

Law n.º 5/2011
Organic Law of the Central Bank of Timor-Leste

Central banks have the function to conduct monetary policy with the objective of maintaining price stability, necessary for growth and economic development, and are given the power to regulate and control currency and financial markets, and license and supervise the financial institutions established in the country. Secondary to that objective, central banks should ensure the stability of the financial system and be jointly responsible for setting economic policy. Central banks can best serve their country if they are able to establish credible arrangements, to work in an environment of constant change, and have a solid institutional and legal basis and perform all their functions efficiently and transparently.

With this law, the Central Bank of Timor-Leste, BCTL is established, defining its functions and the relationships between the Central Bank, the National Parliament and the Government, safeguarding its institutional independence.

The National Parliament, pursuant to paragraph 1 of Article 95 and paragraphs f) and g) of Article 96 of the Constitution of the Republic decrees, as law, the following:

CHAPTER I
GENERAL PROVISIONS

Article 1
Definitions

The following terms shall have the meanings set out below:

- a). “Chief Internal Auditor” is the person appointed to give advice to the Governing Board and to oversee the work of the of the Bank’s external auditors;
- b). “Banking and Payments Authority” is the Authority established by Regulation n.º 2001/30 of the United Nations Transitional Administration in Timor-Leste;
- c). “Bank” means the Central Bank of the Democratic Republic of Timor-Leste;
- d). “Circulars” and/or “Instructions” are the binding legal instruments which apply to more than one institution issued by the Bank for the performance of its functions;
- e). “Audit Committee” is the committee appointed by the Governing Board for the supervision of internal audit and to make recommendations concerning the external audit;
- f). “Governing Board” is the supreme governing body of the Bank;
- g). “Legal tender” is the means by which a creditor of a payment obligation cannot refuse banknotes and coins as a means of settlement;
- h). “Governor” is the chief executive of the Bank;
- i). “Financial institutions” are entities such as banks, insurance companies, and other entities conducting financial activities, which are, by law, under the supervisory authority of the Bank;
- j). “Minister or Ministry” is the Minister of Finance or the Ministry of Finance;
- k). “Currency” is the monetary unit of a country;
- l). “Orders” are binding regulatory instruments which apply to one institution issued by the Bank in the performance of its functions;
- m). “International Financial Reporting Standards” are the most recent international accounting standards issued by the International Accounting Standards Board;
- n). “Internal Rule” and “Decisions of the Governing Board” are regulatory instruments which implement the Bank’s decisions in relation to monetary policy, intermediate monetary objectives, primary interest rates, the money supply in Timor-Leste, and decisions on internal procedures;
- o). “Regulations” are the regulatory acts necessary for carrying out the powers and performing the functions of the Bank;
- p). “Deputy Governors” are the persons who are responsible for assisting the Governor;

CHAPTER II
NATURE, LOCATION AND ASSIGNMENT

Article 2

Nature

The Central Bank of Timor-Leste - BCTL, hereinafter referred to as the Bank, shall be a public legal entity, endowed with administrative and financial autonomy and of its own capital.

Article 3

Autonomy

1. The Bank shall enjoy independence and autonomy in pursuing its objectives and the performance of its functions under this law.
2. The Bank's organs, employees and agents shall be independent and cannot seek or receive instructions from any other entity, including the Government or entities under government control, except as expressly provided by law.
3. No person or entity is permitted to influence any organ or official of the Bank in pursuing their competencies and the performance of their duties or otherwise interfere with their activities.

Article 4

Objectives

1. The Bank's primary objective shall be to achieve and maintain domestic price stability.
2. Subsidiary to the primary objective, the Bank shall promote and maintain a stable and competitive financial system based on free market principles.
3. Notwithstanding the preceding paragraphs, the Bank shall support the general economic policies of the Government.

Article 5

Functions

The Bank shall have the following functions:

- a). To define and implement monetary policy;
- b). To define and adopt the exchange rate system;
- c). To conduct foreign-exchange operations;
- d). To hold and manage the official foreign reserves;
- e). To hold and manage the State reserves of gold;
- f). To issue and manage the currency of Timor-Leste;
- g). To collect and produce statistics pursuant to applicable regulations;
- h). To inform the National Parliament, Government and the public about its policies, functions and operations as specified in the present law;
- i). To establish, promote and oversee sound and efficient payments and securities settlement systems;
- j). To regulate, license, register and supervise financial institutions as specified by law;
- k). To advise the Government on matters within its field of competence;
- l). To act as the fiscal agent of the State;
- m). To participate in international councils and organizations concerning matters that are within its fields of competence;
- n). To enter into contracts and establish agreements and protocols with national or foreign entities, public or private;
- o). Any other activities assigned by law.

Article 6

Location

1. The Bank's Head Office shall be in Dili.
2. The Bank may have affiliates, branches, representatives, and agencies elsewhere as well as foreign representatives.

CHAPTER III

CAPITAL, RESERVE ACCOUNTS, PROFITS, LOSSES AND COVERAGE OF SHORTFALL IN CAPITAL

Article 7

Capital

1. The capital of the Bank shall be United States dollars twenty million (US\$20,000,000), fully subscribed and paid-up.
2. The capital of the Bank shall be held solely by the State and shall not be transferable or subject to encumbrance of any kind.
3. The capital of the Bank may be increased on the recommendation of the Governing Board and approved by the Government.
4. No reduction of the capital shall be permitted at any time.

Article 8

Reserve accounts

1. The Bank shall establish and maintain a general reserve account.
2. The general reserve account cannot be used except for the purposes of covering losses sustained by the Bank.
3. The Bank shall establish unrealized revaluation reserve accounts for positions with foreign currencies, gold, financial instruments, and other assets.
4. The Bank may, after consultation with the Government, establish special reserve accounts for specific anticipated expenditures.

Article 9

Computation and treatment of net profits and losses

1. The net profit or loss of the Bank shall be determined in accordance with International Financial Reporting Standards.
2. The determination of earnings to be distributed under the terms specified under Article 10 shall be made as follows:
 - a). by deducting from the net profit the total amount of unrealized profits, and by allocating an equivalent amount to the unrealized revaluation reserve accounts;
 - b). by deducting from the unrealized revaluation reserve accounts and adding to the distributable earnings as determined in the previous sub-paragraph the amount of any unrealized profit that was deducted from the net profits for one or more previous years and was realized during the current financial year.
3. Unrealized revaluation losses shall be transferred to the relevant unrealized revaluation reserve accounts until such time as these revaluation reserve accounts has a zero balance, after which these losses shall be covered by the general reserve account and subsequently by capital.

Article 10

Allocation of distributable earnings

1. Within four months after the end of the financial year, the Governing Board shall allocate the distributable earnings as follows:
 - a). an amount equivalent to 50 percent of distributable earnings shall be credited to the general reserve account until the capital and general reserves equal 10 percent of the total financial assets of the Bank.
 - b). a part of the remaining distributable earnings may, on the proposal of the Governing Board, approved by the Government, be credited to special reserve accounts that may be established by the Bank pursuant to paragraph 4 of Article 8 until such reserve accounts reach a sum that the Governing Board deems appropriate;
 - c). after deduction of the amounts referred to in the previous sub-paragraphs (a) and (b), the remaining distributable earnings shall be used to redeem any securities issued by the Bank, the remainder being transferred to the Treasury as revenue for the general budget of the State.
2. No distribution shall be made out of Bank's retained or current income except as permitted by the previous paragraph.
3. If the Bank incurs a net operating loss in any financial year, that loss shall first be charged to the general reserve account, and subsequently to capital.

Article 11

Coverage of shortfall in capital

In the event that on the Bank's monthly pro forma balance sheet, following the method of allocation of net profits and losses as referred to in the previous article, the value of its assets falls below the sum of its liabilities and its unimpaired capital, then:

- a). The Governing Board, with the advice of the Bank's external auditor, shall assess the situation and prepare a report on the causes and extent of the shortfall;
- b). Once the report referred to the previous paragraph is approved by the Governing Board, the Bank shall request the Government for a capital contribution to remedy the deficit;
- c). Upon receipt of the request referred to in the previous paragraph, the Government shall, within a period of no more than thirty days, transfer to the Bank the required amount in currency or in negotiable debt instruments with a fixed maturity issued at market interest rates prevailing in Timor-Leste.

CHAPTER IV

MONETARY AND OTHER OPERATIONS

Article 12

Opening of accounts

1. In order to conduct its operational and financial activities, the Bank may open and maintain cash and securities accounts on its books for banks, insurance companies, and for public entities or other entities subject to the supervision of the Bank in accordance with the law.
2. The Bank may, relating to the opening of accounts:
 - a). Open and maintain cash and securities accounts on its books on behalf of foreign banks, central banks, international financial institutions and, where appropriate, foreign governments, international organizations and donor organizations.
 - b). Open and maintain cash and security accounts on the books of banks, insurance companies and other entities supervised by the Bank in accordance with the law.
 - c). Open and maintain cash and securities accounts on the books of central banks, foreign banks, depositories and international organizations.
 - d). Prescribe the conditions for opening accounts on its books.
3. The Bank shall not open accounts for natural persons or enterprises.

Article 13

Custodial facilities

1. The Bank may, upon payment of reasonable fees to cover its costs, provide custodial facilities to financial institutions and the public at large for banknotes, coins or currencies that it determines, and for other negotiable instruments or securities.
2. The Bank may prescribe the conditions for providing custodial facilities.

Article 14

Open market and credit operations

1. In order to achieve the objectives of the Bank and to carry out its functions, the Bank may:
 - a). Operate in the financial markets by buying and selling outright (spot or forward) or under repurchase agreement and by lending or borrowing loans, obligations and other negotiable instruments and securities; and
 - b). Conduct credit operations with registered banks operating in Timor-Leste, with lending based on adequate collateral.
2. The Governing Board shall determine the general principles of the operations and instruments used for open market and credit operations, including the announcement of conditions under which the Bank stands ready to enter such transactions.

Article 15

Minimum reserves

1. The Bank may require registered banks to hold minimum reserves in accounts with the Bank in pursuance of its monetary policy objectives or for the stability of the payment system.

2. The Governing Board shall determine by Instruction the required minimum reserves established in the previous paragraph.
3. In cases of non-compliance with the Instructions issued under the previous paragraph, the Bank shall be entitled to impose fines and interest on the unpaid reserve requirements or impose sanctions with comparable effect.

Article 16

Other instruments of monetary control

The Governing Board shall act unanimously on the use of other operational methods of monetary control as it sees fit.

Article 17

Lender of last resort

1. In exceptional circumstances, the Bank may, on such terms and conditions as the Governing Board shall determine, act as lender of last resort for a registered bank.
2. The support referred to in the previous paragraph may be provided by granting financial assistance to the registered bank at a higher interest rate than the current market rate.
3. The support may be periodically reviewed and determined by the Governing Board for periods not exceeding 91 days, which may be renewed, based on a program approved by the Governor who shall stipulate the corrective measures that the borrowing bank shall implement.
4. Notwithstanding the preceding paragraphs, no such commitment shall be made by the Bank unless:
 - a). The registered bank, in the opinion of the Governor, is solvent and can provide adequate collateral to ensure repayment of the loan and the request for financial assistance is based on the need to improve liquidity, or
 - b). The assistance is necessary to preserve the stability of the financial system and the Prime Minister has issued, on behalf of the Government, a written warranty that guarantees the repayment of the loan.
5. The Governing Board of the Bank shall determine the maximum amount of the guarantee provided to secure each of the credit operations in the previous paragraph.
6. If the Bank concludes that the registered bank assisted is unable to implement the remedial measures referred to in paragraph 1, or they have not achieved the desired results, the Bank's Governing Board will take appropriate action.
7. In all cases, the total terms of the loans and facilities granted under this Article shall not exceed one hundred and eighty days.
8. The provision of the guarantee referred to in point b) of paragraph 4 of this Article shall be regulated by law.

CHAPTER V

FOREIGN EXCHANGE REGIME

Article 18

Foreign exchange regime and exchange arrangements

1. The Bank, after consultation with the Government, shall formulate and adopt the exchange rate regime.
2. The Bank, after consultation with the Government, may enter into foreign exchange arrangements provided that these do not prejudice or in any way endanger the primary objective of maintaining domestic price stability.

Article 19

Portfolio composition of official foreign reserves

The Bank may hold in its investment portfolio any or all the following foreign assets:

- a). Gold and other precious metals held by or for the account of the Bank, including credit balances on account representing such gold and other precious metals;
- b). Banknotes and coins denominated in freely convertible foreign currencies held by or for the account of the Bank;
- c). Credit balances and interbank deposits that are payable on demand or within a short term denominated in freely convertible foreign currencies and are held in the accounts of the Bank, on the books of foreign central banks, or international financial institutions;

- d). Readily-marketable debt securities denominated in freely convertible foreign currencies issued by, or backed by foreign governments, foreign central banks or international financial institutions;
- e). Claims on international financial institutions resulting from repurchase agreements, sale and buy back and securities lending agreements for the foresaid debt securities;
- f). Special drawing rights held in the account of Timor-Leste in the International Monetary Fund;
- g). The reserve position of Timor-Leste in the International Monetary Fund.

CHAPTER VI MONETARY UNIT

Article 20

Monetary unit of Timor-Leste

The monetary unit of Timor-Leste shall be determined in accordance with the Constitution of the Democratic Republic of Timor-Leste.

Article 21

Issuance of currency and legal tender

1. The Bank shall have the exclusive right to issue banknotes and coins.
2. Without prejudice to Article 80 of this law, only banknotes and coins issued by the Bank that have not been withdrawn from circulation shall be legal tender in Timor-Leste.
3. The Bank, after consultation with the Government, shall determine by regulations published in the *Jornal da República*, the face value, measures, weights, designs, and the security and other features of the banknotes and coins that are legal tender in Timor-Leste.
4. The Bank shall be responsible for the supply of banknotes and coins in Timor-Leste.
5. The Bank may, by regulation, limit the amounts of banknotes and coins as legal tender.
6. The aggregate amount of banknotes and coins in circulation issued by the Bank shall be represented as a liability of the Bank in its financial statements.
7. Such liability shall not include banknotes and coins in the currency reserve inventory held by, or on behalf of, the Bank.

Article 22

Exchange of currency

Upon request, the Bank may exchange banknotes and coins that are legal tender in Timor-Leste.

Article 23

Unfit currency

1. Unfit currency must be withdrawn, destroyed, and replaced with banknotes or coins by the Bank.
2. The Bank may decline to exchange banknotes or coins if their designs are illegible, misshaped or perforated, or if more than forty percent of their surface has been lost.
3. The banknotes or coins referred to in the previous paragraph shall be withdrawn and destroyed without compensation to the holder.
4. If it is proved that the missing parts of the banknotes or coins have been totally or partially damaged, the Bank may grant a full or partial compensation, on terms and conditions that have been determined and in accordance with the established criteria.
5. The Bank shall not be obliged to provide any compensation for banknotes or coins that are lost, stolen or destroyed.
6. The Bank may confiscate, without compensation, any banknotes that have been altered in their external appearance, including in particular banknotes that have been written on, painted on, overprinted, stamped or perforated, or to which adhesive matter has been applied.

Article 24

Redemption of currency

1. The Bank may redeem banknotes or coins by issuing, free of charge, other banknotes or coins in equivalent amounts.
2. For the purposes of the preceding paragraph, the Bank shall determine by regulation the conditions for redemption, designating the period and place or places at which withdrawn banknotes or coins shall be presented for redemption.

3. At the end of the exchange period, or at any other time determined by the Bank, withdrawn banknotes and coins shall cease to be legal tender.
4. The regulation that defines the banknotes and coins that are legal tender shall be published in the *Journal da República*.

Article 25

Currency reserve inventory and issue plan

The Bank shall directly administer a currency reserve inventory, prepare plans for issuance, and ensure the regular supply of banknotes and coins, in order to meet the requirements of Timor-Leste.

Article 26

Counterfeit currency

1. Banknotes and coins that are legal tender in Timor-Leste or abroad and presented to financial institutions and other entities authorized to carry out exchange operations and which are suspected of being forgeries, must be retained and immediately sent to the competent authorities in accordance with the law and regulations.
2. The Bank shall seize all notes presented to it which are suspected of being counterfeited, forged or the face value changed, and shall draw up a report identifying the notes, their bearer, and the grounds for suspicion.
3. The report referred to in the previous paragraph shall be forwarded to the competent authorities pursuant to Penal Code Procedures.
4. Those who, in bad faith, forge, falsify or alter any banknote or currency being legal tender in Timor-Leste and abroad, as well as any cheque, security or payment card, denominated in the legal tender of Timor-Leste or in any other currency, or who possess, transport or deliver such banknote, coin, check or payment card, with the knowledge that it has been made, forged, falsified or altered in bad faith, or who manufacture, possess or transport any plate, stone, paper, ink or other object or substance with the knowledge that it is intended to be used in manufacturing, forging, falsifying or altering of banknotes and coins, cheques, securities or payment cards, commits a crime under the criminal law.

Article 27

Reproductions of currency

1. Any reproduction of banknotes, coins, cheques, securities or payment cards, whether legal tender in Timor-Leste or abroad, and the creation of any objects that by their design imitate any such banknote, coin, cheque, security or payment card, shall require the prior written authorization of the Bank.
2. Notwithstanding the provisions of the previous paragraph, the Bank may issue regulations authorizing the publication of photographic reproductions of currency.
3. A violation of the previous paragraphs constitutes a misdemeanor, punishable by a fine as provided for in the law or in regulations issued by the Bank.

CHAPTER VII

PAYMENT, SUPERVISION, STATISTICS AND OTHER FINANCIAL SYSTEM FUNCTIONS

SECTION I

CLEARING, PAYMENT AND SECURITIES SETTLEMENT SYSTEMS

Article 28

Services

1. The Bank may provide services to ensure sound and efficient clearing, payment and securities settlement systems.
2. The Bank is authorized to organize, participate in and operate clearing, payment and securities settlement systems.

Article 29

Licensing and oversight

1. The Bank shall be exclusively responsible for the regulation, licensing, registration and supervision, including the imposition of remedial measures and administrative sanctions, of clearing, payment and securities settlement systems.
2. The Bank may by regulation:
 - a). Require the registration or licensing of any clearing, payment or securities settlement system or clearing, payment and securities settlement system operator;
 - b). Require any clearing, payment and securities settlement system or clearing, payment and securities settlement system operator to observe such safe and sound conditions and requirements as established by the Bank;
 - c). Regulate and supervise the issuance and quality of payment instruments.

Article 30

Payment arrangements

The Bank may make arrangements to facilitate:

- a). The integration of its payment and securities clearing and settlement systems and related arrangements with other similar systems;
- b). The development of new methods and technologies for payments and the settlement of securities;
- c). The design and periodic modification of a plan for the evolution of the national payment system of Timor-Leste.

SECTION II

Supervision

Article 31

Supervisory functions

1. The Bank shall be exclusively responsible for the regulation, licensing, registration and supervision of financial institutions, including the imposition of remedial measures and administrative sanctions.
2. The Bank may inspect the premises of financial institutions to examine their accounts, books, documents and other records, to obtain all relevant information from them, and to take such other actions as are deemed necessary or desirable.
3. Financial institutions must furnish data and information concerning their operations and financial condition on the Bank's request.
4. The Bank may disclose information and data obtained under the previous paragraph in whole or in part, aggregated for classes of financial institutions, according to the nature of the activity subject to the rules of confidentiality provided by law.

SECTION III

STATISTICS

Article 32

Collection of statistics and information

The Bank shall:

- a). Collect, compile, analyze and publish statistics and information relevant to the carrying out of its functions;
- b). Define, by regulation, information and statistics required, the form in which such information is to be provided, and who is obliged to provide it;
- c). Define, by regulation, the confidentiality regime and the administrative penalties applicable in the case of non-compliance;
- d). Collaborate with governmental departments and agencies in the collection, compilation, analysis and publication of statistics and other relevant information;

- e). Cooperate with bilateral and multilateral agencies, organizations and international organisations for the adoption of international data dissemination standards, particularly with the aim of standardizing the organization of statistics and information.

Article 33

Furnishing of information

The institutions that fall under scope of the regulations defined in Article 32 paragraph b) are required to provide the information requested by the Bank.

Article 34

Dissemination

The Bank shall disclose:

- a). Statistics and information, subject to confidentiality rules in accordance with applicable regulations;
- b). Information on the methodology applicable to their compilation;
- c). Statistical data and relevant concepts that allow external verification of the statistics produced by the Bank.

SECTION IV

OTHER FINANCIAL SYSTEM FUNCTIONS

Article 35

Credit information system

1. The Bank may operate, regulate, license, register and supervise credit information systems to collect and disseminate credit information amongst financial and other institutions and may issue regulations to effect their implementation.
2. The information collected and maintained in the credit information systems referred to in the previous paragraph must only be used for the purpose of improving the quality of credit and to control the stability of the financial system.

CHAPTER VIII

RELATIONS BETWEEN THE NATIONAL PARLIAMENT, THE GOVERNMENT AND THE BANK

SECTION I

RELATIONSHIP WITH THE NATIONAL PARLIAMENT

Article 36

Relationship with the National Parliament

The Governor shall be heard regularly by the National Parliament, when so requested or on his own initiative, on matters of monetary, financial and economic policy.

SECTION II

RELATIONSHIP WITH THE GOVERNMENT

Article 37

Banker, financial adviser, fiscal agent

1. The Bank shall advise the Government within the scope of its assigned functions.
2. The Bank shall act as banker to the Government.
3. The Bank may:
 - a). For and on behalf of the State, receive foreign borrowings, and manage, administer, and settle claims and financial obligations and responsibilities of the State to external parties under the terms and conditions agreed with the Government.
 - b). On such terms and conditions as it shall agree with the Government, to act as fiscal agent for the account of the Government or any other public agency as the Government may determine.
 - c). Operate a registry for securities issued by the State.

Article 38

Depository and cashier

1. The Bank shall accept deposits, in any currency, from the Government or any other public agency, remunerated at fixed market-related rates of interest.
2. As depository, the Bank shall receive and disburse moneys and keep account thereof and provide other financial services related thereto.
3. The Bank shall pay up to the limits of the deposited amounts against payment orders on such accounts.

Article 39

Management of special funds

1. Regarding the management of special funds, the Bank may:
 - a). manage special funds owned by the State on the basis of a management contract between the Bank and the Government;
 - b). Maintain earmarked receipts accounts into which the receipts for the abovementioned special funds are credited.
2. The Government may direct the Bank on the investment policy of such funds or make portfolio decisions, provided that these guidelines and directions are laid down in written directives to the Bank.
3. The Bank shall not be liable for any depletion in the fund that may result from the execution of the investment policy as defined in the management contract or the written directives from the Government.
4. The Bank shall charge a fee for the management of such funds referred to paragraph 1 of this article, to cover its costs.

Article 40

Cooperation with the Government

1. The Bank shall cooperate with the Government and other public entities in pursuing its objectives.
2. The Governor shall hold regular meetings with the Minister of Finance on monetary and financial policies and other matters of common interest.
3. The Governor and the Minister of Finance shall keep one another fully informed of all matters of common interest.
4. The Bank may, on its own initiative, render advice to the Government on any matters likely to affect the attainment of its objectives.
5. The Bank shall, at the Government's request, provide the Government information concerning its activities, with the exception of specific information relating to supervised entities.
6. The Bank shall, at the Government's request, provide relevant information about the receipt of funds from any source.
7. The Government shall, at the Bank's request, provide the Bank with information and documents relevant to the exercise of its functions.
8. The Bank shall be consulted by the Government on drafts of laws concerning matters that relate to the Bank's objectives, or that otherwise are within the scope of its competence.

Article 41

Prohibition on lending to the Government

1. The Bank shall not grant any direct or indirect credit to the Government or any other public agency or State-owned entity, with the exception of intra-day credits to secure the functioning of the payment system.
2. Such intra-day credit must be repaid before the end of the same day.
3. The provisions of the paragraph 1 shall not apply to publicly-owned banks and other supervised publicly-owned entities, which shall be given the same treatment as privately-owned banks and other supervised privately-owned entities.
4. The Bank is not permitted to purchase securities issued by the Government, except in the secondary market.

5. The provisions of this Article shall not apply to the financing of the obligations of the State to the International Monetary Fund.

Article 42

Directive of the Government

1. The Minister of Finance may at his/her discretion, after consultation with the Bank, submit a recommendation to the Government on the coordination of monetary and fiscal policies, a copy of such recommendation being sent to the Bank.
2. The Bank may, if it has any objections to the recommendation as referred to in the previous paragraph, submit its objections in writing to the Government within three days of receiving the recommendation.
3. After the period referred to above, the Government may, by directive, determine the policy to be adopted.
4. The Government shall inform the Bank in writing of the policy so determined and the Government, in case this policy differs from that of the Bank, shall accept responsibility for its adoption.
5. The Bank shall, upon receipt of the information mentioned in the previous paragraph, give effect to the policy so long as the directives remain in operation.
6. The Government directives referred to in paragraph 3, together with statements of the Government and the Bank, must be submitted to the National Parliament within 15 sitting days after the Government has informed the Bank of the designated policy.

CHAPTER IX

GOVERNANCE AND ORGANIZATION

SECTION I

ORGANIZATIONAL STRUCTURE

Article 43

Organs and functions

1. The organs of the Bank shall the Governor and the Governing Board.
2. The Governor shall be the chief executive of the Bank in charge of the Bank's day-to-day operations.
3. The Deputy Governors shall assist the Governor in conducting the Bank's day-to-day operations.
4. The Governing Board shall be the supreme governing body, charged with the formulation and the supervision of the implementation of the policies, and the supervision of the Bank's administration and operations.
5. The Governing Board shall comprise the Governor who shall be the Chairperson, two Deputy Governors and four non-executive members.
6. The non-executive members shall complete the Governing Board and shall participate in its deliberations.

SECTION II

GOVERNING BOARD AND GOVERNOR

Article 44

Appointment and term

1. The members of the Governing Board shall be appointed for a period of six years, renewable once.
2. The Governor shall be appointed by the Prime Minister, on a non-binding recommendation of the Governing Board.
3. The Deputy Governors shall be appointed by the Prime Minister, on a non-binding recommendation of the Governing Board.
4. The non-executive members of the Governing Board shall be appointed by the Prime Minister, on a non-binding recommendation of the Governing Board.

Article 45

Powers of the Governing Board

The Governing Board shall have the following powers:

- a). To formulate and adopt the Bank's monetary policy, in particular, decisions relating to intermediate monetary objectives, key interest rates and the money supply in Timor-Leste, and shall approve the necessary regulations for their implementation;
- b). To formulate and adopt the exchange rate regime;
- c). To formulate and adopt the Bank's policies regarding the execution of its functions and to approve the necessary regulations for their implementation;
- d). To supervise the implementation of the policies and the execution of the Bank's functions;
- e). To adopt the regulations issued by the Bank;
- f). To determine the general policies and to adopt Internal Rules applicable to the Bank's administration and operations;
- g). To determine the Bank's organization, including the establishment and location of agencies, representative offices, and operational facilities;
- h). To approve the appointment of the Chief Internal Auditor;
- i). To determine the terms and conditions of employment of the Bank's agents, including receivers of financial institutions, auditors, and correspondents;
- j). To determine the necessary number of staff and their respective terms and conditions of employment, including the establishment of pension plans;
- k). To approve the Bank's annual budget;
- l). To determine the Bank's accounting policies and to approve the Bank's annual report and other formal reports and financial statements;
- m). To appoint the external auditors of the Bank;
- n). To decide on the incurring of debt in material amounts by the Bank and the terms and conditions of such debt;
- o). To determine the appropriate categories of assets for the investment of the Bank's financial resources;
- p). To approve or deny the issuance of licenses for clearing, payment and securities settlement systems;
- q). To approve or deny the issuance of licenses and permits for financial institutions, and to revoke licenses and permits of these institutions;
- r). To determine the denominations, technical and visual characteristics, issuance and handling of banknotes and coins;
- s). To appoint one or more advisory boards, to determine their terms and conditions of appointment, and to define their duties;
- t). To appoint one or more committees consisting of members of the Governing Board and other persons, and to define their duties;
- u). To assess risks and formulate contingency plans for the Bank's ongoing operations and security;
- v). To adopt internal rules of procedure;
- w). Such other powers and functions as assigned by law.

Article 46

Powers of the Governor

1. The Governor shall have the following powers:
 - a). To implement the Bank's monetary and exchange rate policies and other policies in accordance with the regulations and decisions of the Governing Board;
 - b). To be responsible to the Governing Board for the execution of its decisions and for the direction and control of the Bank's administration and operations;
 - c). To determine in advance the order in which the Deputy Governors shall succeed the Governor during any periods of absence or impairment;
 - d). To take appropriate measures, including instructing any supervised financial institution, overseeing clearing, payment and security settlement systems, taking remedial actions, appointing a receiver for such entities, or imposing administrative penalties, as provided by law;
 - e). To present monthly accounts to the Governing Board on the conduct of the Bank's operations and policies, on the soundness of the financial system, and on the state of the money, capital and foreign exchange markets, including all events and conditions that have or are expected to have a significant effect on the Bank's administration or operations or on the conduct of its policies or on the system or markets.
 - f). To take all measures deemed necessary or advisable for the administration or operations of the Bank, including the procurement of goods and services, entering into contracts, and appointing the Bank's staff and agents;

- g). To represent the Bank in and out of court, under the law;
 - h). To exercise all powers that are not reserved for the Governing Board.
2. The Governor may, within the rules adopted by the Governing Board, delegate any of his or her powers to other members of the Board or to the Bank's senior staff.

Article 47

Remuneration and compensation

1. The remuneration of the Governor and the Deputy Governors shall be an amount equivalent to that received by persons holding similar executive positions in large financial institutions, as determined by the Government having consulted the Governing Board.
2. The non-executive members of the Governing Board are entitled to an attendance allowance for each meeting, in an amount equivalent to that received by persons holding similar non-executive positions in large financial institutions, determined by the Governing Board on a proposal from the Governor.
3. The amount of remuneration and compensation established in previous paragraphs shall be disclosed in the report as mentioned in paragraph 2.b) of Article 58.

Article 48

Eligibility requirements

1. Members of the Governing Board shall be appointed from among Timorese citizens of recognized competence, integrity, technical and professional competence, with a university degree or having extensive previous experience in financial, banking, monetary or legal affairs.
2. The Governor and the Deputy Governors shall exercise their functions on an exclusive, full-time basis, and are not permitted to engage in any professional activity outside the Bank, paid or unpaid, unless exemption is exceptionally granted by the Governing Board.
3. Membership in the Governing Board is incompatible with the functions of:
 - a). Member of the National Parliament;
 - b). Member of the Government;
 - c). Any positions in the Public Administration;
 - d). Any positions in financial institutions that operate, provide services or have representation in Timor-Leste;
4. The exercise of the function is also incompatible with the holding, directly or indirectly, of an interest equal to or greater than 5% in the capital of a financial institution.
5. Without prejudice to the preceding paragraphs, it is permissible to engage in part-time teaching duties in institutions of higher education.
6. Persons who meet the conditions that, in terms of this law, involve removal from office shall not be eligible to serve on the Governing Board.

Article 49

Disqualification and Removal

1. The Governor is not removable, and may only be removed in cases provided by law, by order of the Prime Minister, after consultation with the Governing Board, which shall deliberate in the absence of the Governor.
2. The Deputy Governors and the non-executive members are not removable and can only be dismissed by order of the Prime Minister on the recommendation of the Board, when:
 - a). becoming ineligible to serve on the Governing Board;
 - b). being convicted of a crime punishable by imprisonment;
 - c). being declared bankrupt or insolvent;
 - d). being incapable of exercising the functions, or suspended from practicing a profession by a competent authority or by a final court decision;
 - e). has engaged in illegal activities;
 - f). exercised the mandate with manifest impropriety.
3. Without prejudice to the provisions in the previous paragraph, the Deputy Governors and the non-executive members may also be dismissed by order of the Prime Minister, after consultation with the Governing Board, if there is permanent physical or mental incapacity, or non-exercise of functions for a period exceeding three months without authorization by the Governing Board.
4. The Prime Minister may, when there are reasonable grounds to believe that the Board has acted in breach of the provisions of paragraphs 1 and 2 of this Article, appoint a Commission to investigate the case and prepare a report and recommendations, after which he shall decide.

5. The commission referred to in the previous paragraph shall comprise three persons, one of whom exercises or has exercised high judicial office and two others with experience in the areas of finance or banking.
6. The dismissal decision may be appealed to the courts, in terms of the law, and filed within fifteen days from being made aware of the decision.

Article 50

Resignation

1. The Governor may resign from office on giving not less than three months' notice in writing to the Prime Minister.
2. The Deputy Governors and the non-executive members of the Governing Board may resign from office by giving notice in writing to the Prime Minister of not less than three months or one month respectively, with copies to the Governing Board.

Article 51

Subsequent functions

1. The former Governors and Deputy Governors shall not serve in a professional capacity in a bank, insurance company or other supervised entity in Timor-Leste for a period of one year following the termination of their service with the Bank.
2. During the period of restraint set out in the previous paragraph, the Governing Board may determine an appropriate level of compensation to be paid to former members of the Governing Board.

Article 52

Vacancy

Any vacancy on the Governing Board shall be filled within 60 days by the appointment of a new member of the Governing Board to serve the remaining term of the member replaced.

SECTION III

FUNCTIONING OF THE GOVERNING BOARD

Article 53

Meetings

1. The Governor or his substitute in his absence or incapacity, shall chair the Governing Board.
2. The Governing Board shall normally meet once a month and extraordinarily when called by the Chairman, on his own initiative or on the written request of two members.
3. Governing Board meetings shall be convened in writing, indicating the time, venue and agenda of the meeting, the notice being sent to all members of the Governing Board at least five working days before the date set for the meeting except in the event of an emergency, or by the mutual consent of all members.
4. The Governing Board shall act in the presence of at least two thirds of its members, including the Governor or his substitute, and at least one non-executive member.
5. When the quorum referred to in the previous paragraph is not met, the Governor may convene a new meeting, with decisions being ratified at the next regular meeting.
6. Each member of the Governing Board shall have one vote and, in the event of a tied vote, the Chairman shall have the casting vote.
7. Decisions of the Governing Board shall be adopted by a simple majority of the members present.
8. The Rules of Procedure of the Governing Board may permit meetings and voting by teleconferencing or, in exceptional circumstances, by other means of electronic communication.
9. Without prejudice of the quorum requirement of paragraph 5, no act or proceeding of the Governing Board shall be invalid merely by reason of the existence of a vacancy or vacancies on the Governing Board.

Article 54

Proceedings

1. The proceedings of the meetings of the Governing Board shall be confidential.
2. The Governing Board may decide to publish the outcome of its deliberations on any matter.

3. Decisions of the Governing Board on the formulation of monetary policy or general policy shall be published.
4. The minutes of each Governing Board meeting shall be signed by the person who chaired the meeting and the Secretary of the Governing Board.
5. The Secretary of the Governing Board shall be appointed by the Governing Board from amongst the senior staff of the Bank who are not members of the Governing Board.

SECTION IV

STAFF

Article 55

General Provisions

1. The staff of the Bank are not permitted to hold any office or work outside the Bank, paid or unpaid, unless designated to do so by the Bank, or for educational or civic purposes, in which case these must not conflict with their service to the Bank and except with the express authorization from the Governing Board.
2. In the employment of staff, the Bank shall apply the principles of equal opportunity and non-discrimination.
3. The Bank shall have its own staff, in compliance with a Special Career Regime.

Article 56

Employment and termination of functions

The Governor shall appoint and terminate the Bank's staff, agents and correspondents, within the general terms and conditions adopted by the Governing Board.

CHAPTER X

FINANCIAL STATEMENTS, REPORTS, AUDIT AND BUDGET

SECTION I

FINANCIAL STATEMENTS AND REPORTS

Article 57

Accounting policy, standards and practices

1. The accounting, accounts and records shall be carried out and maintained in accordance with International Financial Reporting Standards and shall reflect the Bank's operations and financial condition.
2. The financial year shall be the same as the calendar year.

Article 58

Annual financial statements and reports

1. The Bank shall prepare financial statements for each of its financial years.
2. The Bank, within four months after the close of each of the financial year, shall submit to the President of the Republic, the National Parliament, the Prime Minister and the Minister of Finance the following:
 - a). Financial statements, approved by the Governing Board, signed by the Governor and certified by the external auditor;
 - b). A report, approved by the Governing Board, of its operations and activities during the previous financial year, including reference to its policy objectives and the progress of the national economy;
 - c). A report, approved by the Governing Board, on the state of the economy during the previous financial year, including an outlook for the economy in the following year, in terms of its policy objectives and the financial system in Timor-Leste.
3. The report referred to in the previous paragraph shall include a review and assessment of the Bank's policies pursued by the Bank in the last financial year and a description and explanation of the policies that the Bank will follow during the next financial year.

4. Upon completion of the financial reports referred to in paragraph 2 a) the Bank shall publish the financial statements in the *Jornal da República* and on its website.
5. The reports referred to in paragraph 2, sub-paragraphs b) and c) shall be published by a means of communication to be determined by the Governing Board.
6. The Bank shall, within fifteen working days after the end of each calendar month, prepare and publish on its web site a pro forma balance sheet for that month on its website and deliver copies to the Prime Minister and the Government member responsible for finance.

Article 59

Other publications

1. The Bank shall inform, twice per year and whenever necessary, the National Parliament and the public of its monetary policy, the achievement of its objectives and its vision for the behavior of the real variables in the economy.
2. The Bank may publish reports and studies about the nature of the economy and/or financial matters.

SECTION II AUDIT AND BUDGET

SUB-SECTION I INTERNAL AUDIT

Article 60

Appointment and mandate

1. The Chief Internal Auditor of the Bank shall be appointed by the Governing Board on the recommendation of the Governor for a renewable term of five years.
2. The Chief Internal Auditor shall be a person with extensive professional experience in the field of accounting or audit and fulfills the eligibility criteria of Article 48 of the present law.
3. The Chief Internal Auditor may only be removed from office only by a decision of the Governing Board pursuant to Article 49 of the present law.
4. The Chief Internal Auditor may resign from office on giving not less than three months notice to the Governor.

Article 61

Duties of the Chief Internal Auditor

The duties of the Chief Internal Auditor, assisted by internal auditors, include:

- a). The supervision and review of procedures and practices for the management of risk, as well as the ongoing supervision of their implementation;
- b). To make recommendations to the Governing Board on the adoption of the procedures and practices in the previous paragraph.
- c). To conduct periodic audits of the Bank's administration and operations to ensure proper observance of laws applicable to the Bank and of decisions of the Governing Board;
- d). The review of the Bank's periodic financial statements and related documents;
- e). The preparation and delivery to the Board, whenever deemed appropriate by the Governing Board and at least once every quarter, of reports and recommendations regarding the financial statements and records, budgetary and accounting procedures, risk management and the Bank's other internal controls, the efficiency and cost effectiveness at which the Bank operates in terms of costs, and any other matter within its mandate and areas of responsibility for which a report may be requested by the Governing Board;
- f). Such other assignments as may be given by the Governing Board, provided that such assignments do not conflict with their main functions;
- g). Monitoring the work of the Bank's external auditors.

SUB-SECTION II EXTERNAL AUDIT

Article 62

External audit

1. The Bank's accounts, records, and financial statements shall be audited at least once a year by independent external auditors with recognized experience in the auditing of large international financial institutions.
2. The external auditors shall be appointed by the Prime Minister upon a proposal from the Governing Board.
3. No external auditor shall be appointed consecutively for a cumulative period exceeding five years.
4. The Prime Minister may dismiss the Bank's external auditors for good cause after consultation with the Governing Board.
5. The Prime Minister may at any time require an external audit of the Bank.
6. The report of the external auditor referred to in the previous paragraph shall be submitted to the National Parliament for information.
7. The fees payable to the external auditors shall be determined by the Prime Minister and paid by the Bank.
8. The external auditors may examine the Bank's books, accounts and other records and shall have access to all information about its transactions.

Article 63

Audit Committee

1. The Governing Board may, in accordance with Article 45 paragraph t) appoint an Audit Committee.
2. The members of this Committee shall not include the Governor, the Deputy-Governors, nor the Bank's staff or agents.
3. The Audit Committee's responsibilities include:
 - a). Overseeing the internal audit activities;
 - b). Recommending the appointment of the external auditors and the scope of external audits and other services;
 - c). Reviewing the year-end financial statements with the external auditors.
4. The Governing Board shall define the responsibilities and terms and conditions of the Audit Committee.
5. The Audit Committee shall periodically report to the Governing Board.
6. The Audit Committee shall regulate its proceedings in accordance with guidelines established by the Governing Board and the provisions of this law.

Article 64

Budget

1. The Bank shall prepare its annual budget in order to be approved by the Governing Board before the commencement of each financial year.
2. The approved budget shall be delivered to the Prime Minister and the Minister of Finance.
3. The annual budget shall include all income and anticipated revenues, including those projected to be generated by the Bank and expected to be available to it from whatever source, as well as all expenditure, including depreciation and provisions.

CHAPTER XI

ADDITIONAL PROVISIONS

Article 65

Regulations and Orders

1. The Bank shall have regulatory power within the scope of authority granted to it to carry out the performance of its functions according to the law.
2. All regulations that apply to more than one institution shall be issued by way of instructions or circulars.
3. The Bank may issue binding orders on a single institution.
4. The instructions, circulars and orders issued by the Bank shall be binding on the parties to which they are addressed.

Article 66

Publication of regulations

1. The Instructions and Circulars issued by the Bank shall be published in the *Jornal da República*.
2. The Bank may decide on the publication of Orders.
3. The Bank must maintain a public register of published Instructions, Circulars and Orders.

Article 67

Administrative penalties

1. The Bank may impose administrative penalties on legal and natural persons that violate the provisions of this law, or any applicable regulation.
2. Administrative penalties shall include fines and other administrative measures, such as written warnings or orders, suspension and dismissal of administrators of supervised financial institutions, revocation of licenses and other measures as specified by law.
3. Fines may be imposed by the Bank for up to a maximum amount of 200% of the notional value of the transaction or financial instrument per violation, unless otherwise specified by law.
4. The fines referred to in the previous paragraph may be imposed on a daily basis for each day that the violation continues until the Bank determines that compliance is achieved.
5. The Bank shall notify the individual or the institution, setting out the facts and foundation for the imposition of the administrative penalty and ensuring a right of appeal.
6. The Bank is not required to be in compliance with the previous paragraph when referring to the penalties mentioned in paragraph 3 of Article 15 and paragraph 2 of Article 31.
7. The system of administrative penalties shall be determined by regulation.
8. Imposition of administrative penalties shall take into consideration:
 - a). The severity of the violation;
 - b). Whether the violation is recurring;
 - c). Whether depositors or third parties have suffered losses;
 - d). Whether the person against whom the penalty is to be imposed would have profited from the conduct at issue, and the financial resources of that person;
 - e). Any mitigating circumstances;
 - f). Such other factors that, in its discretion, the Bank believes to be relevant.
9. The imposition by the Bank of administrative penalties stipulated in this Article shall not preclude any civil or criminal liability.

Article 68

Standards of good administration

1. The Bank shall use the powers granted to it equitably and uniformly and in accordance with sound administrative practices.
2. The Bank shall not pursue objectives other than those given to it, or engage in acts beyond those necessary to achieve the assigned objectives.
3. The Bank's decisions must be impartial and based on objective and rational considerations which shall be implemented with fairness and rigour.

Article 69

Conflict of interest and fiduciary duty

1. Members of the Governing Board and staff must avoid any situation liable to give rise to a conflict of interest.
2. For the purposes of this law, a conflict of interest arises where members of the Governing Board or staff have an interest of a private or personal nature, which may influence or appear to influence the impartial and objective performance of their duties.
3. It is to be understood that private or personal interests of members of the Governing Board or staff mean any potential advantage for themselves, their families, their other relatives up to the second degree, or their circle of friends and acquaintances.
4. No member of the Governing Board or staff or officials or agents shall receive or accept from any source any benefit, reward, remuneration or gift in excess of a customary or negligible amount, whether financial or non-financial, which is connected in any way whatsoever with their activities within the Bank.
5. An offence against the previous paragraph by staff shall constitute a serious breach and may constitute grounds for dismissal without compensation.

6. Members of the Governing Board and staff shall not use confidential information to which they have access, directly or indirectly, to obtain financial gain for themselves or others.
7. Members of the Governing Board must, before the last day of January each year, declare to the Prime Minister all their significant financial interests, as well as those of persons with whom they have family ties or business or financial interests, direct or indirect, and such disclosures shall comply with the Internal Rules adopted by the Governing Board.
8. Whenever any matter related to a financial interest referred to above is before the Governing Board, the member concerned shall disclose his or her interest at the beginning of the discussion and shall not participate in the discussion and decision on the matter; however, his or her presence shall be counted for the purpose of constituting a quorum.
9. Members of the Governing Board and the Bank's staff have a fiduciary duty to the Bank and to the Bank's customers to place the Bank's interests and the interests of its customers before their own pecuniary interest.
10. The Governing Board shall adopt regulations to implement the requirements mentioned in the previous paragraphs.

Article 70

Fees and charges

The Bank may charge reasonable fees and charges for the services it provides to cover its costs and publish them on its web-site and in other media it deems fit.

Article 71

Prohibited conduct

1. Except as permitted by law, the Bank shall not:
 - a). Grant any credit or make any non-nugatory monetary or financial gift;
 - b). Engage in commerce, purchase the shares of any corporation, including the shares of any financial institution, or otherwise have an ownership interest in any financial, commercial, agricultural, industrial, or other undertaking; or
 - c). Acquire by purchase, lease, or otherwise any real rights in or to immovable property, except as deemed necessary or expedient for the provision of premises for the administration and conduct of its operations and, in general, for the performance of its functions.
2. Without prejudice to the previous provisions of this Article, the Bank may:
 - a). Make adequately secured loans to, or have an ownership share or otherwise participate in, any organization that is engaged in activities that are required or useful for the proper discharge of the Bank's own functions and responsibilities;
 - b). Acquire, in the course of satisfaction of debts due to the Bank, any interests or rights referred to in the preceding paragraph provided that any such interests or rights so acquired shall be disposed of at the earliest appropriate opportunity; and
 - c). Establish staff retirement funds or similar arrangements for the benefit or protection of the staff.
3. Any of the activities mentioned in paragraph 2 shall be published in the report referred to in paragraph 2 b) of Article 58.

Article 72

Immunity from taxation

1. The Bank shall enjoy tax exemption under the tax laws in force.
2. The Bank shall be exempted from all other taxes and other rights from which Government ministries and other public agencies are exempted by Law.

Article 73

Revision of the law

The Bank shall be consulted about the revision of the present law and other legislative initiatives within the scope of its responsibilities.

Article 74

Confidentiality

1. No person who serves or has served as a member of the Governing Board or staff shall, except when necessary for the fulfillment of a function or duty imposed by law, allow access to, disclose or

- publicize non-public information which has been obtained in the performance of their duties or use such information, or permit such information to be used, for benefit either for the person or a third party.
2. Notwithstanding the previous paragraph, such persons may disclose non public information outside the Bank, in accordance with procedures established by the Bank, but only if:
 - a). With the consent or acquiescence of the person to whom the information relates;
 - b). To fulfill a duty required by law to disclose information, including assisting law enforcement or on the order of a court;
 - c). Given to the Bank's external auditors;
 - d). Given to regulatory and supervisory authorities or to public international financial institutions, in the performance of their official duties;
 - e). If the Bank's own interests in legal proceedings require disclosure.
 3. The Governing Board shall determine the classification and accessibility of documents held by or produced by the Bank.

Article 75

Preferential right

1. The Bank shall have a preferential right to satisfy any claims arising from the execution of its functions from any cash balances, securities and other assets that it holds on behalf of a debtor as security, or any other security, at the time that such claim becomes due.
2. The Bank may exercise its preferential right or lien only by appropriating the cash balances by way of compensation and by selling securities and other assets without undue delay for a reasonable price and paying itself from the proceeds of the sale after deducting the costs of sale.
3. The right in this Article shall be exercised out of court, and no executions or competing claims shall be enforced.

Article 76

Injunctions

1. No attachment or execution shall be issued against the Bank or its property, including gold, special drawing rights, currency, credits, deposits or securities, and any proceeds thereof, before the issuance of a final judgment in any legal action brought before the courts of Timor-Leste.
2. The Bank may, in whole or in part, waive this protection, except for its holdings of gold and the special drawing rights.

Article 77

Arbitration

In any arbitration proceeding against the Bank, a member of the Governing Board or staff, or agent of the Bank in the fulfillment of their duties to the Bank:

- a). The arbitration court in determining its decision shall examine whether the defendant acted unlawfully or whether the defendant acted arbitrarily in light of the facts and the relevant law and regulations;
- b). A member of the Governing Board, staff, or agent of the Bank, including a person previously holding such a position, shall not be liable for damages caused by their acts or omissions made during and after the performance of the duties, unless they have acted in bad faith;
- c). The action in question shall continue during the period of an appeal and any other judicial proceedings concerning the application;
- d). The Arbitration Court shall be authorized, where appropriate, to award monetary damages to injured parties, without prejudice to the Bank's previous decisions on the matter.

Article 78

Indemnification from legal costs

The Bank shall indemnify a member of the Governing Board or staff, or agent of the Bank against legal costs incurred in the defense against legal action brought against such person in connection with the discharge or purported discharge of official duties within the scope of their employment or engagement under this Law, provided that the person has not been convicted of a crime arising out of the activities.

CHAPTER XII

TRANSITIONAL AND FINAL PROVISIONS

SECTION I
TRANSITIONAL PROVISIONS

Article 79

Banknotes and coins

1. Until the adoption of a monetary regime according to the Constitution, the United States of America dollar shall be the monetary unit of Timor-Leste, and the Bank:
 - a). Shall not issue banknotes, though it has the exclusive right to issue coins which shall be legal tender in Timor-Leste;
 - b). Shall exchange centavos coins for United States dollars, and United States dollars for centavos coins, at the rate of one hundred centavos for one United States dollar;
 - c). Shall determine by regulation the face value and features of the centavos coins;
 - d). Shall arrange for the minting of centavos, for the acquisition of foreign currencies, and for the security and safekeeping of banknotes and coins held by the Bank;
 - e). Shall arrange for the custody and destruction, as necessary, of centavos and dies;
 - f). Shall arrange for the custody and repatriation of banknotes and coins of foreign currencies;
 - g). May charge commission for the exchange of banknotes and coins of foreign currency;
 - h). May decline to exchange banknotes or coins if their designs are illegible, defaced or perforated, or if more than forty percent of their surface has been lost, and such currency shall be withdrawn without indemnity to the owner, unless the Bank grants full or partial compensation;
 - i). Shall not be required to provide any compensation for banknotes or coins that are lost, stolen or destroyed and may confiscate without compensation any banknotes that have been altered in their external appearance, including in particular banknotes that have been written on, painted, overprinted, embossed or perforated, or to which adhesive matter has been applied;
 - j). Shall directly administer the currency reserve inventory, make issue plans, and ensure the regular supply of banknotes and coins, in order to meet the currency requirements of the economy.
2. The banknotes and coins issued by the Bank as fractions of the official currency of Timor-Leste, and the coins issued but not withdrawn from circulation by the Bank, shall be legal tender at their face value for the payment of public and private debt.
3. The coins that are legal tender shall be accepted at face value in payment of all public and private debts in Timor-Leste.
4. Until the approval of the Fiscal Code, the Bank shall be exempt from any taxes on its income and duties, taxes and other indirect taxes on the purchase and importation of currency.

Article 80

Initial appointments and mandates of the members of the Governing Board

1. On the date this Law enters into force, all members of the Governing Board of the Bank shall be appointed in accordance with Article 48.
2. Notwithstanding the requirements in the previous paragraph, the initial terms shall be as follows:
 - a). for the Governor, six years;
 - b). for one Deputy Governor, five years;
 - c). for the other Deputy Governor, four years; and
 - d). for the non-executive members, one, three, five and six years respectively; and,
3. The appointment of the Governor shall be made after consultation with the Governing Board of the Banking and Payments Authority and the appointments of the other members of the Governing Board shall be made on a non-binding recommendation of the Governing Board of the Banking and Payments Authority.
4. On the same date as mentioned in the paragraph 1, the members of the Governing Board and the Management of the Banking and Payments Authority shall vacate their office.

Article 81

Succession

The Central Bank of Timor-Leste succeeds the Banking and Payments Authority of Timor-Leste, established by UNTAET Regulation n.º 2001/30 for all legal purposes.

Article 82

Existing regulations

Any regulations, internal rules, guidelines, decisions or other administrative acts issued by the Banking and Payments Authority and which are in force immediately prior to the enactment of this Law, shall continue to be in force, in all matters not contrary to the provisions of this Law.

SECTION II

FINAL PROVISIONS

Article 83

Revocation

1. Regulation n.º 2001/30 of the United Nations Transitional Administration in Timor-Leste which creates the Banking and Payments Authority is hereby repealed.
2. All previous legislation with provisions in contrary to this Law is repealed.

Article 84

Entry into force

This Law shall enter into force 90 days after its publication.

Approved on 13 April 2011.

President of the National Parliament,

Fernando La Sama de Araújo

Promulgated on 14 June 2011.

President of the Republic,

José Ramos-Horta