B. M. 368/12.—500 jgs.—10-1933-7943.

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BANCO DE MEXICO, S. A.

DEPARTAMENTO DE EMISION

INFORME CORRESPONDIENTE al martes 2 de enero de 1934

B. & S. Sucr.—263470

EXISTENCIAS EN CAJA, MONEDA NACIONAL				
	Pesos:	Oficina Central	$ 86.048,398.00	
		Sucursales	3.119,000.00	89.167,398.00
	Fraccionaria:	Oficina Central	$ 13.829,258.02	
		Sucursales	868,000.00	$ 14.697,258.02
			SUMA	$ 103.864,656.02
A DEDUCIR:				
Reserva Monetaria:				
Saldo de la Cuenta		$ 45.080,832.02		
Redescuentos pagados en efectivo		52.703,519.03	$ 97.784,351.05	
(*) Menos inversiones por su cuenta			58.785,082.64	$ 38.999,268.41
Bancos Asociados—Depósito Legal del 5%				6.819,974.56
50% de los Redescuentos en Vigor				12.223,653.32
30% de los Depósitos a la Vista:	Oficina Central		$ 14.585,865.23	
	Sucursales		2.500,500.00	17.086,365.23
10% de los Depósitos a Plazo				1.271,996.73
				$ 76.401,258.25
			SOBRANTE	$ 27.463,397.77

BILLETES EMITIDOS		$ 85.300,000.00
Menos: Billetes en la Caja Emisora	$ 2.600,000.00	
" " " " Principal	1.850,265.00	
" " las Sucursales	3.394,000.00	7.844,265.00
	CIRCULACION	$ 77.455,735.00

Redescuentos en vigor	$ 24.447,306.64	Redescuentos efectuados	$ 224.109,984.94
" pagados en efectivo	52.703,519.03	" pagados	199.662,678.30
Suma	$ 77.150,825.67		
" para ajustar a fin de semana	304,909.33	" en vigor	$ 24.447,306.64
CIRCULACION	$ 77.455,735.00	Billetes oro en circulación	$ 34,810.00

(*) INVERSIONES POR CUENTA DE LA RESERVA MONETARIA

ORO—Kilos	PLATA—Onzas	DIVISAS—Dls.	
$ Dic.26/933 - ORO, Kilos 11,657	Plata , Onzas 6.761,000	Dólares	$ 1.410,000.00
Enero 2/934 " " 11,822	" " 7.270,000	"	2.857,000.00

cc.

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ESTADO CONCENTRADO SEMANAL COMPARATIVO DE LA OFICINA CENTRAL Y SUCURSALES DEL BANCO DE MEXICO.

RECURSOS	ABRIL 29	DICIEMBRE 23	DICIEMBRE 29
FACTORES A LA RESERVA MONETARIA.			
EFECTIVO EN MONEDA NACIONAL	20.530.766.78	49.254.684.77	39.260.668.57
BARRAS Y MONEDAS DE ORO	22.884.936.82	32.108.523.09	36.934.631.09
BARRAS DE PLATA	4.576.345.93	9.505.999.90	10.818.914.81
DIVISAS EXTRANJERAS	10.036.617.66	3.559.898.83	10.370.136.56
	58.028.667.25	94.429.106.59	97.384.351.05
CAJA DEL DEPARTAMENTO BANCARIO	64.686.524.94	52.833.977.09	64.282.107.38
DEPOSITOS Y DOCUMENTOS A CARGO DE BANCOS		8.760.177.39	6.251.063.03
BARRAS Y MONEDAS DE ORO		7.114.617.08	4.082.211.39
	$122.715.192.19	$163.137.878.15	$171.999.733.45
REDESCUENTOS	25.298.575.01	24.998.828.26	25.020.715.97
INVERSIONES Y CREDITOS DIVERSOS	19.663.028.12	36.604.671.36	37.517.921.36
OTRAS CUENTAS	29.134.214.26	24.009.609.75	22.725.976.85
	$196.811.009.60	250.750.987.54	257.264.348.23
OBLIGACIONES			
CIRCULACION	55.326.420.00	76.557.415.00	77.724.235.00
A DEDUCIR:	30.027.894.99	51.558.586.74	52.703.519.03
	25.298.575.01	24.998.828.26	25.020.715.97
DEPOSITOS DEL PUBLICO Y BANCOS ASOCIADOS	66.760.011.44	55.005.353.45	61.131.607.05
BANCOS ASOCIADOS, DEPOSITO LEGAL DEL 5%	6.385.051.76	7.548.924.94	7.509.553.04
OTRAS OBLIGACIONES	7.300.333.48	30.129.672.44	29.380.953.80
RESERVA MONETARIA	58.028.667.25	94.429.106.59	97.384.351.05
CAPITAL, FONDO DE RESERVA Y CUENTAS DE RESULTADOS	33.036.370.66	38.641.101.86	36.837.167.32
	196.811.009.60	250.750.987.54	257.264.348.23
CREDITOS Y VALORES EN LIQUIDACION:	30.997.245.25	25.346.662.16	25.830.139.80

DEPARTAMENTO DE ESTADISTICA.

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México,D.F., 5 de enero de 1934.

B/

Banco de México,S.A.,
Av. 5 de Mayo 2,
Ciudad.

Muy estimados señores:-

Para ser usados en estas oficinas de Anzures, me permito rogar a ustedes se sirvan obsequiarnos 4 blo ques calendarios para escritorio, así como algunos de - los otros objetos tan útiles que generalmente obsequian ustedes a su clientela con motivo de fin de año.

Muy agradecida, quedo de ustedes atenta y S.S.

S.González,
Srio.Particular.

SG.-AP.

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México,D.F., 9 de enero de 1934.

Banco de México,S.A.,
Av. del 5 de Mayo 2,
Ciudad.

Muy estimados señores:-

Por instrucciones del señor General P.Elías Calles y con cargo a la cuenta del mismo, muy atentamente suplico a ustedes se sirvan situar:
$500.00 (quinientos pesos) al Banco Industrial Refaccionario de León, S.A., de León, Gto.

Soy de ustedes atenta y S.S.

S.González,
Srio.Particular.

SG.-AP.

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México,D.F., 15 de febrero de 1934.

Señor don
Agustín Rodríguez,
Director del Banco de México,S.A.,
Ciudad.

Muy estimado y fino amigo:-

Por la presente me tomo la libertad de recomendarle a mi amigo, el Arquitecto don Guillermo Zárraga. Va a tratarle sobre un asunto de interés colectivo; y si las garantías que puede ofrecer en el caso son absolutamente satisfactorias, le agradeceré mucho las facilidades que se sirva darle.

Soy de usted afmo. amigo y atento S.S.

PEC.-SG.-AP.

FAPECFT

El Sr. don Agustín Rodríguez, Director del Banco de México, manifiesta que fué atendido el señor Arquitecto don Guillermo Zárraga, a quien el Jefe se sirvió recomendarle.

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FAPECIT

DIRECTOR GENERAL
DEL
BANCO DE MEXICO

México, D.F., 20 de
febrero de 1934

Sr. Gral. Dn. Plutarco Elías Calles,
P r e s e n t e .

Muy distinguido y fino amigo:

Por conducto de su estimable recomendado, el Sr. Dn. Guillermo Zárraga, tuve el gusto de recibir su grata fecha 15 del actual.

Me fue muy satisfactorio atender a dicho señor en el asunto que se sirvió tratarme, y ya le ofrecí estudiar desde luego ese negocio a fin de ver que facilidades se le pueden dar en el mismo.

Deseando que se encuentre usted - bien de salud, me es muy grato repetirme su amigo afectísimo y atento servidor.

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México,D.F., 22 de febrero de 1934.

Señor don
Agustín Rodríguez,
Director del Banco de México,
Ciudad.

Muy estimado señor Rodríguez:-

Por instrucciones del señor General P.Elías Calles, muy atentamente me permito suplicar a usted - tenga la bondad de facilitarnos todas las legislaciones respecto al sistema monetario de Bancos.

Soy de usted, atentamente, afma. y S.S.

S.González,
Srio.Particular.

SG.-AP.

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Banco de México, S.A.
Dirección cablegráfica Banxico.
Apartado 98 bis.
México, D.F.

Febrero 23 de 1934.

Departamento de Sucursales.

Secretaría de Hacienda y Crédito Público.
Departamento Consultivo.
C I U D A D.

Muy Señores nuestros:

Nos referimos al oficio Nº 22-477, Exp.134.2/14, girado por ese Departamento con fecha 20 del actual, pidiéndonos informes relativos al cheque de la Serie A., Nº 263528, que nuestra Sucursal en Ciudad Juárez, Chih., expidió con fecha 4 de octubre de 1929, a favor del C. Procurador General de Justicia de la Nación, Lic. Enrique Medina, y a cargo nuestro, por la cantidad de $15,000.00 plata. Dicen Uds. que dicho cheque lo obtuvo de nuestra Sucursal el Sr. Rafael Lara Grajales, por medio del cheque # 1087 extendido en 26 de septiembre de 1929 por el Sr. Dr. Andrés Villarreal en contra del "Paso National Bank" y a favor del mencionado Sr. Lara Grajales.

Habiendo hecho las investigaciones necesarias en el archivo de nuestra ya extinta Sucursal en Ciudad Juárez, encontramos que, en efecto, dicha Sucursal expidió el cheque a que Uds. se refieren, cuyo número, cantidad y demás características son las que Uds. mencionan; con la sola excepción de que quien aparece como solicitante del mismo es el Sr. Dr. Andrés Villarreal, quien cubrió su importe con el cheque Nº 619, expedido por "El Paso National Bank", de El Paso, Tex., con fecha 3 de octubre de 1929, por la cantidad de $15,000.00 plata mexicana, a favor del mismo Sr. Dr. Villarreal y a cargo de nuestra Sucursal en Ciudad Juárez.

La diferencia entre los datos que Uds. nos dan y los que hemos obtenido del archivo de nuestra extinguida Sucursal, se reduce, en consecuencia, a que el cheque recibido en pago del que expidió nuestra filial, está girado por "El Paso National Bank", a cargo de nuestra Sucursal en Ciudad Juárez, y no por el Sr. Dr. Villarreal a cargo de aquel Banco del Extranjero; y en que el nombre del Sr. Rafael Lara Grajales no figura para nada en esta operación.

Muy servidos de poder proporcionar a Uds. esta información, quedamos sus afmos. attos. y SS.SS.

BANCO DE MEXICO.
Deptº de Sucursales.

FACSIMILE

DISPONIBILIDADES EN DOLARES.

Febrero 27 de 1934.

Disponibilidades en Febrero 20.....971,000.00

Saldo DEUDOR en la cuenta "Corresponsales del Extranjero"..... .....1.314,000.00

Disminuyó..... 2.285,000.00

F U T U R O S

	Compras	Ventas.	
Febrero 20.....	1.668,000.00	626,000.00	
Febrero 27.....	1.659,000.00	616,000.00	
Disminuyó.....	9,000.00	10,000.00	-Disminuyó

COMPRA-VENTA DOLARES.

	Compra	Venta.
Febrero 19 al 24	1.667,000.00	1.566,000.00
Feb. 26 y 27.....	180,000.00	1.828,000.00
	1.847,000.00	3.394,000.00

MU'xa.

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MOVIMIENTO DE DOLARES DESDE EL DIA DE LA EXPEDICION DE LA "LEY DE ABSENTISMO"

		Compras	Ventas	
Febrero	23	117,000.00	625,000.00	
"	24	64,000.00	403,000.00	
"	26	81,000.00	644,000.00	
"	27	99,000.00	1.184,000.00	
"	28	89,000.00	943,000.00	
Marzo	1º	129,000.00	396,000.00	
"	2	80,000.00	302,000.00	
		659,000.00	4.497,000.00	
	Sobre-venta..	3.838,000.00		
	Menos.....	529,000.00	-	Dólares invertidos en la compra de metales.
		3.319,000.00		SOBRE-VENTA EFECTIVA.

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EXISTENCIA EN ORO

1933. Julio 27 - Existencia		16,400 kilos
1934. Febr. 27 - Compras a la fecha		32,636 "
		49,036 kilos
Febr. 27 - Exportado a la fecha		28,053 "
	Existencia	20,983 kilos

Reserva: 10,133 kilos
Banco: 10,850 "
20,983 kilos

- - - - - - - - - - - - - - - -

COMPARACION

	Reserva	Banco	Total
Febr. 20	9,654	10,023	19,677
Febr. 27	10,133	10,850	20,983
	Aumentó 479	Aumentó 827	Aumentó 1,306

EXISTENCIA EN BARRAS DE PLATA

Febr. 27 - Depósito en el Chase de N. York		5,057,000 onzas
Depósito en Casa de Moneda		4.747,000 "
	TOTAL	9.804,000 onzas

FAIR USE

El Sr. don Agustín Rodríguez, Director del Banco de México, remite las Leyes de nuestro sistema monetario y de organización bancaria, que se le solicitaron.

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DIRECTOR GENERAL
DEL
BANCO DE MEXICO

México, D. F. 1º de
marzo de 1934

Sra. Doña Soledad González de Ayala González,
Secretaria Particular del Sr. Gral. de Div.
Dn. Plutarco Elías Calles,
P r e s e n t e .

Muy distinguida Señora González:

En obsequio a los deseos expresados por usted en su atenta carta 22 del pasado mes de febrero, tengo el gusto de enviarle las Leyes de nuestro sistema monetario y las de nuestra organización bancaria, con las reformas respectivas; en la inteligencia de que si desea algo más en relación con estas materias, me complacerá mucho el procurarlas.

Quedo de usted, con la mayor consideración, afectísimo y respetuoso seguro servidor.

FAPECFT

Bco. Méx.

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México, D.F., 3 de marzo de 1934.

Señor don
Agustín Rodríguez,
Director del Banco de México,
Ciudad.

Muy estimado y fino amigo:-

Tengo el gusto de acusar a usted recibo de las Leyes de nuestro sistema monetario y las de nuestra organización bancaria, que tuvo usted la amabilidad de enviarme con su carta fechada el 1o. del actual, quedándole muy agradecido por su atención.

Soy de usted afmo. amigo y atento S.S.

PEC.-SG.-AP.

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DIRECTOR GENERAL
DEL
BANCO DE MEXICO

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México, D. F. 8 de
marzo de 1934.

Sr. Gral. de Div. Dn. Plutarco Elías Calles,
Cuernavaca, Mor.

Muy estimado Señor General:

De acuerdo con el ofrecimiento que hice a usted cuanto tuve el gusto de saludarlo, incluso a ésta le remito tres ejemplares de la Ley Monetaria y otros tantos de la Ley del Banco de México, traducidas al inglés, esperando le sean de utilidad.

Aprovecho la oportunidad para saludar a usted afectuosamente y repetirme, con todo agrado, su amigo atento y seguro servidor.

Aguilar Rodríguez

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Bco. Méx.

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México,D.F., 13 de marzo de 1934.

Señor don
Agustín Rodríguez,
Director General del Banco de México,
Ciudad.

Muy estimado señor Rodríguez:-

Por acuerdo del señor General P.Elías Calles, acuso a usted recibo de su atenta carta fechada el 8 -- del actual, así como de los ejemplares de la Ley Monetaria y de la Ley del Banco de México, traducidas al in-- glés, que tuvo usted la amabilidad de remitirle, y cuyo envío mucho le agradece.

Soy de usted muy atenta y S.S.

S.González,
Srio.Particular.

SG.-AP.

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Banco de México, S. A.

MONETARY LAW

OF THE UNITED MEXICAN STATES

FAPECFT

EDITORIAL "CVLTVRA"
MEXICO, D. F.
1931

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BANCO DE MEXICO, S. A.

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Banco de México, S. A.

MONETARY LAW

OF THE UNITED MEXICAN STATES

EDITORIAL "CVLTVRA"
MEXICO, D. F.
1931

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BANCO DE MEXICO, S. A.

General Offices:

Avenida del 5 de Mayo 2.

México, D. F.

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MONETARY LAW OF THE UNITED MEXICAN STATES

CHAPTER ONE

Of Money and of its Legal Status

Article 1.—The unit of the monetary system of the United Mexican States, shall be the peso with an equivalence of 75 (seventy five) fine gold centigrams.

Article 2.—Money in circulation shall be:

a) Bank-notes legally issued by the Banco de Mexico;

b) Silver coins of one peso denomination, of the weight and fineness created by the Law of October 27, 1919;

c) Fractionary silver coins of ten, twenty and fifty centavos, and those of copper of one, two and five centavos, of the weight and fineness created by the Laws of March 25, 1925; April 25, 1914; October 27, 1919, and April 29, 1925.

Article 3.—The bank-notes of the Banco de Mexico shall be of voluntary acceptance and in no case may their acceptance be rendered obligatory, although, neverthe-

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less, public Federal, State and Municipal offices are obligated to receive the said bank-notes without any limitation whatsoever, in payment of taxes, services or rights of any kind.

Article 4.—Silver coins of one peso denomination, of the weight and fineness created by the Law of October 27, 1919, shall possess an unlimited liberatory power. (Legal tender).

Article 5.—With the character of fractionary currency and with liberatory power (legal tender) limited to an amount of twenty pesos in one and the same payment, silver coins of ten, twenty and fifty centavos shall subsist with the weights and finenesses respectively created by the Laws of April 29, 1925 and of October 27, 1919.

With the character of fractionary currency, copper coins of five centavos created by the Decree of April 25, 1914 shall, likewise, subsist, as well as those of one and two centavos created by the Law of March 25, 1905. These coins shall possess a liberatory power (legal tender) limited to two pesos in one and the same payment.

Article 6.—All public Federal, State and Municipal offices shall be obligated to receive the coins referred to in the preceding article, without any limitation whatsoever, in payment of taxes, services and rights of any kind.

Article 7.—The obligation to pay any amount in Mexican currency, is satisfied by the delivery at par of its nominal value and up to the limit of their respective liberatory power (legal tender), of silver or copper currency of the weights and finenesses prescribed by this Law.

Article 8.—Foreign money shall not be legal tender

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within the Republic except in cases expressly providing the contrary by law. Obligations to pay in foreign currency entered into within or without the Republic to be performed within, shall be satisfied by the delivery of the equivalent in national currency at the current rate of exchange, in the time and place in which payment is to be tendered.

Article 9.—The provisions of the two preceding articles may not be renounced, and every stipulation to the contrary shall be considered as void.

Article 10.—Perforated or mutilated pieces, or those bearing marks or countersigns, or those showing vestiges of non-monetary usages, shall lack the power of legal circulation and shall not be accepted in public offices.

CHAPTER TWO

Of the Issuance of Currency.

Article 11.—The issue of bank-notes by the Banco de México shall be made in conformity with the requirements prescribed by the Law of August 25, 1925 with the reforms and additions thereto.

Article 12.—The coinage of silver coins of one, or of a larger than one, peso denomination is strictly forbidden, disobedience thereof being ground for official responsibility extending to the public official who orders the said coinage and to the employees who execute the said order.

Article 13.—The coinage of silver coins of fifty, twenty and ten centavos, as well as the coinage of copper

currency, may only be made within the limits strictly imposed by monetary conditions throughout the Republic, and strictly in exchange for one peso silver coins which should thereupon be melted, disobedience thereof being ground for official responsibility extending to the public officials ordering a violation of the contents of this article and to the employees complying with the said order.

CHAPTER THREE

Of the Monetary Reserve.

Article 14.—A Monetary Reserve is hereby established which shall consist of the following resources:

a) Assets constituting the actual surplus of the regulating fund created by the Law of March 25, 1905;

b) Profits accruing from exchange transactions abroad executed by order of the Reserve;

c) The difference between the acquisition cost and the monetary value of metals which may be eventually destined to the coinage of fractionary coins, and the difference which may result from the re-minting of coins of prior weights and finenesses into fractionary currency;

d) The commercial value of the metal contained in those one peso coins which may be received in exchange for fractionary currency, within the provisions of Article 13 of this Law;

e) The product from loans entered into for the increase of the Reserve;

f) The sum which shall be annually destined by the

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Expense Budget for that object, or the product of taxes affected for the purpose aforesaid.

Article 15.—The Monetary Reserve shall be exclusively dedicated to cover expenditures or losses arising out of the exchange transactions over foreign markets carried out by, and on behalf of, the Reserve itself.

Article 16.—The Monetary Reserve shall consist, in the portion thereof which should be maintained within the Republic, of gold in bars and in coin, of silver in bars or in coin considered from the commercial value of the metal contained therein, excepting the amounts of fractionary currency the conservation of which, without exceeding 30 per centum of the peso coins in circulation, may be deemed advisable in order to insure their exchangeability against the said one peso coins within the provisions of this Law and as monetary market needs may require. The portion of the Monetary Reserve to be kept abroad should be deposited at sight, in banks or banking houses of first order and complete responsibility, or else, shall be kept in gold and silver bar deposits, considering both of the latter from their commercial value.

Article 17.—Silver coins of one peso which shall ingress into the Reserve in exchange for fractionary coins within the provisions of this Law, —with the exception of the strictly necessary amount to insure the exchangeability of silver coins of one and two pesos which shall be withdrawn from circulation—, shall be melted forthwith.

The coins of prior weights and finenesses ingressing into the Reserve, shall, likewise, be melted inasmuch as they are to be withdrawn from circulation; frac-

FAPECFT

tionary coins of the weight and fineness fixed by this Law which shall ingress into the Reserve, shall be destined to the exchange at par for one silver peso coins, or else, to be melted in order to carry out, with the bars therefrom, the transactions authorized by this Law.

TRANSITORY PROVISIONS

Article 1.—From the date in which this Law becomes effective, the coinage of national gold coins shall be indefinitely discontinued, gold coins of two, two and one-half, five, ten, twenty and fifty pesos, of the weight and fineness established by the Laws of March 25, 1905; June 27, 1917; October 27, 1919 and September 22, 1921, being, hereby, deprived of any legal liberatory power. (Legal tender.)

Article 2.—The importation and exportation of gold in currency or in bars is hereby declared to be free, and in consequence, Articles 26 and 53 of the Law of December 19, 1929, are hereby declared inoperative.

Article 3.—All obligations entered into, up until the date of this Law, in national currency of any species, shall be satisfied by the delivery of coins of the weight and fineness provided for by this Law within the respective limits of their liberatory power. (Legal tender.)

The provisions of the preceding paragraph, notwithstanding, gold coins should be delivered by those who did receive them for collection on behalf of a third party, or in confidential deposit, or by virtue of any other contract which does not transfer the legal title. Banks and

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banking institutions should pay in gold coins thirty per cent of the deposits constituted by the public in the said specie, at sight or within a period no longer than thirty days sight.

Article 4.—Obligations to pay in foreign currencies entered into within the Republic, to be performed in Mexico, shall be satisfied according to the contents of Article 8 of this Law, unless the debtor is capable of showing, in cases arising from loan transactions, that the money received from the creditor was national currency of any kind, or that, in cases arising from any other transactions, the currency in which the original obligation was entered into, was national currency of any kind; in such cases, the obligations referred to, shall be satisfied in national currency within the provisions of Articles 4 and 5 of this Law, respectively, at the rate of exchange contemplated at the time of executing the transactions in order to effect the conversion of the national currency into the said foreign currency, or, in case this rate may not be ascertained, at the rate of legal parity.

Article 5.—Beginning from the date of the promulgation of this Law, silver coins of weight and fineness distinct from that mentioned in subdivisions b) and c) of Article 2 of this Law, are deprived of any legal liberatory power. (Legal tender.)

Silver coins of two pesos created by the Law of September 28, 1921, shall be exchanged in the manner to be determined by the Central Banking Board, for one peso silver coins of the weight and fineness indicated by this Law, provided, that for such purposes, their exchange-

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ability be requested within six months from the date of this Law.

The remaining silver and fractionary coins withdrawn from circulation shall be exchanged for silver or fractionary coins, respectively, of the weight and fineness provided by this Law, within the periods and under the conditions established in the decrees relating thereunder.

Article 6.—For the exercise of the functions conferred upon the Banco de México by Article 10 of the Law of August 25, 1925, as well as for the authorization to issue bank-notes of the said Banco de México in virtue of rediscount transactions; for the determination of the amount of available cash reserves which banks or institutions of credit should maintain as a guarantee of deposits at sight or at periods no greater than thirty days sight; and for the fulfilment of any other functions conferred by this Law, a Central Banking Board is hereby established in the Banco de Mexico, which shall be constituted by the Secretary of Finance, as President; by a delegate to be appointed by the Board of Directors of the Banco de Mexico, and by five delegates to be designated, through a majority of votes cast, by all existing banking institutions of the country.

Pending the balloting by all of the institutions aforesaid, the five delegates referred to in the preceding paragraph, shall be named by a majority of votes cast by all banking institutions domiciled in this Capital.

Article 7.—For the decisions to be reached in relation to the functions to be carried by the Central Banking Board, as by this Law provided, besides the vote of ap-

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proval of the Delegate from the Banco de Mexico, a majority of votes of the other remaining members of the Board shall be required; the Secretary of Finance and Public Credit being able to veto the decision reached by the said Board, whenever, at his discretion, said decisions may affect the economic equilibrium of the Republic.

Article 8.—The funds and assets constituing the Monetary Reserve in the portion thereof to be kept within the Republic, shall be kept in deposit by the Banco de Mexico, in special containers or vaults under the direct custody of the Central Banking Board and completely separate from the other amounts, funds or assets of the Bank; at all events, the funds or assets of the Reserve existing in the hands of the Banco de Mexico, only remain subject to the obligations or responsabilities which the Central Banking Board may have contracted or incurred in the course of transactions undertaken on behalf of the said Reserve.

Article 9.—The Secretariat of Finance, upon the motion of the Central Banking Board, shall, from time to time, determine the amount of reserves in cash which shall be kept by the banking institutions of the Republic, as a guarantee of their deposits in national currency at sight or on periods no greater than thirty days sight.

Article 10.—The reserve to which the preceding Article makes reference, shall be maintained, in two thirds thereof, in a common container to be chosen by the Central Banking Board and subject to its direct and strict custody, and, in one third thereof, within the control and

subject to disposition by the respective banks or banking institutions. As regards associate banks of the Banco de Mexico, ten per cent of the deposits to which Article 16 of the Law of August 25, 1925, makes reference, shall be retained by the Banco de Mexico; but it shall be computed at two thirds of the reserves which shall be maintained in the common container. In the same manner, the portion of the deposits which shall be retained within the Banco de Mexico, in compliance with Transitory Article 2 of the Law of this same date which reforms the Law of August 25, 1925, relative to banks operating under the transitory regime of rediscount, shall, likewise, be retained by the Banco de Mexico.

Article 11.—The issuance of bank-notes by the Banco de Mexico by virtue of rediscounts, may only be made within the limits disposed by the Central Banking Board and in consequence of rediscount transactions previously approved by the said Board.

The legal reserves corresponding to the bank-notes to be issued by the Banco de Mexico, shall be retained by the later under the vigilance of the Central Banking Board.

Article 12.—As regards institutions operating outside the Capital of the Republic, the Central Banking Board shall, in each case, determine the form in which the said Board shall fulfill thereunto the functions conferred by this Law upon it, as well as the terms within which the said institutions shall perform the obligations attaching thereupon by virtue of this Law.

Article 13.—From the date of this Law, the product

of the production tax on metals and metallic compounds to which Subdivision II of Article 1 of the Law of December 19, 1929, makes reference, shall be applied, in according with Fraction f) of Article 14 of this Law, to the creation of the Monetary Reserve. The payment of such tax, therefore, shall be made through special documents to be delivered by the Federal Treasury to the Banco de Mexico on deposit, the said documents to be issued by the office of the Banco de Mexico to the affected taxpayer in the form and under the conditions specified by the Central Banking Board.

Article 14.—The Law of December 24, 1930, is hereby abolished, the surplus which may exist in favor of the Exchange Commission as a result of the transactions undertaken by the said Commission, to be applied to the formation of the Monetary Reserve.

The provisions of the General Law of Institutions of Credit and Banking Institutions as of April, 13, 1917, are hereby modified in so far as they contain provisions in opposition to the present Law in all parts thereof.

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EXPOSITION OF MOTIVES

I

1.—As a result of the economic condition which has been prevalent throughout the world for some time past, and, also, due to serious defects in our own organization, Mexico's international trade in reference to exports, has decreased in volume and chiefly in value; and, even though, imports as well, have shown a tendency to diminish, the balance of trade has shown itself to be unfavorable to us.

The international market condition of petroleum, of silver and of other numerous important items which constitute our exports; the world-wide decrease of prices and the emigratory movement of capitals —without the compensation of either a parallel decrease of imports or of a sufficient increase in national production,— have brought about the natural empoverishment of our economy, and, along with it, an increased tendency in the diminution of the exchange value of the Mexican peso.

2.—The emigration of capitals or the payment of the surplus of imports over exports have been, necessarily, effected to a very large extent through the exporta-

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tion of gold and considering that the reserves of that metal which have been available to the country hitherto are to be found in the shape of minted and circulating gold, once the egress of gold became inevitable, our currency of that metal has started to lose its peculiarly monetary character and function in order to retain merely the character of an international commodity and of an international unit of payment which gold has in the world to-day.

3.—Therefore, our interior monetary market gradually was deprived of gold coins and saw itself —a worse though merely a natural consequence of the instant phenomenon— gravely affected by a disparity in value between the two national monetary species: gold and silver. While, on the one hand, for the liquidation or payment of obligations, gold is still considered a currency, on the other, for the satisfaction of debts abroad and in general, for the exportation of capital, gold has chiefly filled the role of an international commodity. Hence, although envisaged from the first point of view, gold and silver coins should theoretically preserve an exact equivalence, it is obvious that, since gold is an international commodity and has, more particularly, risen in value throughout the world, the monetary value of gold coins has tended to follow the course of the commercial value of gold and therefore said coins have become dear in relation to silver coins.

4.—Even though the prohibition of exporting gold is of difficult strict enforcement, it has partially constituted a restriction on the free use of gold as a commodity,

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and therefore, has prevented its rise in value within Mexico; but, aside from the fact that it has only served to unduly reduce the value of gold within the nation for the benefit of law violators, it has neither prevented the fraudulent egress of gold from the country nor the consequent scarcity of our stock in coins of that metal.

5.—The phenomenon which has been characterized as the reduction in value of silver currency, is therefore, really, the rise of gold considered not as a medium of exchange, but as a commodity. During all the period of the supposed depreciation of silver currency, the acquisitive power of the same, not only has been firmly maintained, but has even increased as a result of various monetary reasons as well as of the world-wide price decrease, in such a manner that, notwithstanding the loss of value of silver coins in relation with gold coins, current values and prices in silver, are equal or inferior to the gold prices prevalent in previous years.

6.—As has been stated, however, both the dual character of gold as medium of exchange and as a commodity, and the fact that the existence of gold in the country is constituted by circulating coins of this kind, have created a condition of anguish since, even though the greater volume of transactions is carried by means of silver currency without any unfavorable price alteration or loss of any sort, still, the holder of those coins must in turn satisfy the majority of his obligations in gold. Even though, legally, the debtor appears as satisfying a purely pecuniary obligation, from the standpoint of economic reality, his obligation to make payment in gold coins

means a heavy duty of delivering a commodity the value of which, because of general reasons, has extraordinarily increased.

The consequences of Mexico's international trade and of an unfavorable balance of payments, which normally should only affect our foreign mercantile and legal relations, have influenced our own internal life from a legal and mercantile point of view, determining the existence of a lack of parity between gold and silver currency, parallel to the one existing between the Mexican peso and foreign coins.

The problem of exchange, already serious in itself, has created a peculiarly acute interior problem, since, instead of affecting directly importers and persons with debits abroad, it also affects, in view of the circumstances aforesaid, debtors of national currency, and indirectly the whole population in virtue of the fact that ostensibly the foreign media of exchange, or gold considered as a commodity, have not increased in price, but silver coins have lost their value. In other words, considering that, in the last analysis, the true original problem is one of foreign exchange, this problem, by virtue of the dual role played by gold in Mexico as sole unlimited legal tender money and as a commodity, brings about effects similar to those which would result if, in reality, there were an inflation of fiduciary coins, an unlimited issue of currency which would be destined to cover the expenditures of the State, without even producing the secondary advantages of a genuine inflation.

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7.—Furthermore, as in every economic phenomenon, besides the really material motives which give birth to the present crisis, other mainly psychological reasons, soon were added to accelerate the unfolding of the facts which constitute the phenomenon. The persistence of fluctuations in the international exchange and their influence in the value of silver currency in reference to gold coins, as well as the unmistakable upward trend of those fluctuations, thereby creating or spreading a general lack of confidence in conditions, have caused a greater demand in Mexico of foreign media of exchange not merely due to the material need of satisfying obligations abroad, but mainly to incertitude and lack of confidence in the conditions of the country, thus increasing, as a result, the necessity of exporting gold and thereby making such medium dearer on every occasion.

8.—Moreover, even though since 1927 the coinage of silver pesos was totally suspended, prior to that date considerable issues of that currency were made as well as of fractionary coins of fifty centavos, for the purpose of satisfying budgetary needs, without there being constituted, however, the due reserves for a regulating fund. This fund, which has suffered considerable shrinkage since previous epochs, due at the beginning to unwise investments, and subsequently, to an appropriation of a considerable part thereof, consists to-day of an insignificant amount. In other words, the fundamental principle which underlies our legal monetary regime, consisting in the conservation of a regulating fund which may be employed to restrict circulation within the nation by means

of the withdrawal of silver coins through their exchangeability with gold, as well as to alleviate any transitory deficit in the balance of accounts, has not properly operated.

While the economic activity of the country was sufficient to justify the use of the silver amounts coined, without the necessary gold reserve, only slight variations of trifling duration occurred in silver and gold quotations; but, as a consequence of world depression and the empoverishment of our economy the volume of domestic transactions decreased, in spite of the fact that the constant outflow of gold also reduced the total volume of the monetary stock, the amount of coins in circulation has probably resulted disproportionate to the needs.

The complete operation of the legal monetary system has been misdirected for some time past, and once an intense and protracted crisis developed such as is the actual case, the factors of said system have not efficiently operated, thus making worse the consequences of the general economic disadjustement and giving rise, as has been explained hitherto, to a peculiarly intense reflection of the exthange conditions on the domestic monetary situation.

9.—During the last months, the domestic situation has become aggravated day by day. The National Government has made efforts to improve said situation and to prevent at least, its tendency for the worse. Besides faithfully keeping its resolution of not increasing the monetary stock by means of new silver coinage, it took the proper measures to attempt the withdrawal of certain amounts

from circulation; it intervened in the exchange market to bring a normalization forth, and in a variety of ways it has sought to preserve the public faith. To these efforts those of the Confederation of Chambers of Commerce and Industry should be added; they sought to obtain a credit to assuage the situation while the Bankers' Syndicate directed its action to prevent, by banking means, speculation in the exchange. But although it has been possible to prevent a manifest panic until now, it has become more difficult to uphold the existing situation by paliatives; the necessity of recognizing in their full scope the present economic problems has become more urgent, and in consequence, the need exists of adopting fundamental measures which will prevent the gravest upheavals with which we are now afflicted.

II

10.—Considering the foregoing and keeping in mind our practical and legal situation from a monetary standpoint, aside from a moratorium of payments in gold and in foreign currency, which in itself would only mean the postponement of the solution of the problem and would create in the meanwhile very grave secondary problems, three roads, in general terms, offer themselves as most practicable for action on the part of the State: first, to intend at all costs to reestablish the theoretical legal system in its full integrity; second, totally abandoning the actual monetary system and adopting the silver standard and third, finally, introducing into the legal system certain

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essential reforms, retaining, however, the fundamental principle upon which that system is based, namely the gold standard.

11.—The first road meant the necessity of maintaining gold in circulation and of assuring a permanent exchangeability of silver currency against currency in gold, as well as permitting the free exportation of gold in order to cover, with that metal, the value of our indebtedness abroad not already paid by merchandise, or the sum total of the exportation of capital.

In order to obtain this end, considering that in actual practice the legal monetary regime was not complied with, and given the situation of the international exchange, it would have been necessary to possess a gold or a foreign currency fund to a very considerable amount and the working of the system could have only been maintained, on the other hand, while the said fund would not be extinguished due to successive exportations of gold. Once the fund would become exhausted, conditions such as the present condition would again present themselves, though aggravated by the economic wear which the country would suffer as a result of the fruitless investment of the aforesaid fund, which, besides, is neither *in esse* nor can be established.

Moreover, our legal monetary regime suffers from grave defects which should be corrected and in consequence, the effort to maintain such a regime would not produce in Mexico a healthy and elastic monetary system required by the country in order to resist eventual crisis with lesser ordeals, and in order to benefit to a greater extent from times of prosperity when these do arise.

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12.—To follow the second road would be to render permanent, without any limitation, a situation which is due only to the actual crisis and which would incidentally, repudiate advantageous precedents established in Mexico since 1905. At the same time, it would engender a most serious damage to the credit and the general economy of the country, creating also a situation the remedy of which, once the actual crisis would disappear, would require in the future exceedingly costly and disproportionate efforts.

13.—The third road, although not exempt from problems and inconveniences which will be examined presently, offers, instead, obvious advantages. The fundamental points of this third course of action are the following:

the retention of the gold standard;

the demonetization of gold and the creation of free international commerce with gold;

the retention of silver currency as a circulating medium the volume of which is already limited to the actual stock, that may not be increased in the future inasmuch as the new coinage of silver pesos becomes definitely forbidden, thus rendering impossible an inflation due to excessive coinage;

the creation of a system that will provide for the future creation of currency which may become necessary to satisfy any increase in market necessities assuming an elastic form as well as sufficient guarantees;

the creation of a system which will provide for a reserve in gold and in foreign currency, as soon as the

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economic situation of Mexico will so permit, in such a manner that such reserve becomes centralized instead of scattered and therefore, it may be applied with ease to alleviate transitory conditions of the exchange which may arise, thus guaranteeing, within the limits of economic possibility, the stability of Mexican currency.

III

14.—The first problem created by following this third road, is that of the retention of the gold standard. It is possible to maintain such standard without the necessity of employing gold as a circulating medium, but utilizing it, instead, as a reserve, as almost all countries in the world have done in modern monetary organization.

To eliminate gold from circulation, is to nullify the gravely disconcerting aspect of economics in a case of crisis, due to the fact that gold may be employed by the public in a dual and contradictory function of money as well as a commodity; but, at the same time, it implies the danger, inevitable in all cases of fiduciary currency, of an inflation. The retention of the gold standard, therefore, without the circulation of coins of that metal, may only be made, provided that the currency which is kept in circulation is strictly limited to the monetary necessities of the market, which is to say, that its volume and velocity must coincide with the volume of economic transactions of the country.

15.—The gold standard, moreover, requires the exchangeability of the currency kept in circulation for gold or foreign currency at a given parity rate chosen as the

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basis of the system, and it is at this juncture where the most serious difficulties arise at this moment. Difficulties which are technical, in order to select the theoretical rate of parity. Difficulties, too, which are economic, to insure the exchangeability of the circulating currency at a given parity rate, or to find a system which may insure such exchangeability in the future.

16.—At the outset, Mexican monetary precedents established since 1905, after important studies had been made, and subsequently followed by the various monetary laws, accord to the Mexican peso the theoretical equivalence of seventy five centigrams fine gold. But, considering the devaluation which the Mexican peso presently suffers in relation to foreign coins, the possibility may very well be conceived of taking as a parity rate an equivalence smaller than that of seventy five gold centigrams per peso.

In favor of this latter possibility there is not only the circumstance that the Mexican peso has suffered an actual devaluation in the international exchange market, but the very important considerations, as well, of the increased value of gold throughout the world, the economic readjustment which is being carried out in Mexico and elsewhere and the advantages, albeit provisional, afforded by a relative inflation. *Per contra,* it should be kept in mind that the adoption of a theoretical monetary rate inferior to the customary rate, imposes the necessity of essentially modifying almost every aspect of our economic life, giving rise, thereby, to upheavels of great magnitude as well as to a complete dislocation of all values in our economy, a dislocation which would be as great, if

not greater, than the present crisis and which for some time, would anull the immediate benefits of stabilization in virtue of the conflicts and difficulties it would create. On the other hand, the selection of a fundamental rate for the value of money, requires data, experiments and studies which may not be very well carried out with even relative certainty in an epoch of economic readjustment such as our epoch is, and it would not be profitable to undertake the risk of changing the theoretical monetary unit, if that risk is not even compensated by the certainty that the rate to be chosen would be more in accordance with Mexican economy than the rate of seventy five gold centigrams, which is already established and which, in its favor, has among others, the great advantage of tradition.

Finally, whatever may be the basis chosen to determine the rate of the monetary system, it being superior to the intrinsic value of the currency left in circulation, a considerable investment would be required, at any rate, and moreover, lacking as we do in the present moment the possibility of applying the large amonts which would be immediately needed to insure the exchangeability of the coin in circulation for gold or foreign currency at the legal parity, and it being, therefore, equally impossible to reestablish in actual practice, —through such exchangeability,— the legal value of the peso in the international exchange, it is evident that it becomes preferable to retain the traditional rate of seventy five centigrams fine gold weight per peso, to avoid the unknown risks of a modification and to apply to the revaluation of the peso in the exchange, up to the legal parity adopt-

ed, the effort which, in any event, would have to be applied to obtain said revaluation to a parity which, though inferior to the one presently adopted, would also require a great sacrifice, without presenting the indubitable advantages which the maintenance of the present rate offers.

In view of the reasons aforesaid, the Monetary Bill maintains the parity rate established in 1905, trusting that, although it may be difficult to achieve such rate, it would be equally difficult to achieve any other inferior one. The retention of the theoretical rate of 1905 allows our monetary life to continue —despite the crisis imposed upon it by the actual economic situation,— without the added disorders which would inevitably result from a change in the monetary unit.

17.—The establishment of a theoretical parity value may not, perhaps, in view of existing conditions, become an immediate reality in practice although such should be our common aim and indicates the firm will of the State to achieve that purpose.

In order to accomplish the foregoing, it will be necessary to make constant efforts to organize our production, to require a lesser volume of imports or an increase in exports, both in quantity and in value. It will be necessary to prevent, through economic means, the emigration of capitals and, whenever it may be possible to, adequately and conveniently, do so, obtain credits abroad which may permit the acceleration of the country's reconstruction work and the integration of the Monetary Reserve.

18.—It would have been possible to integrate such

reserve at once with the gold elements of the legal banking reserves which would be set free once the gold in circulation ceases to be a medium of exchange; but, aside from the fact that the free exportation of gold will, at any event, operate to obtain an automatic stabilization, since its exportation may be directly undertaken by the interested parties, —as it could have been undertaken by the institution which will administer the monetary reserve though with greater advantages offered by concentration and rational organization—, the procedure of concentrating, by law, the gold forming the legal banking reserves, to be handled by the institution which will administer such reserves, would cause lack of confidence and just protests, given the occurrences which unfortunately, have taken place in our country in relation thereto.

IV

19.—Pending the absence of a reserve and while it becomes possible to constitute it, the Bill, with a view of insuring the value stability of the Mexican peso, strictly limits the monetary stock to the market necessities in order that, through a natural mechanical adjustment, such essential stabilization may be achieved and which consists in that the same number or amounts of objects or of services which are the subject matter of social commerce, may be exchanged by the same number and quantity of existing coins.

20.—For the development of this system, it has been necessary to consider that it is neither possible nor con-

venient to create, at the outset, a new and purely fiduciary coin, for the double reason that, given certain occurrences in our country, such purely fiduciary currency as a sole circulating medium, would occasion alarm and displeasure in public opinion, and that there is no justification in abandoning a situation which renders silver currency the true traditional coin common to the Mexican people.

The Bill, therefore, retains the Mexican silver peso as the legal circulating coin; but it categorically and absolutely forbids the future coinage of that metal, in order to insure that the existing stock in silver pesos may not be a subject of increase, thus attempting to preserve the monetary value of those pesos —considering the limited existence of silver pesos in the market— with a tendency to rise not only as regards domestic purchasing power, but, also, as regards their value in the international exchange, once the economic condition of Mexico and of the world will feel an improvement.

V

21.—The Monetary Bill, however, considering that the existence of silver coins of one peso denomination is limited, as has been stated, and furthermore, considering that the necessities of circulation have very large normal variations according to the season, and besides, that any improvement in the domestic or international economic situation will result in a considerable increase in the necessities of circulating coin, has foreseen the future issue of the currency which may be

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needed, not, however, through the creation of partly fiduciary metallic signs whose origin is the will of the State and which, once created, remain in circulation until the State sees fit to withdraw them, as has been the case with silver currency thus causing serious disorders throughout the country, but, rather, by the adoption of a system which may bind the creation of currency to economic reality and that will therefore, closely unite that currency to the real needs of the market, making possible, almost in fact automatic, the increase in the number of circulating coins whenever such increase may become necessary, or, instead, its immediate restriction whenever, given a moment of economic depression, the market requires less monetary signs in circulation.

22.—Such system is that of bank-notes issued by the Banco de Mexico, bank-notes which will always be of voluntary acceptance, and which will circulate whenever the market may require their circulation; their issuance, on the other hand, resting against a legal currency reserve never to be less than fifty per cent of their value; but, specially, they may not be issued unless if as a result of rediscount or, when conditions will permit, once the legal monetary parity has been attained, in exchange for gold or foreign currency at the rate of seventy five fine gold centigrams per peso.

The bank-note to be issued in consequence of rediscount operations, shall be a currency which from the view point of safety, aside from the corresponding metallic reserve, must count with the guarantee of the value of drafts, notes or commercial paper, which undersigned by debtors

as well as by a bank, may be taken for rediscount. Inasmuch as the notes or other documents which are the subject matter of rediscount, will represent an indebtedness for production, purchase, or storage of commodities, or for the payment of services; inasmuch as, on the other hand, the said documents possess a limited life, bank-notes to be issued in their exchange shall also be the representation of services rendered or of goods produced, purchased or stored, and, in general, they shall possess the same cycle of limited life in so far as their circulation is concerned, than that of the documents for rediscount to which they owe their origin.

23.—It is not useless to repeat that the circulation of bank-notes shall be entirely voluntary; that not only will it be impossible to render the said circulation legal since the law so provides, but that it would be entirely useless to attempt it, as the true support of the monetary value of the bank-note shall always be its own necessity, and any other act which may seek to render its circulation obligatory beyond the margin of the said necessity, will of itself, bring about, at the outset, the total failure of the system. It is also timely, in this respect, to advert to the slight circulation of the bank-notes issued by the Banco de Mexico up until now, has been chiefly due to two reasons: one is that the bank-note being a gold symbol and there being actual gold coins in circulation as well as silver coins, it become impossible —considering the circumstances in which metallic gold and silver coins have found themselves— to maintain parallel thereto a circulation of bank-notes as well as gold coins; and the other reason, the main one, that there has

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never arisen a true monetary demand which bank-notes could satisfy.

24.—During the six years of existence of the Banco de Mexico, it has proved its solidity and has affirmed its prestige as a banking institution even though, due to the reasons stated heretofore, due, also, to the monetary conditions at the time of its creation and due to circumstances derived out of our defective banking organization in general, the Banco de Mexico has not developed up to this period its true work as a central bank. With the monetary change foreseen by the Bill, the Bank will abandon its tasks of ordinary bank to devote itself, preferentially, to its tasks as a central bank, affirming still more, thereby, its economic position and increasing its prestige. However, to render the change from the actual to the new system more gradual, to alleviate the provisional situation created by such a change and to grant to other banking organizations of the country as well as to the public in general a more complete notion of confidence, the Bill provides for the creation of a Central Banking Board upon whose vigilance and care, both the future issue of banknotes as a result of rediscount as well as the due preservation and constitution of the reserves, shall depend.

VI

25.—Foreseen in the manner already stated, the kind of coins which are to remain in circulation, the manner of increasing the number of circulating media whenever it may be necessary to do so and even the amount of such necessity; and once the complete limitation of the actual

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metallic monetary stock has been established, thanks to the non-exercise on the part of the State of the right of coinage as well as through the express provision, to which a sanction is attached, of coining more metal in the future, the Bill provides for the demonetization of gold and definitely suspends the coinage of said specie, depriving the coins of that metal of any liberatory power; granting to gold, thereby, its sole characteristic of merchandise and establishing the freedom of commerce thereof within the country and abroad.

26.—As a result, all obligations to be entered into in the future, shall be satisfied in Mexican pesos except those which, imposed by international trade, shall be stipulated in foreign currency, in relation therefor, the Bill preservs the ordinary prohibition in such cases as was established in an express manner by the Law of 1905, when it declared that foreign currency had no legal course in the Republic, and that obligations which were entered into in that specie, were payable in legal coin at the rate of exchange on the date and place in which the obligation was to be performed.

27.—Concerning the obligations entered into prior to the time in which this Bill becomes Law, the Bill establishes that whenever the said obligations have been contracted in any kind of national currency, whether gold or silver, they shall be payable in Mexican pesos of the sole description which is left subsisting by the Bill, and in cases of obligations entered into in foreign currency, they shall be liquidated in conformity with the general rule already stated in the preceding paragraph: at the correspondent rate of exchange according to the time and place

in which the obligation is to be performed. These rules concerning obligations entered into prior to the date in which the Bill will become a binding Law, carry two exceptions the justification thereof being obvious. Concerning obligations contracted in gold currency, in the nature of an exception from the rule of payment in legal coins, are all cases in which there is question of returning gold coins duly received for collection on behalf of a third party or by virtue of legal acts which do not transfer a legal title. As a special case, thirty per cent of gold deposits at sight or at periods no greater than thirty days, is mentioned, whenever said deposits were received by banking institutions from the public, since, according to the Law of Institutions of Credit, the said thirty per centum of the deposits —which are in reality contracts of *mutuum*— must be retained by the banking institutions in their vaults in the same specie in which the said deposits were made, and in relation to the amount legally reserved, equity demands, therefore, that legal ownership should not be considered as transfered to the bailee institutions, since, by law, said institutions could have never employed the said thirty per cent in the course of their normal transactions. Concerning obligations entered into in foreign currency, an exception is made in case that the debtor is capable of showing that the coin in which the transaction was originally agreed upon, or the currency received from the creditor in loan cases, was national currency of any description, in which case the Bill provides that payment shall be made in Mexican pesos at the rate which was admitted as the basis for the conversion into foreign exchange, or, in case

that such rate may not be determined, at the rate of legal parity, which is to say, by converting foreign currency into Mexican pesos considered as with the theoretical value assigned to them by Article 1 of the Bill.

28.—In reference to the contents of the preceding paragraph, the possibility could exist, as has been suggested, of establishing a table of equivalences to carry out the payment of obligations contracted in national gold coins, in pesos of the weight and fineness retained by Law. The Bill has not considered the said possibility as even remotely sound for the double reason that, on the one hand, the Bill does not modify the theoretical value of our monetary unit, —the single case in which a Law of Payments could be justified,— and that, on the other, every such Law carries extremely grave inconveniences such as among the most important, its inevitable injustice, the disconcerting effects imposed upon economy by the adjustment of equivalences and the permanent creation of a devaluation which, even though it may exist as a matter of fact at the moment, must disappear in the future. It is necessary to notice, *in passing* that as a matter of economic reality, damages will be suffered by creditors who in turn must make payments abroad or who seek to export their capitals, if either the payment or the exportation are made before the legal parity of the Mexican peso upon the value of international exchange is obtained. As far as the creditors who do not find themselves in this situation, upon receiving in payment of their gold credits the legal currency established by the Bill, they shall have in their hands a monetary sign endowed with an acquisitive power which not only has not shrunk

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in relation to the domestic acquisitive power of gold coins in prior epochs, but is even superior thereto in many cases.

29.—Besides the demonetization of gold, the Bill provides for the withdrawal of all national circulating coins which are not those expressly mentioned as of the weight and fineness indicated by the Bill, merely establishing, as regards to the two pesos silver coins, that a special period of exchangeability is provided for and contemplating the form in which the said exchange may be made —without increasing the stock of silver coins now in existence,— for Mexican pesos of the weight and fineness now specified as remaining in effect.

VII

30.—The fundamental reason existing for the provision in the Bill regarding the formation of a Monetary Reserve, has been already stated: to obtain at a later date the needed stability of Mexican currency in cases of transitory exchange crisis which may arise. It would have been desirable to obtain at once the integration of the said reserve in an amount sufficient to guarantee, at the outset, the unlimited exchangeability of national coins against foreign currency at a parity rate. However, neither is this the most opportune moment to obtain the necessary credits abroad for such purposes, nor would it be advisable, even though a considerable credit could be obtained, to invest said credit in an eventual profitless undertaking at the expense of a positive sacrifice merely to remedy, by artificial means, an

economic crisis the duration of which as well as its intensity are exceptional in the country and abroad. Therefore, the reserve shall be gradually formed at the rate that circumstances in the country will permit. The Reserve shall consist of two essential parts: one, to be constituted as a direct national reserve, as provided by the Bill, by the application of diverse funds mentioned out of which the product from the tax on minerals and metals means an actual income of approximately nine million pesos per year. In case that, as a result of exchange against foreign money, there shall result an accumulation in the reserve of amounts in silver coins, the said coins shall be melted and the commercial value of the bars therefrom, will increase the amount of the reserve, the said procedure permitting, if it becomes necessary, to continue a withdrawal of silver coins and thus to keep reaping advantages from the restriction of the existing monetary stock. The other reserve shall be formed by the amounts in gold or in foreign coin which eventually may ingress for the respective issue of banknotes. The function of both of these reserves, directly in the first instance, and indirectly in the second, shall be identical: to serve as a basis for the credit and monetary structure of the country and to support the value of the Mexican peso in the international market whenever an occasional and transitory deficit is encountered in our balance of accounts.

31.—Finally, the administration of the Monetary Reserve shall be entrusted to the Banco de Mexico, as the central bank of the nation; but, temporarily, during this epoch of economic maladjustment, the handling of the

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said reserves shall be entrusted to the Central Banking Board, an institution which as an autonomous body is created by the Bill and which is to be composed by the Secretary of Finance; by a Delegate from the Board of Directors of the Banco de Mexico, and by five Delegates of the remaining private credit institutions of the country, the Secretary of Finance simply reserving to himself a veto right to prevent the resolutions of the Central Banking Board from being executed whenever in his opinion such resolutions may affect the economic equilibrium of the country. The Central Banking Board shall be composed, therefore, in its majority, by representatives of private banking concerns, who, in turn, should be considered as the representatives of the general economic interests of the country in so far as the organization and operation of money and credit is concerned. Neither the National Government nor the Banco de Mexico, may take steps, of their own initiative, which may affect the system of rediscount, of the reserves, of the issue, or of any other matters submitted to the Central Banking Board, unless they possess the consent of the public as expressed by the majority of members of the Board, and these, in turn, may not dictate any measures which might injure the public by a disturbance of the economic equilibrium of the country, inasmuch as the Banco de Mexico, on the one hand, and the Secretary of Finance, on the other, upon exercising the right of veto, possess the faculty of preventing such measures.

32.—Once the Banco de Mexico becomes duly organized acting as a central bank, within its own Board of Directors and in the capacity of associate banks, national

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banks shall be represented, and the Board of Directors of the Bank may not take any resolution contrary to the interests which are entrusted to it, inasmuch as the decisions of the Board shall only be valid whenever they may have the vote of approval of the members of the Board to be designated by the remaining national banks.

33.—But, the fundamentel change in the tasks of the Banco de Mexico requires several modifications which are provided for in a separate Bill, as well as the lapse of necessary time in order that the Bank may liquidate its common banking operations which it has hereunto transacted, in order to devote itself exclusively to its work as a central bank of rediscount and issue. Pending the proper transformation of the Banco de Mexico, a transformation which shall begin without delay, the Central Banking Board will function in the manner aforesaid.

VIII

34.—One of the greatest problems of the present moment is the general depression of our economy, the paralization of numberless operations and the consequent decrease in prices which is also due to a world-wide decrease in prices, and to the inelasticity of monetary circulation in our country. This problem, derived from such complex motives will only be solved in its entirety whenever the principal causes have disappeared: whenever markets that consume our goods become reestablished; and in consequence, whenever foreign capitals shall enter into the country in payment of said goods or as investments in the production of the same; whenever domestic

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lack of confidence which is now prevalent shall disappear and which, to a large extent is due to the fact that the conditions of our economic and political organization are not definitely settled. But waiting for the conditions mentioned above to change, it is still possible to bring some cure to the present depression, rendering transactions more active and attempting to find a limit to an unjustifiable and irrational decrease of prices, through economic means which chiefly consist in credit facilities and in a due elasticity of circulation.

35.—To this end, the bill of monetary reform and the Bill relating to the reforms to the Law which created the Banco de Mexico, contain the necessary provisions to obtain, first, that the ordinary reserves which banks must possess as a guarantee for deposits at sight or at periods no greater than thirty days sight—except those indispensable amounts for the ordinary cash services—should remain concentrated under the vigilance of the same banks and subject to their disposition in the Central Banking Board in order that such reserves—which scattered, alone fulfill a role of guarantee and in certain cases are rendered useless—may be better utilized to serve the purposes of guarantee to the depositors and may, additionally, allow the widening or the tightening of credit and of circulating currency as the economic conditions of the Republic may warrant. Likewise, in the Law of Reforms to the Law which founded the Banco de Mexico, provisions are contained which authorize the creation of a transitory system of rediscounts, —more ample than the permanent system,— under which only national banks associated with

the Banco de Mexico may participate,— under this rediscount system, without depriving operations thereunder of the necessary firmness, banks not associated of the Banco de Mexico may participate provided they possess the requisites of solvency which may be adequate in the discretion of the National Banking Commission and that the corresponding operations as well as all those of rediscount which may give rise to a bank-note issue, should be approved by the Central Banking Board. If the necessity of credit—of such urgency at the moment—cannot be satisfied with the elements furnished by the inelastic existence of silver currency, banks may, provided they perform their duty of adequately serving the public, grant new credits under satisfactory conditions of guarantee and investment, employing for the purpose, the facilities of rediscount whenever the increase of circulation is not a danger to the stability of the value of the currency. It will devolve, therefore, upon the banking institutions of the country, to attend to the justified necessities of credit, and the Government expects that such institutions, conscious of the very important role which they must play in the organization of society will skilfully and earnestly endeavor to destroy the immoderate tendency of speculation which has existed in the course of recent years, and to build a healthy system of production and labor, based upon a liberal but rationally organized use of credit. Moreover, as the actual banking system is not prepared for long-term credits needed with such urgency in Mexico, and since under such a system, there is a need of intermediary institutions, a modification of the General Law of

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Institutions of Credit shall go shortly into effect as well, and already the means are now being prepared to firmly establish the possibility of the said long-time credits.

IX

36.—An exposition of the fundamental concepts underlying the Bill is contained in the preceding chapters. Above all, the Bill is based in a recognition of the real causes which have determined the present economic situation and in a constant desire to entrust the fate of a matter as capital to the life of the country exclusively to those elements which are offered by our own economic reality. The use of gold as a circulating medium, unnecessary as it is in general, and difficult of maintaining, except under exceptional circumstances, in an elastic currency system, now becomes impossible to our country, and it would always remain an expensive effort even if there remained the possibility of doing so. The preservation of silver currency as a circulating medium, aside from finding support in a respectable tradition, and of coinciding with the truth of our economy, does after all, allow the creation of an elastic monetary system which is useful to such a degree to our economic development. And, just as the adoption of the silver standard allowing free coinage, or even the agreement to the effect that the present stock of silver coins could have been subsequently enlarged at the will of the State, would have been a complete renounciation of any ideal of national reconstruction, the fact that every future silver coinage is forbidden—aside from constituting the monetary basis of

the re-valuation of the Mexican peso—is already a considerable initial effort which the State has set unto itself in performing its programme of economic reorganization. The manner provided by the Bill for the creation of the new coin which may be needed, affords a guarantee of the safety of that currency, and also, renders a future inflation impossible; but, at the same time, it binds money and credit together. The central bank of issue and rediscount may truly constitute itself into the director of credit in Mexico, not as an ordinary bank of commercial competition but as the indispensable source of the instruments of credit and the regulator of the monetary market. There has been no hesitancy in recognizing prior errors which have motivated public distrust. In virtue thereof, the notion of a legal circulation of purely fiduciary currency was abandoned; the possibility of constituting a regulating fund at the outset with the banking reserves was discountenanced and nowhere in the Bill was there room left for any intent of violence or of constraint. Because of prior events in Mexico, and because world experience in similar cases show the inefficacy of restrictions, the Bill does not seek to obtain through prohibitive provisions neither the cessation of the emigration of capitals, nor the end of speculation, nor any other of the questions which, though necessary of solution, may only be solved whenever confidence in the country and in its future shall increase.

37.—Nor should the disadvantages and risks of the Bill be left undisclosed. Its central inconvenience is that even despite the Law, no longer gold continuing as legal

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currency and carrying its own limitation, the State may provoke an inflation through excessive coinages of silver currency. The Bill provides the necessary guarantee against such an emergency. It shall be the task of public opinion and of the organized forces of the country to prevent such emergency from arising at a later date. Subsequently, the Bill is, as stated, an effort to achieve the theoretical parity of the Mexican peso; it establishes that the payment of all obligations prior to the said Bill shall be made in legal currency and this provision will, at first, be disagreeable to gold creditors. Even if, for the reasons stated, it would have been impossible to follow any other course, —if, unfortunately, the damage exists, in spite of the firmness of the acquisitive value of silver currency,— such damage will be circumscribed to the least possible, and it will disappear shortly once the liquidation of this transitory period is made.

38.—Finally, the system provided for in the Bill carries with it a principal risk: that of the strengthening and increase in the value of the legal currency derived from its strict limitation to needs, which instead of bringing about an affirmation in the value of the Mexican peso in international exchanges, may suffer the evil results of a depression in the exchange, considering that movements in value of currency in foreign exchanges are more visible and rapid than the movements of the acquisitive power of the same money. This risk is the same which we are now taking, and there are good reasons to believe that, precisely because of the stabilization which the new system brings, the risk will diminish, it shall not present

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itself even, or else, it shall be the cause, if public opinion is alarmed by those who for their own ends seek to ignore the rational foundations of the new system, of an alarm which may carry damaging consequences, although in the end the alarm will be transitory.

39.—Obviously, the central spot of difficulties in the economic situation with which we are now confronted, lies in Mexico's position before the international market and in consequence, in the low quotation of the Mexican peso in relation with foreign coins, a fact which tends in all cases, to depreciate our currency at home. After the probable crisis which arises in the transition from one monetary system to the other, and once the new system is established as the Bill provides, if the actual economic depression is not aggravated due to other causes, it is possible to hope that since the monetary stock is limited, and since this epoch of monetary insecurity is past, the value of our currency, its acquisitive power, as well as its exchange value will show an strengthening and an improvement. Once the main perturbing element is eliminated, the problem of exchanges abroad will remain clearly delimited without a confusion with the monetary problem, and besides, the pressure upon the exchange market shall be reduced to the terms imposed by the limitation of the material existence of monetary signs.

40.—But, not all things should be expected from a monetary reform. Our unleveled imports and exports will be permanently adjusted whenever, as a result of a better world economic condition, our exportable commodities will find ready markets at adequate prices, and whenever,

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once the new forms of economic and political organization which have been in the process of creation for the last twenty one years in the country, become stable; whenever domestic production will strengthen and increase, thereby augmenting public wealth and bringing about a more equitable and better distribution of said wealth.

The emigration of capitals which caused such damage, will also cease, and will give place to a contrary movement of inmigration whenever, as has been stated, the new forms of social life the creation of which is sought, become stable.

The monetary reform, and in general, all financial reforms analogous in nature, trascendental as they are to the extent that without them the creation of new forms of social organization may not be achieved, shall be totally fruitless, however, if they are not accompanied by a serious and resolute effort to obtain a true economic and political stabilization of the country, able in turn to bring back confidence to the minds, and to maintain an organization in equilibrium, in so far as it is based in a just and rational distribution of the loads and products of national economy.

To achieve this end, the various initiatives relative to a solution of the agrarian and labor problems have been directed, as well as those relating to the establishment of public credit in the country; the measures contemplated to improve the fiscal organization of the Republic and the considerable economies which have been made in the budgets of the Government. To this end, also, the whole social action of the State should be aimed in a

serious programme of achievements rather than in vain political commotions. The Federal Executive is certain of finding in the other Powers of the Union and in the State Governments a co-operation which is not only a simple political necessity but a vital requirement of the first order. Above all, the Government expects co-operation from public opinion, from the good judgment and rational optimism of the people as a whole, in this effort which seeks to save fundamental values in our country.

México, D. F., July 25, 1931.

The Secretary of Finance and Public Credit

L. Montes de Oca.

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DIARIO OFICIAL - March 22nd 1933 - No. 19. BANKING LEGISLATION.

Decree Modifying the MONETARY LAW of 25th July 1931.

Article 1° - Article 13th, amended, of the Monetary Law of 25th, of July 1931.

"Article 13 - The minting of silver or bronze coins, no matter what their denomination, can only be ordained by the Banco de Mexico with the terms of its Deed of Incorporation, through resolution taken by the Board of Administration in secret ballot, for the majority of seven votes, at least, such resolution remaining subject to the vote of the Finance Department.

Minting made in different manner than that ordained by Law, shall be the cause of immediate destitution and civil responsability for the directors and officers of the Bank which ordain it and public officials and employees that execute it".

Article 2 - Article 14 of the Monetary Law mentioned is amended as follows:

"Article 14 - A monetary reserve is established which will be made up of the following resources:

a) - Securities acquired by the Banco de México by virtue of the transactions to which Articles2, Fraction II, and 10, fraction II of its deed of Constitution.

b) - The sums that the Banco de Mexico receives in cash in payment of documents rediscounted or through the sale of gold or items whose acquisition proceeds from some of the operations of issue of bills provided for in article 2 - amended - of its Deed of Constitution.

c) - That portion of the profits of the Banco de Mexico which the respective law designates to that end.

d) - The difference resulting between the cost and the monetary value of the coins minted.

e) - The proceeds of loans contracted for increasing the Reserve.

f) - The sum which the Presupuesto de Egresos will annually assign to that end, and proceeds of taxes and duties affecting that same end.

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Article 3 - Article 15th of the said Monetary Law is amended to read as follows:

Article 15 - The Monetary Reserve will be wholly destined to maintain the value of the national currency, regulating its circulation and foreign exchanges and to guarantee the issuance of bills which the Banco de Mexico may make within the terms of article 2nd of its Deed of Constitution, this latter together with the Reserve for Circulation provided for by Article 3rd of the same law.

Article 4 - Article 16 of the Monetary Law in question, is modified in the following terms:

Article 16 - Coinable metals entering the Monetary Reserve in the terms of subdivision a) of Article 14, will be considered at their commercial value for the purposes of statements and balances which the Banco de Mexico may publish in accordance with its Deed of Incorporation.

Sums received in cash by the Banco de Mexico for sales of gold or foreign currencies acquired in the terms of Fraction II, of Article 2 - amended - of its Constitutive Law, shall be employed, in all preference to retire from circulation bills issued in exchange thereof, adhering in every case to the disposition of the final paragraph of said Article 2 - Amended.

TRANSITORY ARTICLES.

Article 1 - Article 17 of the Monetary Law of 25th July 1931, and Transitory Articles Nos. 3 and 4 of the Law of 9th of March amending the monetary Law, are derogued.

Article 2 - The net proceeds of minting made in the terms of Transitory Article 3 of the Law of 9th of March 1932, amending the Monetary Law, as well as the gold, either in bars or coin, which has been acquired with such funds and delivered to the Banco de Mexico shall be totally applied to the Monetary Reserve.

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Decree amending the Law of 12th April 1933, reformatory of that constituting the Banco de Mexico.

Article 1. - Fraction XI or Art. 1st of the Law of 12th April 1932, amending that of 25th August 1925 which created the Banco de Mexico, is amended to read as follows:

> Article 1.- The limited liability Company (S.A.) constituted in compliance with the disposition of Article 28 Constitucional, as per the Law of 25th August 1925, shall be reorganized according to the following basis:
>
> .....
>
> XI.- It shall be an untransferable faculty of the Board of Administration, to resolve on all matters concerning the emission and circulation of currency; the fixing for the rate for rediscount; and the determination of the requierements which rediscountable paper should fill; to set the general limits of rediscount operations and of those authorized by Article 18 of the Law of 12th April 1932, and the celebration of operations which jointly or separately, compromise the responsibility of one person or society for more than $10,000.00. The Board of Administration can appoint from among its members and in the terms set by the by-laws, the committees that might be necessary for the attention of the different affairs of the Society. In every case, the Board should designate a Rediscount Committee and an Executive Committee, the first of which will have charge of approving concrete rediscount transactions and those mentioned in Article 18, and the second to rule on matters suscitated by the ordinary affairs of the society, with the exception of the affairs commended to Rediscount Committee; but the decisions of both Committees being always subject to ratification by the Board. The Committee for Rediscount shall be made up of 4 directors of Series "B" and 1 of Series "A" and the Executive Committee, by 3 directors of the Series "A".

Article 2. Article 2 of the Law of 12 April 1932 mentioned is amended as follows:

> Article 2. The Bank shall only issue bills:
>
> I.- By virtue of rediscount operations effected with associate banks with items payable in National Currency.
>
> II.- In exchange for gold, in the purchase of first class drafts or bills payable at sight and drawn abroad, or against term acceptances drawn at not more than ninety days abroad and also of a first class, all such at the prices or rates of exchange authorized by the Board of Administration within the limits set by the Finance Department.
>
> Bills re-entering the vault of the Department of Emission

in payment of rediscounted documents or in exchange for gold currencies or cash, cannot again be placed in circulation without fulfilling the requisites set for the issuance of bills by this article.

Article 3. of Law of 12th April, 1932 is modified as follows:

"Article 3.- In all cases, the Banco de Mexico shall be able to issue bills for an amount not exceeding double the cash holdings, deducting therefrom the full amount in the same currency.

a) - The Monetary Reserve.
b) - Deposits which associate banks should constitue in compliance with this law.
c) - Of the amount which according to the Law should be maintained by the Bank as a reserve against its sight or time deposits.

The Cash Holdings, after deducting the value of the above amounts shall never be less than half the value of rediscounted documents, and gold and currencies, the acquisition of which proceeds from some of the operations of issue of bills provided by article 2, as long as the former have not been paid nor the latter sold."

Article 4. Article 10 of the Law of 12th of April 1932 is additioned in the following terms:

Article 10 - The Banco de Mexico, as regulator of the monetary circulation, shall exercise besides the following functions:

.....

VII.- To buy or sell drafts or bills of exchange payable at sight or term drawn abroad. The Banco de Mexico under equal price, shall have preference over any other buyer in the transactions of sale of foreign currencies of Associate Banks.

Default of complying with this disposition shall give rise, according to the seriousness of the case, to the administrative application by the Finance Department of a fine up to $500.00, or the cancellation of the concession."

Article 5.- Article 17 of the Law of 12th of April, 1932, is amended as follows:

Article 17.- Rediscount operations will be subject to the following terms.

I.- Only items to order, payable in national currency proceeding from genuinely commercial transactions or from credits for habilitation and provision, maturing at not more than 180 days, from the date of rediscount, are elligible.

FAR OFF

II. - The credit limits which the Board of Administration fixes for rediscount operations with each one of the associate banks should be revised every 180 days at least, being subject to modification at any time, when the financial situation of the rediscounting institutions and the situation of foreign currencies and exchange markets may demand it.

III.- Refactionary and mortgage credits are not eligible for rediscount.

Article 6. - Fractions II and IV of article 18 of the Law of 12th of April, 1932, are amended as follows:

Article 18. The Banco de Mexico can also effect with associate Banks, the following transactions:

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II. - Allow to associate banks simple credits or by way of over draft against the security of titles, commercial items and other securities. The value of the pledge shall be in all cases 20% greater than the amount of the obligation, at least (20% margin).

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IV.- Make advances against cash bonds issued by associate banks and the warehouse receipts issued by the Almacenes Generales de Depósito.- also associated - and grant loans or open simple credits or overdrafts against the security of the same pledge.

Article 7. - Fractions III and IV of article 22nd of the Law of 12th of April, 1932, are amended as follows:

Article 22. - The Banco de Mexico can effect the banking operations that are compatible with its character as Central Bank, but it will be forbidded to it:

.....

III.- Celebrate contracts for current accounts in the terms of articles 302 and subsequent of the General Law of Negotiable Instruments and Credit Operations.

IV.- To directly make lonns and discounts, to grant advances or open simple credits or by way of overdraft, although it can purchase and sell drafts and bills of exchange in the open market, and make advances against titles or securities of immediate realizable value, provided the advances or items do not mature at more than 5 days sight. It can likewise make loans or advances on shares of companies organized for the establishment of new associate banks up to 50% of the value of the shares.
The dispositions of this article are without prejudice to the provisions of article 18."

FAIR COPY

Decree amending the Law of 12th April 1933, reformatory of that constituting the Banco de Mexico.

Article 1. - Fraction XI or Art. 1st of the Law of 12th April 1932, amending that of 25th August 1925 which created the Banco de Mexico, is amended to read as follows:

Article 1.- The limited liability Company (S.A.) constituted in compliance with the disposition of Article 28 Constitucional, as per the Law of 25th August 1925, shall be reorganized according to the following basis:

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XI.- It shall be an untransferable faculty of the Board of Administration, to resolve on all matters concerning the emission and circulation of currency; the fixing for the rate for rediscount; and the determination of the requierements which rediscountable paper should fill; to set the general limits of rediscount operations and of those authorized by Article 18 of the Law of 12th April 1932, and the celebration of operations which jointly or separately, compromise the responsibility of one person or society for more than $10,000.00. The Board of Administration can appoint from among its members and in the terms set by the by-laws, the committees that might be necessary for the attention of the different affairs of the Society. In every case, the Board should designate a Rediscount Committee and an Executive Committee, the first of which will have charge of approving concrete rediscount transactions and those mentioned in Article 18, and the second to rule on matters suscitated by the ordinary affairs of the society, with the exception of the affairs commended to Rediscount Committee; but the decisions of both Committees being always subject to ratification by the Board. The Committee for Rediscount shall be made up of 4 directors of Series "B" and 1 of Series "A" and the Executive Committee, by 3 directors of the Series "A".

Article 2. Article 2 of the Law of 12 April 1932 mentioned is amended as follows:

Article 2. The Bank shall only issue bills:

I.- By virtue of rediscount operations effected with associate banks with items payable in National Currency.

II.- In exchange for gold, in the purchase of first class drafts or bills payable at sight and drawn abroad, or against term acceptances drawn at not more than ninety days abroad and also of a first class, all such at the prices or rates of exchange authorized by the Board of Administration within the limits set by the Finance Department.

Bills re-entering the vault of the Department of Emission

in payment of rediscounted documents or in exchange for gold currencies or cash, cannot again be placed in circulation without fulfilling the requisites set for the issuance of bills by this article.

Article 3. of Law of 12th April, 1932 is modified as follows:

"Article 3.- In all cases, the Banco de Mexico shall be able to issue bills for an amount not exceeding double the cash holdings, deducting therefrom the full amount in the same currency.

a) - The Monetary Reserve.
b) - Deposits which associate banks should constitue in compliance with this law.
c) - Of the amount which according to the Law should be maintained by the Bank as a reserve against its sight or time deposits.

The Cash Holdings, after deducting the value of the above amounts shall never be less than half the value of rediscounted documents, and gold and currencies, the acquisition of which proceeds from some of the operations of issue of bills provided by article 2, as long as the former have not been paid nor the latter sold."

Article 4. Article 10 of the Law of 12th of April 1932 is additioned in the following terms:

Article 10 - The Banco de Mexico, as regulator of the monetary circulation, shall exercise besides the following functions:

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VII.- To buy or sell drafts or bills of exchange payable at sight or term drawn abroad. The Banco de Mexico under equal price, shall have preference over any other buyer in the transactions of sale of foreign currencies of Associate Banks.

Default of complying with this disposition shall give rise, according to the seriousness of the case, to the administrative application by the Finance Department of a fine up to $500.00, or the cancellation of the concession."

Article 5.- Article 17 of the Law of 12th of April, 1932, is amended as follows:

Article 17.- Rediscount operations will be subject to the following terms.

I.- Only items to order, payable in national currency proceeding from genuinely commercial transactions or from credits for habilitation and provision, maturing at not more than 180 days, from the date of rediscount, are elligible.

FAIR COPY

II. - The credit limits which the Board of Administration fixes for rediscount operations with each one of the associate banks should be revised every 180 days at least, being subject to modification at any time, when the financial situation of the rediscounting institutions and the situation of foreign currencies and exchange markets may demand it.

III.- Refactionary and mortgage credits are not eligible for rediscount.

Article 6. - Fractions II and IV of article 18 of the Law of 12th of April, 1932, are amended as follows:

Article 18. The Banco de Mexico can also effect with associate Banks, the following transactions:

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II. - Allow to associate banks simple credits or by way of over draft against the security of titles, commercial items and other securities. The value of the pledge shall be in all cases 20% greater than the amount of the obligation, at least (20% margin).

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IV.- Make advances against cash bonds issued by associate banks and the warehouse receipts issued by the Almacenes Generales de Depósito.- also associated - and grant loans or open simple credits or overdrafts against the security of the same pledge.

Article 7. - Fractions III and IV of article 22nd of the Law of 12th of April, 1932, are amended as follows:

Article 22. - The Banco de Mexico can effect the banking operations that are compatible with its character as Central Bank, but it will be forbidded to it:

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III.- Celebrate contracts for current accounts in the terms of articles 302 and subsequent of the General Law of Negotiable Instruments and Credit Operations.

IV.- To directly make loans and discounts, to grant advances or open simple credits or by way of overdraft, although it can purchase and sell drafts and bills of exchange in the open market, and make advances against titles or securities of immediate realizable value, provided the advances or items do not mature at more than 5 days sight. It can likewise make loans or advances on shares of companies organized for the establishment of new associate banks up to 50% of the value of the shares.

The dispositions of this article are without prejudice to the provisions of article 18."

FAPECOT

Decree amending the Law of 12th April 1933, reformatory of that constituting the Banco de Mexico.

Article 1.- Fraction XI or Art. 1st of the Law of 12th April 1932, amending that of 25th August 1925 which created the Banco de Mexico, is amended to read as follows:

> Article 1. - The limited liability Company (S.A.) constituted in compliance with the dispositions of Article 28 Constitucional, as per the Law of 25th August 1925, shall be reorganized according to the following basis:
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> .....
>
> XI.- It shall be an untransferable faculty of the Board of Administration, to resolve on all matters concerning the emission and circulation of currency; the fixing for the rate for rediscount; and the determination of the requirements which rediscountable paper should fill; to set the general limits of rediscount operations and of those authorized by Article 18 of the Law of 12th April 1932, and the celebration of operations which jointly or separately, compromise the responsibility of one person or society for more than $10,000.00. The Board of Administration can appoint from among its members and in the terms set by the by-laws, the Committees that might be necessary for the attention of the different affairs of the Society. In every case, the Board should designate a Rediscount Committee and an Executive Committee, the first of which will have charge of approving concrete rediscount transactions and those mentioned in Article 18, and the second to rule on matters suscitated by the ordinary affairs of the society, with the exception of the affairs commended to Rediscount Committee; but the decisions of both Committees being always subject to ratification by the Board. The Committee for Rediscount shall be made up of 4 directors of Series "B" and 1 of Series "A", and the Executive Committee, by 3 directors of the Series "A".

Article 2.- Article 2 of the Law of 12 April 1932 mentioned is amended as follows:

> Article 2. - The Bank shall only issue bills:
>
> I. - By virtue of rediscount operations effected with associate banks with items payable in National Currency.
>
> II.- In exchange for Gold, in the purchase of first class drafts or bills payable at sight and drawn abroad, or against term acceptances drawn at not more than ninety days abroad and also of a first class., all such at the prices or rates of exchange authorized by the Board of Administration within the limits set by the Finance Department.
>
> Bills re-entering the vault of the Department of Emission in payment of rediscounted documents or in exchange for gold currencies or cash, cannot again be placed in circulation without fulfilling the requisites set for the issuance of bills by this article.

FAIR COPY

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Article 3.- of Law of 12th of April, 1932 is modified as follows:

"Article 3.- In all cases, the Banco de Mexico shall be able to issue bills for an amount not exceeding double the cash holdings, deducting therefrom the full amount in the same currency.

a) - The Monetary Reserve.
b) - Deposits which associate banks should constitute in compliance with this law.
c) - Of the amount which according to the Law should be maintained by the Bank as a reserve against its sight or time deposits.

The Cash Holdings, after deducting the value of the above amounts shall never be less than half the value of rediscounted documents, and gold and currencies, the acquisition of which proceeds from some of the operations of issue of bills provided by article 2, as long as the former have not been paid nor the latter sold."

Article 4.- Article 10 of the Law of 12th of April 1932 is additioned in the following terms:

Article 10 - The Banco de Mexico, as regulator of the monetary circulation, shall exercise besides the following functions:

.....

VII.- To buy or sell drafts or bills of exchange payable at sight or term drawn abroad. The Banco de Mexico under equal price, shall have preference over any other buyer in the transactions of sale of foreign currencies of Associate Banks.

Default of complying with this disposition shall give rise, according to the seriousness of the case, to the administrative application by the Finance Department of a fine up to $500.00, or the cancellation of the concession."

Article 5.- Article 17 of the Law of 12th of April, 1932, is amended as follows:

Article 17.- Rediscount operations will be subject to the following terms.

I.- Only items to order, payable in national currency proceeding from genuinely commercial transactions or from credits for habilitation and provision, maturing at not more than 180 days, from the date of rediscount, are elligible.

II.- The credit limits which the Board of Administration fixes for rediscount operations with each one of the associate banks should be revised every 180 days at least, being subject to modification at any time, - when the financial situation of the rediscounting institution and the situation of foreign currencies and exchange markets may demand it.

FAIRCHILD

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III.- Refactionary and mortgage credits are not eligible for rediscount.

Article 6.- Fractions II and IV of article 18 of the Law of 12th of April, 1932, are amended as follows:

Article 18 - The Banco de Mexico can also effect with Associate Banks, the following transactions:

....

II.- Allow to associate banks simple credits or by way of over draft against the security of titles, commercial items and other securities. The value of the pledge shall be in all cases 20% greater than the amount of the obligation, at least (20% margin).

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IV.- Make advances against cash bonds issued by associate banks and the warehouse receipts issued by the Almacenes Generales de Depósito.- also associated - and grant loans or open simple credits or overdrafts against the security of the same pledge.

Article 7.- Fractions III and IV of article 22nd of the Law of 12th of April, 1932 are amended as follows:

"Artículo 22 - The Banco de Mexico can effect the banking operations that are compatible with its character as Central Bank, but it will be forbidden to it:

.....

III.- Celebrate contracts for current accounts in the terms of articles 302 and subsequent of the General Law of Negotiable Instruments and Credit Operations.

IV.- To directly make loans and discounts, to grant advances or open simple credits or by way of overdraft, although it can purchase and sell drafts and bills of exchange in the open market, and make advances against titles or securities of immediate realizable value, provided the advances or items do not mature at more than 5 days sight. It can likewise make loans or advances on shares of companies organized for the establishment of new associate banks up to 50% of the value of the shares.
The dispositions of this article are without prejudice to the provisions of article 18"

FAPECFT

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Article 1.- Fraction XI or Art. 1st of the Law of 12th April 1932, amending that of 25th August 1925 which created the Banco de Mexico, is amended to read as follows:

> Article 1. - The limited liability Company (S.A.) constituted in compliance with the dispositions of Article 28 Constitucional, as per the Law of 25th August 1925, shall be reorganized according to the following basis:
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> XI.- It shall be an untransferable faculty of the Board of Administration, to resolve on all matters concerning the emission and circulation of currency; the fixing for the rate for rediscount; and the determination of the requirements which rediscountable paper should fill; to set the general limits of rediscount operations and of those authorized by Article 18 of the Law of 12th April 1932, and the celebration of operations which jointly or separately, compromise the responsibility of one person or society for more than $10,000.00. The Board of Administration can appoint from among its members and in the terms set by the by-laws, the Committees that might be necessary for the attention of the different affairs of the Society. In every case, the Board should designate a Rediscount Committee and an Executive Committee, the first of which will have charge of approving concrete rediscount transactions and those mentioned in Article 18, and the second to rule on matters suscitated by the ordinary affairs of the society, with the exception of the affairs commended to Rediscount Committee; but the decisions of both Committees being always subject to ratification by the Board. The Committee for Rediscount shall be made up of 4 directors of Series "B" and 1 of Series "A", and the Executive Committee, by 3 directors of the Series "A".

Article 2.- Article 2 of the Law of 12 April 1932 mentioned is amended as follows:

> Article 2. - The Bank shall only issue bills:
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> I. - By virtue of rediscount operations effected with associate banks with items payable in National Currency.
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> Bills re-entering the vault of the Department of Emission in payment of rediscounted documents or in exchange for gold currencies or cash, cannot again be placed in circulation without fulfilling the requisites set for the issuance of bills by this article.

FAKE

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Article 3.- of Law of 12th of April, 1932 is modified as follows:

"Article 3.- In all cases, the Banco de Mexico shall be able to issue bills for an amount not exceeding double the cash holdings, deducting therefrom the full amount in the same currency.

a) - The Monetary Reserve.
b) - Deposits which associate banks should constitute in compliance with this law.
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Article 4.- Article 10 of the Law of 12th of April 1932 is additioned in the following terms:

Article 10 - The Banco de Mexico, as regulator of the monetary circulation, shall exercise besides the following functions:

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VII.- To buy or sell drafts or bills of exchange payable at sight or term drawn abroad. The Banco de Mexico under equal price, shall have preference over any other buyer in the transactions of sale of foreign currencies of Associate Banks.

Default of complying with this disposition shall give rise, according to the seriousness of the case, to the administrative application by the Finance Department of a fine up to $500.00, or the cancellation of the concession."

Article 5.- Article 17 of the Law of 12th of April, 1932, is amended as follows:

Article 17.- Rediscount operations will be subject to the following terms.

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FAVOR

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III.- Refactionary and mortgage credits are not eligible for rediscount.

Article 6.- Fractions II and IV of article 18 of the Law of 12th of April, 1932, are amended as follows:

Article 18 - The Banco de Mexico can also effect with Associate Banks, the following transactions:

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II.- Allow to associate banks simple credits or by way of over draft against the security of titles, commercial items and other securities. The value of the pledge shall be in all cases 20% greater than the amount of the obligation, at least (20% margin).

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IV.- Make advances against cash bonds issued by associate banks and the warehouse receipts issued by the Almacenes Generales de Depósito.- the associated - and grant loans or open simple credits or overdrafts against the security of the same pledge.

Article 7.- Fractions III and IV of article 22nd of the Law of 12th of April, 1932 are amended as follows:

"Artículo 22 - The Banco de Mexico can effect the banking operations that are compatible with its character as Central Bank, but it will be forbidden to it:

.....

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IV.- To directly make loans and discounts, to grant advances or open simple credits or by way of overdraft, although it can purchase and sell drafts and bills of exchange in the open market, and make advances against titles or securities of immediate realizable value, provided the advances or items do not mature at more than 5 days sight. It can likewise make loans or advances on shares of companies organized for the establishment of new associate banks up to 50% of the value of the shares.
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FAPOT

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FAIR USE

385

Article 3.- of Law of 12th of April, 1932 is modified as follows:

"Article 3.- In all cases, the Banco de Mexico shall be able to issue bills for an amount not exceeding double the cash holdings, deducting therefrom the full amount in the same currency.

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FAITH

386

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Article 7.- Fractions III and IV of article 22nd of the Law of 12th of April, 1932 are amended as follows:

"Artículo 22 - The Banco de Mexico can effect the banking operations that are compatible with its character as Central Bank, but it will be forbidden to it:

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FAPUT