

I N S I D E T H E M I N D S

Banking and Finance Client Strategies in Central and South America

*Leading Lawyers on Interpreting International Banking Laws,
Advising Clients on Entering Latin American Capital Markets,
and Predicting Financial Market Development and Stability*



ASPATORE

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Banking and Finance
Under Political Manipulation
and Unrest

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Capital Markets

Recent History of the Capital Market

In spite of the sustained growth of the Argentine economy over the last few years, the Argentine capital market has become smaller, due to a number of external and internal factors.

The number of listed companies has been constantly falling ever since the early 1990s; about seventy-five companies have gone private over the last fifteen years. Likewise, the number of companies that has chosen to go public has been minimal.

The local capital market's weakness is related to substantial economic volatility because of two major crises: the hyperinflation crisis of 1989-90 and the crisis of 2001-02.

Forty percent of the companies that ceased to be listed did so because they went bankrupt, while a similar number was due to trans-nationalization. Those companies that were due to trans-nationalization were acquired by business conglomerates that chose to list it in foreign markets. The business conglomerates that took over those companies chose to list their shares elsewhere.

It should be noticed that the low level of stock exchange capitalization in Argentina is not due to the absence of instruments or to excessive requirements to access the capital market, but to the lack of viable enterprises.

The Argentine capital market suffers from certain structural problems. The signs of this weakness are:

- The fall in the number of issues and issuers
- Low volume of traded securities, at both the Stock Exchange and the OTC market (Mercado Abierto Electrónico - MAE)
- Concentration of the system in Merval member companies (75 percent)

Unlike Anglo-Saxon nations, where the capital markets have deep roots, company owners in Argentina are reluctant to go public and give others control over their companies.

Finally, the role of investment banks is crucial. In a developed economy, wholesale banks act as a link between supply and demand of liquidity, and enable companies to access a number of financing instruments, in line with the risks and yields sought by them. Today, market players in Argentina are cautious and do not seem willing to make any major investments. Recurring crises have made it dangerous for medium-sized companies to get into debt.

Additionally, the nationalization of pension fund management companies (AFJPs, as per the Spanish acronym) in 2008 has proved very damaging to the Stock Exchange. AFJPs had invested about 90 percent of their funds in the Argentine capital market, in which they were a key player. Market volume and liquidity were materially and adversely affected by the confiscation by the Argentine government of the shares and securities issued by the main companies listed on the Stock Exchange.

Stock Exchange Indicators

An analysis of the main stock exchange indicators from around the world shows that their respective accumulated values for 2008 did not go up.

Along these lines, Argentina came in at No. 9 among the ten stock exchanges with the worst performance, with an average 54.2 percent fall stated in U.S. dollars. In spite of the adverse change in prices, the volume traded in 2008—AR\$ 237.790 MM—grew by 13.3 percent from 2007.

The growth in volume was mainly explained by increased trading of government bonds: 17.1 percent up from 2007.

As far as shares and options are concerned, the relevant transaction volume fell by 8.5 percent and 19.7 percent, respectively, from 2007.

The fall in volume by type of instrument is reflected in the fact that government bonds accounted for 72.5 percent of the aggregate transaction volume.

The government bond market was affected to the same extent as the share market, and experienced variations more in line with a floating income instrument market than a fixed income instrument market.

Capital Market: Relevant Elements

The Argentine capital market, supervised by the Argentine Securities Commission (CNV, as per the Spanish acronym) is formed by two main systems:

- a) A stock exchange system, formed by stock exchanges, stock markets, and clearance systems.
- b) An OTC system, formed by one self-regulatory entity called MERCADO ABIERTO ELECTRÓNICO S.A. (MAE).

a) Stock exchange system: There are about fourteen stock exchanges in Argentina; the most important of these is the Buenos Aires Stock Exchange.

The Buenos Aires Stock Exchange (BCBA, as per the Spanish acronym) is a nonprofit association with ample self-regulatory powers. It was established in 1854 as a business center and a market where commodities, currencies, and later securities were traded.

BCBA has supervision powers and is entitled to suspend the listing of securities whenever BCBA deems it necessary, to mitigate or prevent irregular price alterations. BCBA duties and powers include: recording transactions, publishing trading volume and prices, and disseminating any information that may have an impact on prices.

BCBA transactions are settled through a related company called Caja de Valores S.A., the Argentine entity that provides services as a central clearance system and can act as paying and transfer agent.

BCBA carries out supervision tasks along with the CNV. Additionally, pursuant to the terms of a special agreement, public offering and listing applications are submitted directly to BCBA for simultaneous processing.

Public companies must present BCBA with their annual and quarterly financial statements and must report any relevant facts to the BCBA.

The only parties authorized to trade in securities listed on the BCBA are the shareholders of Mercado de Valores S.A. (Merval), the company that oversees brokerage and trading transactions on BCBA's trading floor.

Merval, and all other stock markets, are corporations (*sociedades anónimas*) independent from stock exchanges that act in the context of those stock exchanges and are related to them by the relevant agreements.

Merval is a self-regulatory entity established in 1929. Merval's capital stock is represented by 250 shares; once certain requirements have been met, Merval shareholders are authorized to act as stockbrokers or brokerage firms to carry out securities purchase and sale transactions on their own account or for the account of third parties.

Merval's main duties are related to closing, settlement, surveillance, and guaranty in respect to BCBA transactions. Merval is empowered to take disciplinary action in respect to stockbrokers and brokerage firms that fail to comply with the rules and regulations that govern the Argentine stock exchange system, which are enacted pursuant to the provisions of Act No. 17.811 (July 22, 1968)¹.

Additionally, Merval regulates, coordinates, and implements all aspects of trading of securities, types of securities and transactions, and terms of payment, among other things. Merval also has a Trading Floor Monitoring System that monitors all transactions on a real-time basis, focusing on any transactions that for any reason call for special attention by the monitoring experts (i.e., insider trading suspicion that implies the buying or selling of a security by insiders who possess material that is still not public). Merval also keeps a register of all stockbrokers and certifies their signatures.

The stock market is divided into a private and a public stock market. This division is based on the notion of "public offer." Only the public offering of securities is subject to specific regulations.

¹ Law 17.811 published in Official Gazette on July 22nd, 1968.

A public offer is an invitation, made by an issuer or by individuals or entities totally or partially engaged in purchase and sale of securities, addressed to the public generally or to certain sectors or groups, by means of advertisements on newspapers, radio, television, or any other media, with a view to closing any transaction involving securities.

To participate in a public offer of securities, the issuers and other entities involved must be registered with the CNV. An issuer that has been properly authorized must meet certain information requirements, for as long as it remains authorized to publicly offer securities.

The transactions that can be currently closed at Merval are:

- Spot transactions
- Forward transactions
- Transactions for an established term
- Stock exchange repo transactions
- Security interest transactions
- Options
- Indices
- Securities loans
- Short sales
- Futures on indices and government bonds

b) OTC System: MAE is the biggest securities and FX electronic market in Argentina. MAE is based on an electronic platform where fixed income securities—both corporate and government—foreign currency and repos are traded, and FX and interest rate futures transactions are closed.

While the market is comprised of companies from various industries, most transactions involve public utilities, oil, electricity, and/or gas companies, among others. Banks also have an important role to play at the BCBA.

In 2008, the biggest rise in prices was experienced by oil and gas companies, followed by financial and stock exchange companies and commercial companies. All other securities suffered a fall in their prices.

Both local and international politics play a major role in the evolution of the Argentine capital market.

In 2008, changes in the domestic market were determined by both international and local events. Early that year, the main foreign banks announced major losses because of their transactions in the subprime segment, which fueled fears of the impact that the crisis could have on the real sector of the economy. As the early months of 2008 went by, everything pointed at a deterioration of the U.S. economy.

In the second half of the year, the crisis deepened in the wake of bankruptcy of the main investment banks, and the most important economies in the world went into a recession.

Through most of the first quarter of 2008, Merval evolution was mainly determined by international developments. In mid-March, however, the Argentine government issued Ministry of Economy Resolution No. 125/08 (May 12, 2008)², which established a sliding scale of export taxes on grains. This Resolution triggered a conflict with the agricultural sector of the economy.

After Congress rejected a Bill in connection with the said export taxes, international conditions and their impact on economic activity levels became the center of attention once again, although inflation remained a concern on the domestic front.

The influence of external factors (the price of oil and other commodities) and internal factors (conflict with the agricultural sector and inflation rates) on the price of shares was evidenced by the differences between “Merval” and “Merval Argentina” indices at the close of the first semester of the year; the latter experienced bigger falls than the former.

Things got significantly worse in September, as the U.S. government was forced to bail out the two largest government agencies related to the mortgage market (Fannie Mae and Freddie Mac), and the fourth largest investment bank in the world (Lehman Brothers) went bankrupt.

² Ministry of Economy Resolution No. 125/08 published in Official Gazette on March 12, 2008.

The crisis was aggravated by certain domestic developments, when the Argentine government decided to nationalize the assets managed by AFJPs by transferring them to the Social Security Federal Agency (ANSES, as per the Spanish acronym), thus putting an end to the private-sector capitalization system created in 1994. This resulted in increased uncertainty, and stock exchange indices fell to levels similar to the ones recorded in 2002.

Thus, Merval closed the year with its biggest annual fall in nominal terms (-49.8 percent in pesos).

The year 2008 will be remembered by capital market players as the year when global economies faced one of the biggest financial and economic crises in recent times. Taking into account that the exact size of the crisis is yet unknown, recovery of the Argentine capital market will depend on the effects of fiscal and monetary policy actions taken by central governments, along with those to be taken on a domestic level. In this regard, late in 2008 the Argentine government made several announcements designed to boost aggregate demand and investment, the effects of which should be seen in the first quarter of 2009.

This will be a year of global and local challenges; liquidity restrictions are likely to continue, and so is the uncertainty as to the time when economic activity levels will hit their lowest point and will get back on the path of growth.

Client Concerns

When investing and doing business in Argentina, it is very important to understand clearly a certain tendency by populist governments to try to change reality by stepping in and altering the terms and conditions voluntarily agreed on by the parties to a contract. Unfortunately, recent history shows a certain frequency in intervention by the government, because of which the exception (emergency) has now become the rule. Unfortunately, the Supreme Court of Justice has often approved—for different reasons and on various grounds—those interventions by the government in contractual agreements between private-sector parties.

As a result, it is important to understand and foresee how the state may step in, interfere, and modify contractual relations between private-sector parties.

Accordingly, it is important in certain cases to try to submit the parties' mutual obligations to the law and jurisdiction of certain nations known for their respect of the terms and conditions agreed upon by the parties. From a financial perspective, it is very important to understand cross-border risk, and the risk that, in certain circumstances, laws, or regulations may be enacted that will change or affect the currency of payment, terms, and/or place of payment.

Some recent paradigmatic cases in Argentina include Executive Order 992 (June 12, 2002)³, enacted in 2002, which affected FX forward transactions (whereby the parties would buy and/or sell foreign currency for hedge purposes), by changing the currency of payment, which was converted into pesos at an exchange rate substantially lower than the market rate prevailing at the time. That is to say, in the face of transactions that sought to protect a company from a potential devaluation, by buying foreign currency at a given exchange rate in the future, the Argentine government changed the currency of payment and converted those transactions into pesos at a totally unrealistic exchange rate.

It is also important to understand that certain governments in Argentina have had a tendency to change and adapt regulations overnight, in line with their own short-term needs. As a result, it is crucial to understand not only the risks involved in a given industry or market, but also the government's potential funding needs, and to what extent the government may at any given time require changes in a specific market.

Evidently, this legal insecurity has shattered value and growth and investment opportunities, with a direct and negative impact on the nation's economy.

Substantive tax laws in Argentina are not currently subject to any legal changes. The formal and administrative requirements imposed by the

³ Executive Order 992 published in Official Gazette on June 12, 2002.

federal, provincial, and municipal tax authorities, however, are permanently modified by regulatory provisions. As a result, companies must constantly update and control their tax aspects.

In principle, there is no specific industry in Argentina today that is subject to higher taxes than the others are, because tax rates are equally applicable to all taxpayers. Only the Gross Income Tax contemplates certain industry-based differences. As far as federal taxation is concerned, tax-related actions are often based on matters of interpretation of the law, rather than on legal changes.

For instance, there is the matter of adjustments to the amount of income tax based on legal challenges to foreign exchange profits and losses. In the year 2001, a number of companies obtained foreign currency loans from related companies, which—in the wake of the devaluation experienced in 2002—generated huge deductions because of the FX losses suffered. As of this date, those deductions have been challenged by the Federal Tax Authorities, who understand that economic reality indicates the liabilities incurred by those companies are to be regarded as capital injections by their respective head offices.

Another regulation that negatively affects companies these days is their inability to apply an adjustment by inflation for tax purposes. Companies' ability to adjust their balance sheets by inflation was suspended by the Convertibility Act, because inflation was very low or nil at the time of its enactment, since the peso was pegged to the dollar at the time. After the convertibility system was dropped, and although economic conditions were negatively affected by the devaluation in 2002, the suspension provided by the Convertibility Act was not repealed. As a result, a number of legal actions and remedies have been filed by companies before the courts of law. Today, a resolution in respect of those legal actions, involving a number of companies from all over the country, remains pending by the Supreme Court of Justice of Argentina.

The main federal taxes assessed in Argentina are

- Income Tax: 35 percent of net income
- VAT: 21 percent of the sale price of any given product or service

- Tax on Bank Debits and Credits: 0.6 percent of all debits from, and 0.6 percent of all credits to, bank accounts. That is to say, this tax is assessed on checking account transfers at a rate of 1.2 percent of the amount of the relevant transfer
- Minimum Notional Income Tax: One percent of a company's assets. This tax is assessed instead of income tax where no taxable profits exist in a given fiscal term.
- Tax on Personal Assets: In the case of companies, this tax is withheld at a rate of 0.5 percent of the shareholding of foreign residents, be they individuals or companies.

As far as provincial taxes are concerned, generally speaking, no new taxes have been created, but tax collection rules have been modified. Thus, taxpayers that operate in several provinces are faced with the problem that they are subject to various tax withholding and collection systems that result in higher amounts of taxes than those applicable under each separate provincial jurisdiction; the amounts owing to the taxpayer as a result are impossible to offset. As a result, the taxpayers affected by this problem, be they individuals or companies, must file lengthy legal proceedings seeking repayment of any excess amounts in the relevant jurisdictions.

As far as municipal taxes are concerned, there is currently a tendency to assess charges on a percentage of a company's income obtained in the relevant jurisdiction (the applicable rate is about one percent), even if the taxpayer has no establishment within that territory. It should be noted that, pursuant to the provisions of the Federal Tax Sharing Act (*Ley de Coparticipación Federal*), any such municipal charges are in fact unconstitutional. The Supreme Court, however, has not yet passed upon the matter.

The most relevant provincial taxes are:

- Gross Income Tax: Charged at a variable rate, depending on the line of business involved, that ranges from one percent to 3 percent of a company's total revenues
- Stamp Tax: Charged on instruments and/or documents executed by the parties (contracts). The applicable tax rate ranges from 0.8 percent to 1.5 percent of the amount of the relevant contract or

document, depending on the jurisdiction and the type of contract. In the case of real property sales, stamp tax may be as high as 3 percent of the amount of the contract.

Moreover, the Province of Buenos Aires has recently established a tax collection regime by which financial entities shall act as withholding agents over the checks cashed; the applicable withholding rate shall be, as a maximum, the 0.5 percent of the aggregate amount of the check.

In light of the above, we believe that the measure adopted by the provincial government violates several constitutional principles according to which it might be legally challenged. Currently, no action whatsoever has been filed although financial entities consider that this new tax policy will generate severe conflicts with actual and potential clients.

In summary, it can be said that tax laws are not currently subject to changes, but—while neither taxes nor tax rates are being changed—the interpretation of applicable law, and the implementing regulations enacted under it, are a source of constant conflict with the tax authorities.

The most common municipal charges are:

- **Publicity and Advertising:** Assessed on outdoor advertising or advertising that can be seen from the street; calculated as a flat amount per square meter
- **Health and Safety (also known as Trade and Industry):** Charged in connection with health and safety and sundry services within a municipality. This municipal charge is assessed on gross income, at a rate of one percent
- **Public Use:** Assessed in respect to the use of public space by electricity or telephone lines, or pipes, calculated as a flat amount per meter

In general terms, there is a long-standing and important legal tradition in Argentina related to banking/finance legal disputes. This notwithstanding, scarcity of resources often causes legal proceedings to become unduly lengthy and difficult. In spite of the professionalism and proven capabilities of the courts in commercial matters in Argentina, efforts have been made in

the past to establish a specific financial jurisdiction, for courts in commercial matters are thought to be unprepared to deal with complex financial transactions. That is why it is common contractual practice for the parties to submit to arbitration, where possible and whenever complex financial agreements are involved.

Arbitration tribunals have been growing in terms of their relevance and experience in Argentina, and so has their use.

When we are approached by a new financial client, meetings and discussions with the client's management are of the utmost importance. We need to understand the types of transactions the company intends to carry out, their motives, their funding needs, and the company's goals in the short, medium, and long term.

We need to understand if the company seeks to do or fund projects in regulated or deregulated markets. We need to understand if it is a market—even if unregulated—where the government may have an interest or, as was the case with the AFJPs, if the relevant market may be regarded as a potential source of funding by the government. Being aware of these types of circumstances will enable us to predict potential future risks or legal changes, and it is crucial to try to attain greater legal security for the company's contracts and transactions. Evidently, the more regulated a market or industry, the bigger the risks involved and the greater need for a follow-up on, and correct interpretation of, the applicable laws and regulations. Likewise, there is a need to know the applicable regulatory authority.

That is why the relationship between the company and the regulatory authority is so important. It is counsel's job to advise the company's management to build relationships that allow them to understand and be understood, as a way to prevent potential difficulties. A correct interpretation of the regulations in force in each area is very important, and so is the ability to foresee any amendments to those regulations and their potential impact on existing contracts.

Familiarity with regulators, their view of the market and the industry, and their political needs, is as important as knowledge of the market, the industry, and competitors.

With this information, it will be easier to know which terms and conditions should be included in each contract at any given time.

Client Expectations

In my experience, it is very important to provide foreign companies' management with an understanding of the domestic legal framework, which will often help them understand the business risks involved and will facilitate a dialogue between local and international management.

In countries such as Argentina, it is not unusual for information and/or interpretation gaps to exist or come up in connection with risks and/or different situations between the international and local management.

As a rule, that gap—which in time tends to cause serious damages and loss of confidence between both managements—arises from a different knowledge of the risks involved in doing business in Argentina, and different acceptability and management standards in respect to sovereign risk between both managements.

For instance, seemingly unwarranted delays in solving certain problems or starting up certain businesses that are subject—in the best-case scenario—to governmental red tape, or lengthy legal proceedings that get on the nerves of the individuals involved, often lead to misunderstandings between the local and international managements, which can be prevented if the circumstances prevailing in Argentina are explained properly and in due time. In this regard, corporate counsel does have a broad field to work in.

Other Considerations to Keep in Mind

The foreign exchange control rules enacted in December 2001 resulted in an endless string of FX regulations with which banks and importers/exporters must comply. Noncompliance with any such foreign exchange regulations in Argentina is a crime and may result in criminal prosecution.

In the event of noncompliance, directors and other responsible employees of the relevant company are subject to criminal legal proceedings, while the

company is jointly and severally liable for any resulting monetary penalties. The law contemplates penalties of imprisonment and fines in an amount up to ten times higher than the amount involved in the relevant transaction.

As a result, it is very important to obtain advice in line with the company's FX operations, especially where the company operates in foreign trade and/or obtains foreign financing. In this regard, strong internal controls with regard to compliance and a correct interpretation of FX rules by the companies are vital. Therefore, in order to prevent further contingences, we try to raise client's consciousness about the existence and scope of those FX rules. Knowing the existence and correct scope of exchange regulations is not enough in view of the current circumstances of our country. It is also necessary to analyze the possibility to put into practice said regulations considering the political and economic circumstances of the government and of the country. Even when according to exchange regulations it is now possible to buy foreign currency and transfer funds abroad as funds repatriations and/or dividends remittances without any limitation, it is quite often to withstand an unjustified and illegal pressure exercised by public officers on banks and exchange rates in order to avoid and suspend said transactions.

Consequently, we focus our work on learning and comprehend how our clients' commercial activity works in order to advice them regarding new FX regulation and keep them updated, not only in relation to current regulations but also in relation to market indicators and political environment and conditions. It would be useless to advice our clients on a specific transaction based only on applicable regulations, without telling them that they will find it very hard or even impossible to apply such regulations in the current political scenario.

Laws

History of the Banking Laws

Because of its natural resources, culture, and population, Argentina has enormous economic capabilities that have so far been frustrated by political incompetence and corruption. Argentina still keeps memories of

a commitment to progress and success that, early in the twentieth century and until 1930, placed the nation in a virtuous circle and turned it into one of the most sought-after countries in the world when it came to investing and living.

The first branch of an American bank outside of the U.S. was the branch of the First National City Bank opened in Buenos Aires in 1914. It was followed by a branch of the First National Bank of Boston—opened in 1917—and soon by others.

Approximately 3.1 million immigrants arrived to Argentina from 1900 to 1914. Argentina and the U.S. were the countries that received more immigrants in that period.

A number of institutional disruptions that took place after 1930 resulted in populist policies, which in turn caused public spending to get out of control, with the ensuing fiscal deficit and skyrocketing inflation.

To understand business opportunities in Argentina and the direction in which current regulatory changes are going, it is crucial—in this country more than in any other—to be aware not only of the wealth of Argentina and its distant past, but also its recent past, which unfortunately presents a number of events of default under internal obligations, out-of-control inflation, fiscal deficit, debt restructuring, and instances of expropriation and confiscation, among others.

At the same time, as a sort of rebellion by the nation against the pettiness of politicians and leaders, over the last five years Argentina has experienced sustained growth and strong expansion, which is hard to find in other countries, fostered mainly by the agribusiness sector. This happened in spite of, and in the wake of, a violent confiscation of financial sector deposits, with the resulting damages to banks and capital markets in 2001-2003.

Argentina is a land of enormous opportunity that should be carefully considered. I hope these lines can help those who seek economic and financial opportunities like the ones Argentina has to offer.

Finance Background in Argentina from 1989 to 2001: Some Changes and Positive Expectations

After years of military rule (March 1976 to May 1983), democracy returned to Argentina and has continued to this date. From an economic perspective, the first years of democracy were marked by public spending and monetary chaos which—along with the ensuing hyperinflation crises and default in payment—eventually led to the resignation of President Raúl Alfonsín.

In 1991, under the Menem Administration, a structural change process was launched in Argentina, which was designed, among other things, to revalue the local currency and cut down on government spending. The Convertibility Act (Act No. 23.928 (Mar. 28, 1992)⁴) was passed, which pegged the Argentine peso to the U.S. dollar and determined that the Argentine peso would be freely convertible into U.S. dollars; as a result, a strong monetary control system was established that prevented the Central Bank of Argentina (BCRA) from coining unsupported currency or acting as the last-instance lender for the benefit of troubled financial institutions.

At the same time, a privatization process started in respect to state-run public utility companies, with a view toward rebuilding the nation's basic public service structure, which was obsolete at the time; lowering spending by those companies, which were losing money; and allowing local and foreign investors to acquire those companies by means of debt-to-equity mechanisms.

Act No. 24.241 (Oct. 18, 1993)⁵, passed in 1994, operated to reform the pension system, which at the time was broke, because monies held in pension funds had been repeatedly used to fund the nation's general spending (that is to say, they had been used to finance the fiscal deficit generated by successive administrations).

The new pension system created by Act No. 24.241 (Oct. 18, 1993)⁶ provided for capitalization of funds in accounts held by each subscriber, which were managed by Pension Fund Management Companies (*Administradoras de Fondos de Jubilaciones y Pensiones* – AFJPs).

⁴ Law 23.928 published in Official Gazette on March 28th, 1992.

⁵ Law 24.241 published in Official Gazette on October 18th, 1993.

⁶ Law 24.241 published in Official Gazette on October 18th, 1993.

The pre-existing “distribution system” continued to exist along with the new system, for the benefit of those who preferred it or who were close to the age of retirement and would have been prejudiced if they moved to the new system. The continued existence of the old distribution system without a contribution of funds from new subscribers was one of the main reasons for the huge fiscal deficit that followed.

From the financial and banking perspective, the 1990s witnessed a deep restructuring process of the banking system. This process involved concentration, reduction, control, and enhanced competitiveness of financial institutions in general, and the banking system in particular, as BCRA staff became increasingly professional.

The number of financial institutions in Argentina was substantially reduced in the 1990s, from 222 in 1991 to just 108 in October 2001.

The deposit/employee ratio of the financial system was substantially improved, from US\$40 billion in deposits and 150,000 employees in 1991 to US\$80 billion in deposits and 100,000 employees in 2000.

A significant number of provincial state-run banks were privatized, which to that date had been ineffective and had been losing money, supported by the respective provinces’ budgets.

BCRA staff became increasingly professional, and a comprehensive audit system—known as the CAMEL system—was applied for the first time on financial institutions in Argentina, with assistance from the Fed. CAMEL audits, which started at that time, are open and are carried out with the presence and assistance of Fed personnel, in a process of cooperation between both regulatory authorities and training of local staff. Previous notions of “economic independence” and “conflict of jurisdiction” were left behind, as a process of openness and foreign investment started, by amending financial regulations for that purpose. A 180-degree turn was made in terms of the existing policies. Back in 1986, the BCRA had forbidden Fed examiners to continue audits designed to check the existence of and compliance with anti-money laundering rules and processes at the local branches and subsidiaries of U.S. banks. This new stage was characterized by mutual cooperation between both regulatory

authorities in matters such as financial institutions' control, information sharing, anti-money laundering efforts, etc.

In this context of increased openness and competitiveness, designed to strengthen financial institutions in Argentina, it was not surprising that certain local banks were acquired by foreign financial institutions or that foreign banks were authorized to optimize certain local operating procedures through their respective head offices, something that was unprecedented at the time—such as the authority granted by the BCRA to Citibank N.A., Argentina Branch, in August 1995 to move their corporate banking data center to Silver Spring, Delaware, or a similar authority granted to American Express.

Seeking to strengthen the financial system and boost investors' confidence, certain capitalization, liquidity, and technical ratios were imposed that were often more stringent than the ones provided by Basle I.

A capital market, which was virtually nonexistent before, was generated by regulating and approving new debt instruments with a view to investment and savings, such as notes (*obligaciones negociables*) and financial trusts, which did not exist before.

The regulations governing mutual funds were updated, by expanding the range of permitted investments—which had previously been virtually limited to shares—to include a number of financial instruments. As a result, investments in mutual funds grew exponentially, and small investors had a chance to participate in the capital markets.

ADA (*Asociación de Derivados de Argentina* – Argentine Derivatives Association) was established with a view toward expanding and facilitating access to derivative transactions under Argentine law and jurisdiction by small- and middle-sized local companies, which before that time had been unable to do so because of the high costs involved and the complexity of accessing those instruments through foreign markets such as ISDA and/or ISMA.

Foreign and domestic investments were afforded the same treatment. Somehow, the notion was established in Argentina—which as we will see

turned out to be mistaken—that the recent past of monetary chaos, emergencies, and default in payment had been definitely left behind.

The Troubles That Led to the Crisis: Newly Increased Public Spending, Deficit and Indebtedness

However, the growing federal and provincial government spending; the deficit experienced by the “distribution” pension system without a related contribution from the capitalization pension system; the heavy deficit shown by the balance of trade—made worse by the rigidity of the convertibility system in the face of currency devaluation by other countries in the region, trade competitors of Argentina; widespread governmental corruption; and the comings and goings of internal political struggles within the “Peronista” party, which resulted in increased government spending and the postponement of much-needed reforms, gave rise to a huge fiscal deficit that was initially funded out of the proceeds of privatizations and then by incurring additional domestic and foreign government debt.

While the economy had grown, tax revenues ran short in the face of constantly increasing government spending. Fiscal deficit and substantial government debt, along with low exports, caused Argentina to depend heavily on foreign investment and accordingly made the country especially sensitive to international economic crises. Thus, for instance, during the Mexican crisis of 1995, Argentina lost 40 percent of its reserves. In the face of uncontrollable government spending and convertibility, Argentina responded to those crises by raising interest rates, which in turn resulted in growing recession and unemployment.

In the years that followed the Mexican crisis, the Argentine economy bounced back until 1998, when a long and deep recession started. Around that date, a capital flight from emerging economies started, mainly because of the Russian crisis, which in the case of Argentina resulted in a vicious circle formed by capital flight, reduced liquidity, higher interest rates, reduced access to credit facilities, lower sales and investments, and consequently, reduced economic activity.

The convertibility system did not permit current account imbalances to be corrected by nominal changes in the exchange rate; instead, the government sought to re-establish the balance by GDP reduction and price deflation, with the resulting recession and increased unemployment.

Because of increased government spending over the years, interest payments started to cause liquidity troubles in an economy that had already lost liquidity because of capital flight and foreign investors' decreasing willingness to leave their money in Argentina.

*The Emergency: Unavailability of Bank Deposits, Freezing of Bank Deposits, and Executive Order No. 1570/01 (Dec. 3, 2001)*⁷

The capital flight from Argentina and its financial system in 2001 was widespread and became catastrophic toward the end of the last quarter, after the BCRA announced implementation of a maximum-interest-rate policy. That decision sought to reduce the interest rates paid by banks to major investors, and prevent creditworthiness problems from growing worse. That decision resulted in dissociation between risk and yield, which made time deposits even less desirable and fueled investors' preference for liquidity, further fostering the capital flight.

Depositors' withdrawal of funds from the financial system had peaked three times that year: in March, in mid-year, and especially toward the end of November.

Thus, a major run on bank deposits took place one week after the maximum-interest-rate program was implemented. This led the president of Argentina to issue Executive Order No. 1570/01⁸, dated December 3, which operated to partially freeze bank deposits by limiting the amounts that accountholders were allowed to withdraw from their bank accounts, while allowing them to use those funds through electronic means of payment.

Strangely enough, the so-called "intangibility of deposits" law (Act No. 25.466 (Sept. 25, 2001)⁹) had been enacted on August 29, 2001, which was

⁷ Executive Order No. 1570/01 published in Official Gazette on December 3rd, 2001.

⁸ Executive Order No. 1570/01 published in Official Gazette on December 3rd, 2001.

⁹ Law 25.466 published in Official Gazette on September 25th, 2001.

designed to reassure accountholders about the government’s inability to “touch” their deposits in the face of the crisis.

Act No. 25.466¹⁰ provided that all bank deposits were untouchable, that the government could not alter the terms and conditions agreed on by accountholders and banks, and that the rights of accountholders in and to their bank deposits and the guaranties provided by the Act were vested rights of each such accountholder.

Three months later, those guaranties were completely ignored by Executive Order No. 1570/01¹¹, which operated to impose the following restrictions:

- Cash withdrawals from bank accounts could not exceed AR\$/US\$250 per week
- Fund transfers outside of Argentina were prohibited, and so were exports of foreign bank notes and precious metals
- Fund transfers between bank accounts were permitted
- Existing transactions could be converted into foreign currency at the request of the holders thereof

Because of these rules, the BCRA enacted a series of implementing regulations that often conflicted with one another and were repealed shortly after their promulgation, which resulted in major confusion in the financial system and among clients and investors. Probably the grossest instance of this was the publication of Act No. 25.557 (Jan. 7, 2002)¹², which included certain provisions that were suspended by another piece of legislation—Act No. 25.561 (Jan. 7, 2002)¹³—that was published on the same date (December 6, 2001). That is to say, two Acts of Congress were published on the same date, one of which operated to suspend the effectiveness of certain provisions of the other.

¹⁰Law 25.466 published in Official Gazette on September 25th, 2001.

¹¹Executive Order No. 1570/01 published in Official Gazette on December 3rd, 2001.

¹²Law 25.557 published in Official Gazette on January 7th, 2002.

¹³Law 25.561 published in Official Gazette on January 7th, 2002.

Chaos and crisis of the rule of law were widespread. Several court decisions expressly referred to this chaos and its negative impact on a number of players in the Argentine economy.

The End of Convertibility: Act No. 25.561¹⁴

Act No. 25.561¹⁵ was enacted on January 6, 2002. This Act included the following provisions, among others:

- Terminate convertibility and establish the existence of an economic, administrative, social, and financial national emergency.
- “Suspend” application of the “intangibility of deposits” law until the emergency was over (the duration of the emergency was later repeatedly extended by several Acts of Congress until December 31, 2005). That is to say, with the latest extension, the emergency declared by Act No. 25.561¹⁶ has lasted seven years to this date.

It is worth mentioning also that, under the “Alliance” Administration in the year 2000, Congress had already declared another emergency by Act No. 25.344 (Nov. 21, 2000)¹⁷ in connection with the economic and financial condition of the federal state, public utility services, and performance under contracts with the federal government.

As stated by Lorenzetti: “the Rule of Law was materially and adversely affected by that declaration, which operated to amend government contracts, authorized the Federal Administration to terminate any such contracts, modified government employment relations, interfered with legal proceedings against the government, and operated to consolidate government debt. That declaration laid the groundwork for the government to move into other areas and change any rules, which eventually led to the biggest crisis of confidence in the history of Argentina.”

¹⁴ Law 25.561 published in Official Gazette on January 7th, 2002.

¹⁵ Law 25.561 published in Official Gazette on January 7th, 2002.

¹⁶ Law 25.561 published in Official Gazette on January 7th, 2002.

¹⁷ Law 25.344 published in Official Gazette on November 21st, 2000.

- Freeze the rates charged by privatized public utility companies, and force those companies not to suspend or alter performance of their obligations until the time when their respective contracts were renegotiated (as of this date, only a few contracts with small companies have been renegotiated, in spite of constant requests by the IMF in that respect).
- Devalue the Argentine currency and create an “official” and a “free” foreign exchange market. Devaluation in the official foreign exchange market was 40 percent.

The regime established by Act No. 25.561¹⁸ and the Executive Orders enacted thereunder lasted a few days, because of delays in their implementation, in addition to widespread confusion. As a result, a new Executive Order had to be enacted, which once again operated to amend numerous aspects of the Act.

Additionally, a number of regulations were passed that gradually tightened the restrictions on availability of bank deposits.

Time deposits were rescheduled; their use was generally precluded; even CD-related transactions were prohibited.

While these provisions actually became effective, the Supreme Court issued a decision in the “Smith case,” whereby Executive Order No. 1570/01¹⁹ was found to be unconstitutional, thus tearing down the whole “unavailability of deposits” system.

As a result, the administration deemed it necessary to enact a new regulation that operated to change the system’s rules once again, not only in terms of the availability of bank deposits but also in terms of the distribution of the costs of devaluation.

¹⁸ Law 25.561 published in Official Gazette on January 7th, 2002.

¹⁹ Executive Order No. 1570/01 published in Official Gazette on December 3rd, 2001.

“Pesification”: *The New Regime Established by Executive Order No. 214 (Feb. 2, 2002)*²⁰ and *Executive Order No. 471 (Mar. 8, 2002)*²¹

Executive Order No. 214²², dated February 2, 2002, changed several aspects of Emergency Act No. 25.561²³, including its rationale and general rule. The most serious aspects of Executive Order No. 214²⁴ were the following:

- All private-sector payment obligations, irrespective of their cause or origin, were converted into pesos.
- Foreign currency deposits held in banks were converted into pesos at a rate of US\$1 = AR\$1.40.
- Obligations owing to banks were converted into pesos at a rate of US\$1 = AR\$1.
- All other obligations were converted into pesos at a rate of US\$1 = AR\$1.
- Interest on bank deposits was to be calculated in line with retail inflation rates.
- Interest on loans was to be calculated in line with any wage increases (this provision was repealed in 2004).
- The difference between the exchange rate used in “pesification” of bank deposits and the exchange rate used in “pesification” of loans was to be compensated by the BCRA, by issuing a government bond in the amount of that difference (AR\$0.40).
- Financial institutions must deposit with the BCRA all U.S. dollar bills and other foreign currency in their possession, which was to be converted into pesos at a rate of US\$1 = AR\$1. All U.S. dollar amounts and other foreign currency amounts owing from the BCRA to financial institutions were to be converted into pesos at the same exchange rate.
- Any and all lawsuits against the state arising from the emergency regulations were suspended for a term of 180 days.

²⁰ Executive Order No. 214 published in Official Gazette on February 2, 2002.

²¹ Executive Order No. 471 published in Official Gazette on March 8, 2002.

²² Executive Order No. 214 published in Official Gazette on February 2, 2002.

²³ Law 25.561 published in Official Gazette on January 7th, 2002.

²⁴ Executive Order No. 214 published in Official Gazette on February 2, 2002.

- “Pesification” of government debt instruments issued under Argentine law.

Finally, on March 8, 2002, the government issued Executive Order No. 471²⁵, which operated to convert into pesos all government debt issued under Argentine law and unilaterally established a new interest rate (2 percent).

In summary, the effects of the emergency regulations referred to above can be briefly described as follows:

- Freezing of private-sector funds deposited at financial institutions
- Devaluation and termination of the convertibility system
- “Asymmetric pesification” of all private-sector obligations
- “Pesification” of all public-sector obligations subject to Argentine law
- Transfer to the BCRA of all U.S. dollar bills held by banks, and appropriation of banks’ dollars deposited at the BCRA

In the wake of the “*cacerolazos*” (popular demonstrations where people banged pots and pans), which affected the Alliance Administration and the political class generally, with the motto “we want them all to go away,” many people believe the Argentine government and a number of politicians from different parties made an effort to blame it all on foreign banks, AFJPs, and privatized public utility companies, by relating them to the previous Menem Administration.

An instance of this was the law known as “Liability of the Head Offices of Foreign Banks,” drafted and submitted to Congress by then-Senator Cristina Fernandez de Kirchner, the only speaker at the session where that law was approved by the Senate, without any parliamentary debate.

In connection with the economic crisis that Argentina is currently undergoing, which has been briefly described above, the CEO of Seguros de Depósitos S.A. (a company that manages a guaranty fund formed by contributions from banks to secure repayment of bank deposits and

²⁵ Executive Order No. 471 published in Official Gazette on March 8, 2002.

facilitate reorganization of troubled financial institutions), the economist Dr. José Carlos Jaime said (see interview published in *La Nación* on April 24, 2004) that “this is a fiscal crisis that has led to the breakdown of the whole system.”

Government debt generated to finance the fiscal deficit eventually led to the state’s bankruptcy, dragging down some banks in the process. The freezing of deposits and the related measures known as “*corralito*” and “*corralón*” dragged down the rest of the banks, causing their customers to see them as the enemy and tearing apart their assets, for the benefit of a few financial institutions—most of them government owned—that compromised their assets by financing the state through the subscription of national and provincial government bonds that were recorded in their balance sheets at their technical value.

With regards to the emergency laws and regulations promulgated by various administrations that took office after the crisis (six different presidents since December 20, 2001), Dr. Ricardo L. Lorenzetti—a current member of the Supreme Court of Justice, appointed by President Kirchner—has stated the following:

“... as most Argentine citizens think, we have witnessed one of the deepest crises in the history of our Nation and the Rule of Law.”

Under the pretext of the emergency, numerous individual rights have been violated, and rules have been disregarded that are crucial for a society to function. Legislators and the administration have enacted all kinds of conflicting rules, and have changed them over and over.

Constant plans have been made to change everything, and even the foundation of a new Republic has been announced.

One could argue that this permanent uncertainty as to the basic principles of social organization is typical of a society that is always in the process of organizing itself but never sets clear and lasting ground rules. The “founding” idea is always present in all areas of our culture, characterized by an excessive lack of modesty at the time of making decisions: claims

are made to change “the health system,” “the labor relations system,” “the social security system,” “the tax system,” “the Constitution.”

“An exceptional emergency has now become the permanent rule, which has operated to tear all institutions apart. Ever since late 2001/early 2002, our currency has not had the ability to measure the value of goods, people’s savings have been forcibly confiscated, people have been prevented from disposing of their monies, all of which has resulted in widespread lack of confidence.”

“Citizens no longer trust the legal system, because it has been constantly modified and there is no security whatsoever.”

“Institutional rules are constantly changed in Argentina; as a result, crises occur that do not affect one or two companies, but entire sectors of the economy. It is shocking to find entire sectors that fall to pieces: insurance companies, regional economies, the agricultural sector. The institutional framework has a major role to play in this situation, and also in its expansion into other fields such as the financial sector. Confidence is necessary, because it is the lubricant of social relations.”

Above from Dr. Ricardo L. Lorenzetti

The current administration, however, has not made it their priority to strengthen republican and democratic institutions. Quite the contrary, they have brought serious legal insecurity to Argentina.

Not only has the administration failed to comply with the law that mandated them to renegotiate and increase public utility rates, which have remained frozen since 2000, with the resulting use of capital and deterioration of the services rendered by the relevant privatized companies, but also, in December 2008, the administration confiscated the funds of subscribers to pension fund management companies (AFJPs, as per the Spanish acronym), in order to be able to meet the government’s short-term financial needs.

Mistreatment of and failure to make payment to investors and debt holders that chose not to adhere to the debt swap made by the government in 2005, as well as noncompliance with adverse awards entered by several ICSID arbitration tribunals in accordance with the applicable BITs, among other things, have resulted in Argentina being unable to access financial and capital markets to fund requisite expenses and/or investments.

The current international crisis has done nothing but aggravate Argentina's difficult position.

Because of this chaos and nonperformance, however, there is a growing sentiment in Argentina that legal institutions should be respected and legal security should be rebuilt, for those are the features that, in the past, made Argentina a reliable and attractive country for investors.

Once again, it has become painfully evident in Argentina that legal insecurity leads nowhere but to the destruction of wealth, confiscation of savings, increased poverty, and unemployment.

The enormous damages inflicted so far to the nation's economy because of all this chaos, nonperformance, and institutional violations will soon call for a reconstruction of public services, the financial system and the capital markets, the agribusiness, mining and energy sectors, as well as substantial investments in capital goods.

Once this lesson has been learned, our nation's wealth, culture, and population will easily do the rest.

The Role of the National Banks

In the wake of "asymmetric pesification" in 2002 and transfer of banks' holdings of foreign currency to the BCRA, accountholders and society generally were led to believe that private banks were the enemy; accountholders sought payment from banks of the monies that the government had ordered them to transfer to the BCRA.

The damages suffered by banks as a result of “asymmetric pesification” of their assets and liabilities operated to destroy the assets of a number of banks. The damages suffered by accountholders were even worse; confidence in the financial system was shattered. Social violence primarily exerted against foreign banks, as if they had been responsible for the debacle caused by the devaluation and “asymmetric pesification,” resulted in a number of foreign banks closing down, as local banks grew bigger.

Today, local banks have occupied the void left by foreign banks. This notwithstanding, the emergency regulations enacted in 2001-2002 have operated to substantially reduce the size of the financial system and access to credit in Argentina. Bank operations have been reduced to the provision of transactional services, from which most of banks’ proceeds are now derived, to the detriment of credit facilities and financing of industrial sectors.

In this scenario, national banks support governmental policies, subsidizing loans for small- and medium-sized companies, participating in public securities placement and participating in the exchange market to maintain an exchange rate acceptable to the national government.

The huge holdings of government bonds received by banks as compensation for the damages suffered, because of “asymmetric pesification” and increased sovereign risk, have resulted in lack of confidence in the financial system, evidenced by the short average term of time deposits. Most deposits are demand; the average life of time deposits does not exceed ninety days. Thus, mortgage and/or long-term loans have disappeared from the Argentine financial system.

Paradoxically, the financial system’s weakness has protected it from a bigger debacle in the face of the serious current international crisis. The absence of mortgage loans and hedging and/or derivative transactions, as a result of their pesification by operation of Executive Order No. 992/02 (June 12, 2002)²⁶, has prevented the international crisis from dealing an even bigger blow on the already weakened financial industry in Argentina.

²⁶ Executive Order 992 published in Official Gazette on June 12, 2002.

Significant Legal Issues in 2008

I understand that two paradigmatic cases to be taken into account have been (i) confiscation of AFJP funds by the government, for the purpose of dealing with the government's own economic and financial crisis, and (ii) the government's interference with banks and foreign exchange bureaus, designed to prevent free purchase and transfer of foreign currency as contemplated by law.

With regards to the confiscation of AFJP funds pursuant to the provisions of Law No. 26,425 (Dec. 9, 2008)²⁷, those funds were transferred from subscribers' accounts held at the relevant AFJPs to a governmental agency (ANSES).

AFJPs have been forced to close down their businesses, without any compensation so far, and their funds are being used in Argentina without any control by Congress, in breach of the provisions of the law, for the purpose of funding and promoting consumer demand in Argentina. Because of this confiscation, approved by Congress and promoted by the government, the funds of AFJP subscribers have been transferred to the government for a use other than as originally contemplated—namely, retirement savings for future pensioners. This confiscation has obviously disregarded a system that guaranteed the independence of those funds and their intended use as retirement pensions. That is to say, the system precisely prevented the government from using those funds to meet their current expenses, as they are doing now, or using them to fund consumer demand—a purpose completely alien to the goals for which AFJP was established.

Thus, the funds that used to be invested by AFJPs in the local capital market have been taken out of the market, dealing a final blow to the Argentine capital market and putting an end to a substantial source of corporate funding.

Another major development in 2008, about which very little has been said in Argentina, is the government's pressure on banks and FX bureaus, in

²⁷ Published in Official Gazette on December 9, 2008 .

breach of applicable law, designed to prevent them from selling and transferring substantial amounts of foreign currency out of Argentina. This has operated to restrict repatriation of profits and capital by foreign companies, in spite of the fact that transfer of foreign currency for those reasons is permitted by applicable law.

That is to say, from a legal perspective, one can advise clients based on the actual provisions of the law, and tell them what is permitted by law or not; yet, in Argentina one needs to see beyond that, to the day-to-day economic and political realities. As a result, it is crucial to be permanently informed about what is going on with the financial system, even “under the table.”

With the rules of the game currently imposed by the government, legal advice to a client would be partial only unless reality is brought into the equation. In fact, there have been instances of individuals and/or companies that decided to buy or sell foreign currency under Argentine law, and at the time of carrying out those transactions they found that their counterparties (banks) would not close the transaction because they were under pressure from the government not to buy or sell dollars, let alone transfer them abroad. It is very important, then, to understand that a lawful business includes not only knowing the rules, but also knowing the specific industry and the day-to-day reality of what is going on in a given industry or market.

Thus, for those of us who deal with financial transactions all the time, it is very important to be directly in contact with the bank, before any advice is given to our clients, to understand the bank’s interpretation of the applicable rules, the bank’s current circumstances, and whether or not the bank would agree to enter into a specific financial transaction.

Conclusions

Argentina is clearly a very wealthy and varied country, with a generally well-educated, cultured, and united population.

Populist policies and corrupt practices by a number of administrations and the political class in general have led to a situation of serious legal insecurity, which in turn has negatively affected that wealth, culture, and unity. Even so,

it is easy to find skilled managers and professionals in Argentina, who are in a position to do complex work and live up to the high standards required by industrial nations.

While crises destroy wealth and negatively affect values, they teach us lessons and create huge opportunities.

I believe Argentina will soon need the driving force of new investments and funding to reconstruct the nation's infrastructure, which is necessary already and which will become even more necessary as new opportunities come up. Many things will have to change in Argentina to rebuild business confidence. I believe those changes are happening in people's sentiments and culture, and the political class will have to implement them in the short term.

When that happens, it is easy to think that Argentina will go back to a position of leadership in the region, and will be once again a land of great opportunities. For many years, however, we will have to remember our erratic past and bear it in mind when drafting the legal instruments where business transactions and investments are embodied.

Alfonso Peña Robirosa, a partner at Rattagan Macchiavello Arocena & Peña Robirosa, is an expert in banking and finance. After graduating from Universidad de Buenos Aires in 1984, he joined Citibank N.A., where he was involved in the creation and organization of the legal department that would manage the legal affairs of Citibank N.A, Citicorp Banco de Inversión, and all Citicorp subsidiaries in Argentina.

From then and up to December 1998, he participated actively in the preparation and negotiation of all kinds of financial, banking, investment and money-desk contracts, the development of new products, negotiations with the Argentine government designed to obtain the approval of investments under OPIC provisions, the purchase and/or sale of Citicorp companies in Argentina and abroad, and the acquisition of financial institutions such as Banco Mayo, among other duties.

In January 1999, Mr. Robirosa was appointed general counsel to Bank Boston for Argentina and the Southern Cone (Panama, Colombia, Peru, and Uruguay), where he participated in a program designed to boost the growth of Bank Boston's businesses, branches, and investments in Argentina and Latin America. His duties included

developing and providing legal advice in connection with the Fondo Común de Inversión 1784, an investment fund that in January 2001, before the Argentine economic crisis, managed \$2billion, which made it the largest investment fund in Argentina.

In January 2001, in the light of the economic emergency, he focused on the Argentine crisis and its impact on the Bank, the Fondo Común de Inversión 1784, and the group's companies in Argentina.

In his capacity as general counsel to Bank Boston Argentina, and also as a member of the Asociación de Bancos de Argentina (ADEBA) and the Comité de Abogados de Bancos, Mr. Robirosa participated in negotiations with the Argentine government and in meetings with domestic and international agencies until January 2004, when he was appointed general counsel to Telecom Argentina. There he participated in the restructuring of the group's debt, the renegotiation of contracts and tariffs with the Argentine government, the analysis and discussion of a bill of Congress on telecommunications and a bill on utilities, as well as several aspects and disputes associated with antitrust matters and consumer rights.

In April 2005, Mr. Robirosa left Telecom to become involved in the creation and organization of RMA&PR. He speaks fluent English.

Dedication: *To my wife Marta and my son Alfonso, who is now taking his first steps in law so that these few lines inspire his future work on building an equitable Argentina.*



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