended by Act 22,000 dated march 18, 1979.

(**) As amended by Executive Order 677/2001 dated may 22, 2001.

(***) As re enumerated by Executive Order 677/2001 dated may 22, 2001.