Tesorería General de la Nación

THE TREASURY SYSTEM

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National General Treasury

MINISTERIO DE ECONOMÍA Y FINANZAS PÚBLICAS

GENERAL CONTENT INDEX PAGE

CHAPTER 1

1- THE TREASURY SYSTEM

1.1 - INTRODUCTION:

The reform process of the *Administración Financiera Gubernamental Argentina* (Argentine Governmental Financial Management), initiated with the approval of Law nº 24156 of Financial Management and Control Systems of the Public Sector (LAF) in 1992, particularly within the Treasury System, has resulted in the presentation of this updated version of the Treasury System.

Similarly to previous versions, this document compiles the normative and procedural updates that have had a relevant impact on the management of public funds, and has the purpose of developing a guide for public officials with primary responsibilities in the matter, as well as to provide essential information to those interested in the functioning of this system.

In this regard, the reference framework considered was the above mentioned Law nº 24156, and regulatory decree nº 1344 of the year 2007, Permanent Complementary Law nº 11672, Argentine Central Bank Charter (BCRA) law nº 24144 and its amendments, as well as the Financial Entities Act nº 21526.

At the same time, based on the changes observed in the policy of indebtedness after the 2001 crisis, the aim was set at concentrating public deposits in the official bank system, channeling them to the financing of social and economic infrastructure enterprises, and to adapt them to the BCRA regulatory framework to enable financial assistance to the Treasury, with the purpose of paying off debt in foreign currency, promoting financial and monetary stability, as well as encouraging economic development while maintaining equality. These parameters have been the basis to adapt and create instruments needed to manage liquidity in the Treasury System.

On the other hand, the *Secretaría de Hacienda* (Secretariat of the Treasury), under the scope of the Ministry of Economy and Public Finance, has been accompanying the banking penetration process of the economy through the adjustment and adaptation of IT tools, with the purpose of making the process of public income raising and payment of obligations as established by the National Budget safer, more effective, efficient and transparent.

In the same line, with the purpose of increasing productivity in the budget programs, and being able to measure its impact, actions are being taken to further promote operative decentralization and rationalization of the information technology available. This has been evidenced in the design of a single information database, available via web to all government officials during every stage of the budget cycle, including the management public funds.

The methodology used to develop this document, designed to facilitate access to the topics covered herein, involves different modules presenting the basic definitions of the system development, logical interactions between the treasury processes and the rest of the governmental financial management systems, and processes designed to carry out the programming and management of the fund flow, both on a central level and in the treasuries and delegations of entities and jurisdictions of the administration.

The document is divided into chapters describing each of these processes and the tools made available for users based on their position or profile, defined centrally and locally respectively.

1.2 - GENERAL CONSIDERATIONS:

The normative centralization and operative decentralization within the framework of the *Teoría General de Sistemas* (General Systems Theory) are the essential methodological criteria used for the reform process of the Argentine Governmental Financial Management of the Argentine National Public Sector.

In this line, the Treasury System is structured based on a Governing Body (OR for its Spanish acronym), in this case the *Tesorería General de la Nación* (National General Treasury, TGN), responsible for designing the norms, procedures and instructions that regulate its functioning, as well as supervising and coordinating its application in the National Public Sector.

Additionally, the specific operational duties for the OR are defined based on its role as general coordinator for fund administration of the National Public Sector.

Likewise, the application of activities related to the functioning of this System (the "operation" or execution of the processes defined by the OR) are made up of the different Units or Treasury Services, also called "Jurisdictional

Treasuries", of all Entities and Jurisdictions belonging to the National Administration, as part of the corresponding Financial Administrative Service (SAF for its Spanish acronym).

The previously mentioned LAF, in article 73, establishes the organization of this System, which is common to all treasury systems belonging to the Financial Administration of the Public Sector. Likewise, article 74 lists the competencies of the OR as described below, and article 77 defines the functions of Jurisdictional Treasuries.

The experience acquired after 1992 during the Reform Process shows significant improvements in the development and configuration of both instances as part of the Treasury System.

On one hand, the conceptual design and implementation of the different instruments of the System were both developed within this OR, as described in each of the Titles of this document. On the other, the Treasuries belonging to Entities and Jurisdictions of the Public Sector have gradually been included into the Financial Management Integrated System, participating in the process design, trainings and development of an effective implementation through different instruments provided by the System in order to achieve their goals.

The application of these guidelines has resulted in:

- The strengthening of the Treasuries' capacities in terms of financial programming and fund management, increasing the articulation between cash management and budget execution in the Non-Financial National Public Sector.
- A centralization in public fund management, reducing the use of onerous financing mechanisms by the Treasury, going from its original role as mere payer to a modern financial management system.
- An easier identification of account holders and a record of incoming resources made available for the Institutions of the sector.
- Consolidating the management of all resources of institutions, maintaining their property and availability, guaranteeing an adequate level of operative decentralization and autonomy through the use of the Treasury Single Account (CUT for its Spanish acronym).
- Promoting the replacement of bank accounts used by institutions for operations by registered accounts, with the purpose of significantly reducing maintenance costs.

- The implementation of modern mechanisms for cash management that will allow the application of the "Cash Unity" or "Single Account" principles through the systematization of income and payment operations, which will significantly reduce time and human resources dedicated to issuing, controlling, distributing and settling checks or other payment methods.
- Managing financial surplus and make it productive through a rational liquidity management, allowing the Treasury to access non-onerous temporary financing and administer an investment program that will allow the establishment of a cash goal according to the operative needs, obtaining and adequate yield for their temporary liquidity excess.
- Improving customer service, which along with more payment date predictability for State obligations, will optimize the conditions for the provision of goods and services received for purchases and contracting, achieving more transparency in its financial management.
- A more organized relationship between the public sector and the banking system through a single entity -the Treasury- which will work together with the system participants to standardize time frames and modalities for crediting funds to beneficiaries, encouraging the banking penetration of the economy from the public sector.

This document defines the scope and objectives of the Treasury System as well as the main tools that have been developed and implemented to achieve these goals.

1.3 - DEFINITION, GOALS AND SCOPE OF THE SYSTEM:

This section defines the Treasury System, defining its scope and goals synthetically, as well as the instruments required for a modern management within the framework of the State Integrated Financial Administration System.

Specific reference is made to the development of the Argentine Treasury System based on the approval of the LAF in September 1992.

The analysis must begin by highlighting that the Treasury System interacts with other systems within the macro system of the National Public Sector Financial Management, under the coordination of the *Secretaría de Hacienda*

(Secretariat of the Treasury, SH) and the *Secretaría de Finanzas* (Secretariat of Finance), both under the Ministry of Economy and Public Finance.

The integration of the processes within these systems avoids the duplication of records, which are generated only once by a unit with the faculty to carry our economic and financial transactions. This criteria also economizes human and technical resources used for administration duties, provides homogeneity to the processed information resulting from a transaction, and results in a higher level of efficiency. On the other hand, the interaction of the defined processes generates valid tools for management control .

Another relevant issue is the existence of a suitable legal framework to support the State Financial Administration Reform. In this regard, the above mentioned LAF, in its Title 4, article 72, defines the Treasury System as a "group of organizations, norms and procedures in charge of the collection of income and payments, which configure the flow of funds in the national public sector, as well as the custody of generated available funds ".

The law defines the TGN as the OR of the system and the coordinator of all Treasury units and services operating in the National Public Sector, assigning the competencies summarized below:

- Participating in the definition of the Public Sector financial policy.
- Drafting the budget execution programming of the National Administration together with the *Oficina Nacional de Presupuesto* (National Budget Office, ONP).
- Defining the budget for the *Caja del Sector Público* (Public Sector Account) and evaluating its execution.
- Managing the Treasury Single Account System of the National Administration.
- Issuing Treasury Bills to cover seasonal cash shortages.
- Custody of National Administration Securities placed under their responsibility.
- Expressing a previous opinion on temporary investments of funds by public entities.
- Technically supervising the functioning of the Treasuries within the Public Sector.
- Managing the collection of the Treasury financial assets.

It becomes clear that these competencies establish the hierarchies for the different functions of the System, and so the image of a mere paying account traditionally associated with it is thus replaced with a modern Public Sector financial management system.

On the other hand, it is the system OR's responsibility to develop the procedures and norms to govern its functioning, supervising their application in the Public Sector. The processes to be designed will consider the concepts of normative centralization and operational decentralization as a general criteria.

In this new management model, the Treasury System becomes responsible for programming and administering the large financial flows of the State, ensuring the coordination of these actions with the remaining systems operating in the Financial Administration, with the entities that participate in the programming and management of macroeconomic policies.

In this regard, the TGN is assigned a participative role in the definition of financial policies for the public sector, developing programming techniques to become familiar with the financial restrictions dealt with on a daily basis. At the same time, this information must result in the evaluation of the monetary and currency flow impact on the general economic system, attempting to minimize a distorting effect on the monetary and capitals market. This must feedback into the decision-making process, leading to an efficient financial execution programming.

The Treasury works together with the Departments of Budget and Public Credit for the programming and execution of the budget. Likewise, collection agencies and income forecasting offices also participate to establish different cash scenarios.

This coordination aims at avoiding inconsistencies between the income flow or expected financing and the income that is actually perceived, payment commitments and accrued obligations during the execution of the budget, which could result in cash shortage or excess, with high opportunity costs for the TGN.

The financial coordination of the public sector and certain fiscal and monetary improvements were achieved more efficiently based on a process that integrates the information produced by the budget executing units, external units which provide financial services to the state, and central organizations that capture income and regulate the pace of the budget execution in its different stages.

Additionally, the current valid regulatory framework grants the TGN the ability to cover for certain temporary shortages by issuing Treasury Bills, enabling it to apply excess cash in the short term in remunerated accounts or deposits in Argentina or abroad, acquire Public Securities or local/international securities proved solvent, and/or any other type of usual financial market operations. These transactions can only be carried out if their expiration date is within the fiscal year in which they were executed.

Also, the *Ley Complementaria Permanente de Presupuesto* (Complementary Permanent Budget Law) Nº 11672 establishes that under the direction of the SH in coordination with the Secretariat of Finances, liability management operations will be carried out no matter the instrument expressing it. These operations may include the restructuring of public debt within the framework of article 65 of LAF; the purchase, sale and/or exchange of financial instruments, such as bonds or stock, currency exchange, interest rates or securities, purchase and sale of options on financial instruments and any other usual financial transaction in the derivative product market.

Additionally, article 80 of the LAF establishes the implementation of the CUT (Treasury Single Account) for the National Administration, a modern tool that promotes a more efficient and effective management of public funds.

This account includes an Income module to record all resources flowing into the CUT, a Programming module to assign financial limits to dependencies and entities included in the system and a Payment module which allows drawing on the CUT, implementing electronic transfers with tools provided by the National Payment System. The functionality of the CUT is supported by various IT applications operating on one single database. The most relevant module in this database is an Automatic Bank Reconciliation module which records and reconciles all operations impacting the account on a daily basis.

Jurisdictional Treasuries, as part of the System, may collect and record non-tax income and deposit it in the CUT, programming and making partial or total payments of documents and deductions based on the established financial limits, register patrimony-affecting measures, provide custody of securities, administer revolving funds and reconcile registered and non-registered accounts.

On the other hand, in an integrated system, the areas involved are systemically connected through budget classification systems and account manuals that help manage and record transactions with an economic and financial impact on the public patrimony.

In this regard, the movements of the treasury system feed into the government accounting which, in turn, must provide basic information regarding assets and liabilities managed by the Treasury.

As a result, it became necessary to regulate:

1. The relationship of the Treasuries with other Governing Bodies in the main sub-systems of the Government Financial Administration: Budget, Accounting and Public Credit.

2. The relationship between the Treasuries and agencies or entities of the Public Sector.

3. The relationship between Treasuries and State Financial Agents or Financial Entities that adhere to the electronic transfer payment system established by the National Administration as well as those that operate as collection agents or custody of available funds.

4. The relationship between officials in charge of the entities' administration and finances and third parties, regarding income and payment..

5. Liquidity management in the Treasury, which includes the application of financial surplus in the short term and financing of temporary cash shortage.

The conclusion is that the main goals established for the Treasury System are the following:

1. The intelligent management of available resources, observing principles of effectiveness, efficiency, viability and transparency, and

2. An adequate and timely registry of income and payments from the national administration financial management, in order to provide reliable information to make decisions connected to its evolution.

The following chapters include a description of the instruments considered suitable to reach the mentioned goals. These objectives are being developed as the Financial Administration Reform process moves forward in Argentina and therefore, the progress and implementation is permanently verified. This results in a need to constantly update the content of this document. These instruments, which will be specifically referred to in the following chapters, are the following:

- Financial Programming of the Public Sector

- Liquidity Management
- The Treasury Single Account System
- Income Management
- Collection Management.
- Payment Management
- Bank Account Management.
- The Bank Reconciliation Process.
- Risk Management and Contingency Processes.
- The following available tools are also described for the local management of:
- The Revolving Fund system, including transportation and per diem allowances.
- Custody of securities.

CHAPTER 2

2 - FINANCIAL PROGRAMMING IN THE PUBLIC SECTOR

2.1 - INTRODUCTION:

The purpose of this section is to expose the main aspects of the Financial Programming process in the Treasury System, within the framework of the Integrated Financial Administration System of the Public Sector, developed in the Argentine Republic.

In the first place, a conceptual definition is established to describe the goals that Financial Programming must pursue in this context. This includes a general description of the method, and the importance of the instrument, which transforms the Treasury System and its Governing Body (OR), the TGN, in a real financial management system of the Public Sector, through which high added value information is generated, essential for sound decision-making and optimal cash management.

Also, the scope of the Financial Programming is defined in the Argentine context, for the institutional structure segment of the Public Sector included in it.

The chapter goes on to evaluate the process of Financial Programming *per se*, identifying the different stages in the programming of resource flow, expenses, sources and financial applications of the Treasury, and the most relevant forecast indicators obtained when developing the cash budgets of the Public Sector. The sources of information are established (the "input") as well as the participants who interact in the different phases of the programming. In this sense, a description of the budget execution programming process is presented, describing the relationship between the Treasury System and the Budget System, in regards to the articulation between cash management and budget management. The financing programming is also described through the relationship between Treasury Financial Programming, public debt and the Public Credit System.

The next item describes the process of consolidated cash programming by the National Administration, articulating the Treasury programming developed in the TGN with the cash programming that each SAF of the National Administration develops, either with their own resources or using sources other than the Treasury.

In this line, the process to develop the cash program (monthly/annual) is covered by jurisdiction, SAF, sub-section and type of expenditure, describing in detail the input needed to generate the scenarios, determine sector programs through a monthly allowance, and follow-up on the program by payments.

The final section exposes the process of payment allocation through the CUT, within the context of the daily Treasury operative cash program administration.

2.2 - GENERATION OF FISCAL CASH SCENARIOS:

2.2.1 - THE FINANCIAL PROGRAMMING PROCESS. DEFINITION, OBJECTIVES, METHOD, IMPORTANCE AND SCOPE.

Definition:

Financial Programming is a process after which many different possible estimated scenarios are identified, based on different hypothesis, involving the future FLOW OF FUNDS, recognizing the seasonality of resources and expenses established in the Budget Law, and other unforeseen events that impact the cash availability for the different sub-periods of the fiscal year.

Objectives:

Optimizing productivity of the resources involved in managing the Treasury, and generating timely and reliable information for the decision-making process, improving the articulation between cash management and budget execution to ensure that the executing entities receive the required resources in a timely manner, so that they can provide all governmental goods and services in an efficient and effective way.

Method:

The fiscal scenarios are created by using simulations, based on different hypothesis, for all relevant variables: income, payments, primary and financial results, financial assets and liabilities. These interact with the program executing unities, the governing bodies of the Budget System, Public Credit, Income and the Financial System.

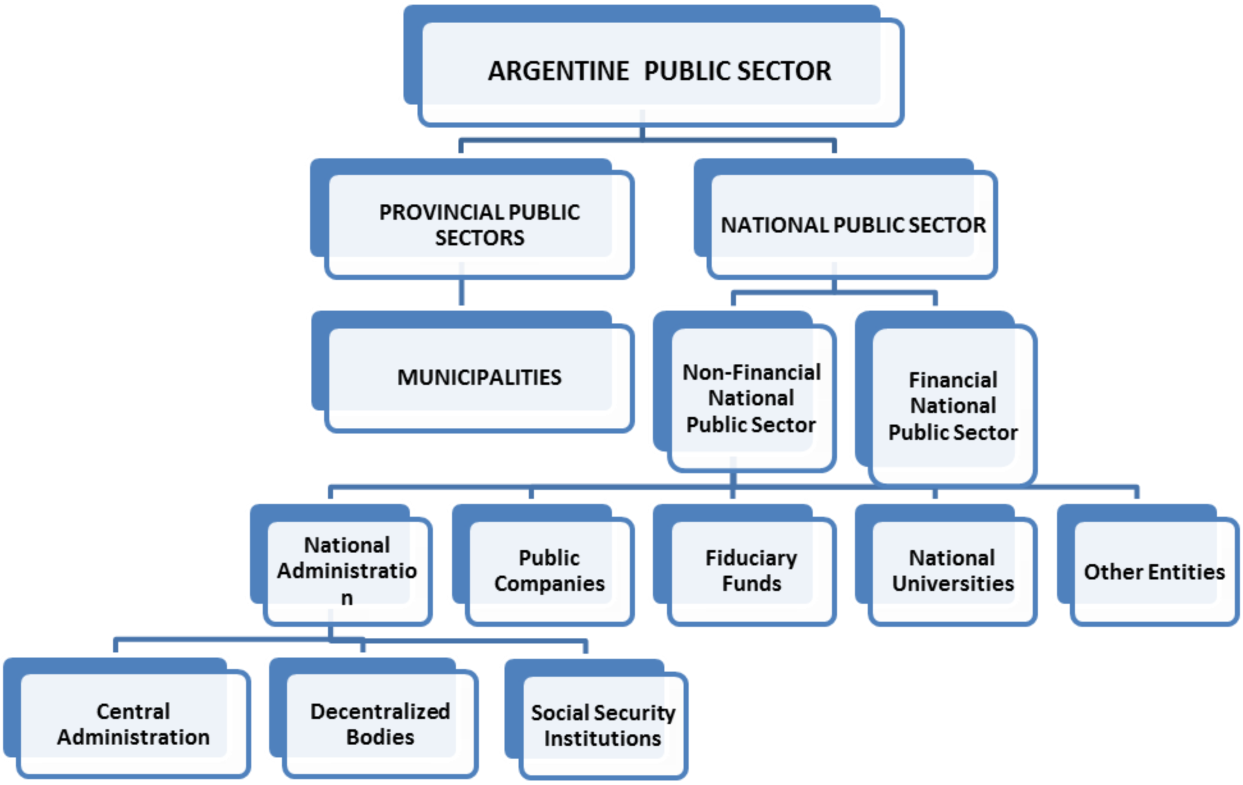
Importance:

The Financial Programming tool is essential for a Modern Treasury System, generating key information through these fiscal scenarios, facilitating the decision-making process of the different levels of management involved in the administration of public funds, in the following aspects:

1) Scheduling and management of Priority expenses.
2) Determining minimum cash levels required to comply with all commitments.
3) Identifying possible cash gaps to be financed, or cash excess to be applied during the programming period.
4) Technical and operative coordination with the BANCO DE LA NACIÓN ARGENTINA (Argentine National Bank, BNA), in its role as financial agent of the Public Sector, and with the BCRA in its role as a monetary.
5) Monitoring compliance with fiscal regulations or policy objectives in terms of fiscal results for the different sub-periods of the fiscal year.

Scope:

Within the institutional structure of the Argentine National Public Sector, the financial programming aspects defined in this chapter refer to the *National Administration*, as defined and identified in the following chart:



The universe involved in this financial programming scheme is within the scope of the National Administration.

With the implementation of the CUT (Treasury Single Account), the resources of the Decentralized Bodies and those subject to the Central Administration, as well as third-party funds, are included into the Treasury flow of funds, during the stages of collection, programming and payment. The development of this new instrument clearly improved the programming ability of the Treasury, managing higher average cash balances and temporarily investing funds that were not used under the previous context in the short term, with zero financial costs.

The following sectors are, however, not included in the National Budget, because of their characteristics and/or institutional availability, and are therefore not subject to the Treasury programming system led by the TGN:

- The Provincial Public Sector is, according to the Argentine Republic Federal system, organized institutionally based on the Constitutions of each Province in Argentina. As a result, the provinces manage independent financial systems and budgets and therefore, the financial programming and management of these budget resources are handled independently by them. In turn, the Provinces are disaggregated into municipal structures, which respond to these provincial governments, and the same scenario is applied to them.

- The Financial National Public Sector, including the monetary authority, the BCRA, and the public banking sector, whose budgets are approved by Decree, are excluded based on the specificity of the objectives that guide their actions. These clearly differ when compared to the National Public Sector's financial administration goals, related with the National Budget.
- Additionally, when analyzing the Non-Financial National Public sector, we may find Institutions with more autarchy or autonomy, such as State-owned Companies and Corporations, other public entities expressly excluded from the National Administration, fiduciary funds and National Universities, considered Decentralized Bodies according to the existing provisions. The contact with these institutions is verified through the budget transfers they receive from the treasury. Therefore, their resources and expenses are not included in the financial flow programming of the Treasury.

On the other hand, Social Security Institutions were legally and functionally excluded from the CUT system due to the complexity of the social security system. However, they were gradually incorporated into the Treasury Financial programming by exchanging information that allowed the consolidation of the cash programs for both sectors, and the consequent coordination to jointly determine the financing needs and/or cash surplus.

2.2.2 -DEVELOPMENT AND ADMINISTRATION OF THE TREASURY CASH PROGRAM. SUB-PERIODS WITHIN THE FISCAL YEAR. FORECASTING OF REVENUE AND PAYMENTS. ARTICULATION WITH THE BUDGET EXECUTION PROGRAMMING. DETERMINATION OF THE PRIMARY BALANCE AND FINANCIAL RESULT.

This section presents the different stages of the Treasury financial programming process, identifying the interrelation between the Treasury System and other Systems included in the core of the Public Sector Financial Administration through the Governing Bodies.

The initial reference framework for annual financial programming is given, logically, by calculating the resources and expense budget approved by the General Budget Law of the fiscal year in question.

Initially, the TGN drafts a first version of the annual Financial Program, based on the calculation of resources and budget credits of the mentioned Budget Law. Then, it does the same for the different sub-periods included in the fiscal year: quarterly and monthly program. As a result of said process, the fiscal results are calculated including primary balance and financial result, defining the cash gap to be financed (or cash surplus) by period and by currency.

The calculation of this process considers the expected income flow, including:

- An estimation of the fiscal revenue, supplied by the National Direction of Fiscal Analysis and Investigation, -part of the Secretariat of the Treasury-, in charge of forecasting the amount and seasonality of fiscal income expected for the different sub-periods (annual, quarterly, monthly and daily) based on certain macroeconomic assumptions and other key factors in the revenue process.
- The forecasting of other current and capital income, based on historical data belonging to the TGN, specific operations within the budget of each fiscal year, and forecasts for accounts receivable of the Treasury with resources above the line.

Secondly, in terms of expenditures, the payment programming system involves the verification of a process that articulates with the programming of the budget execution in the following way:

- Article 34 of the LAF establishes the need to program the physical and financial execution of the budget in jurisdictions of the administration, in order to ensure a balanced budget, coordinating resource forecasting and financial sources expected, with expense authorization in every stage. The norms, established by the ONP with the collaboration of the TGN, have defined a regulatory framework for the article mentioned above and identified the mechanism for the financial execution programming in the different sub-periods of the year.
- This mechanism involves a process called Execution Programming, the result of which is the determination of quarterly quotas acting as a ceiling or maximum expense levels in the different stages of commitment and obligations, for each of the Jurisdictions or Entities, distinguishing them by object of the expenditure (budget sub-section) with a different degree of segmentation for each case. The commitment quotas are valid for one quarter, at the end of which the unused balance is lost. The same criteria is valid for the

obligation quotas, with the difference that these are granted on a monthly basis, and the unused balance during these months can be accrued until the end of the quarter, when they expire permanently.

In order to determine the budget quotas mentioned above, the ONP (National Budget Office) receives and processes the following information:

- Quota requirements by the Jurisdictions and Entities, which express their needs based on the physical and financial programming proposal, resulting from the goals established by the budget programs for the period in question.
- an estimation of the resources and the different financial sources to be perceived during that period, and
- an initial version of cash programming for the period proposed by the TGN, based on the stock of initial debt due observed (defined as the expired unpaid accrued expenses, or that expire during the programming period), and based on hypotheses related with the scheduling of expenditures.

With these elements, the ONP escalates the project of commitment and obligation quotas to the SH authorities for the quarter in question. The project is approved after all necessary modifications have been applied, based on the goals established by the Financial Authorities.

The Jurisdictions and Entities commit and accrue expenses drawing on this quota, issuing payment orders which generate an obligation of payment for the Treasury System and permanently increase the mentioned debt due stock, including unpaid payment orders. The level of this stock is essential as a key indicator and basic input for the dynamics of the payment flow programming process of the Treasury Cash Programming.

In order minimize the level of debt due overtime and ensure a suitable allocation of resources, it is essential to guarantee a fluent relationship between the Treasury and the Budget Systems. In this way, the use of tacit financing mechanisms is minimized, which usually involves reprogramming or delay in payments of accrued expenses. This in turn leads to providers overpricing the goods and services offered to the Public Sector, causing a non-explicit cost of public debt as well as a high level of inefficiency and discretion in payment management.

With the mentioned input, the cash program is developed for the different periods within the fiscal year (quarterly and monthly). The resources considered are: current and capital resources (primary income, or 'above the line);

projection of payments regarding current expenses (before considering the interests of public debt); and capital expenses for each period (primary expenses or 'above the line'). Their structure results from analyzing the debt due, the budget quota level, specific requirements of the National Administration jurisdictions and their seasonality.

This is how the forecast of the **Primary Result** is reached for each programming period, as a difference between resources and estimated primary payments.

Afterwards, the payment flow is included into the programming scenarios regarding public debt interests, and detailed by currency, concept and maturity date of the obligation. This information is periodically supplied to the TGN by the *Oficina Nacional de Crédito Público* (National Public Credit Office, ONCP), which is in charge of the management and registry of the public debt and Jurisdiction 90, "Public Debt Services".

When including the forecasting interests as part of current expenses, one can calculate the **Financial Result** of each programming period, as the difference between the current and capital resources minus the current and capital expenses (see account chart "Savings - Investment - Financing" cash basis at the end of the chapter).

2.2.3 ESTIMATION OF SOURCES AND FINANCIAL APPLICATIONS. INTERRELATION WITH PUBLIC CREDIT, IDENTIFICATION OF FINANCING NEEDS OR CASH EXCESS, BOTH SEASONAL AND AT THE END OF EACH PERIOD:

Once the Financial Result of the period is determined, the following step for treasury Financial Programming consists in including operations "below the line".

To this end, Financial Applications associated with the flow of public debt amortization payments (capital repayment) are included, detailed by currency, concept and expiration date of the obligation as well as the identified financing sources. In this regard, the ONCP periodically supplies information regarding debt financial services and funds to be disbursed, as a result of financing operations confirmed for the programming period in question.

After including other sources or financial applications that do not originate in the Public Debt administration, and assuming a scenario with uncovered financial needs within the Treasury cash programming. This information is presented before the Secretariat of Finances (SF) in order to evaluate alternative solutions, considering the authorizations granted to the Executive Power for incurring debt in the annual budget.

The reference framework for operations concerning the Use of Credit is given by the General Budget Law of the corresponding year, which must define, based on article 60 of the LAF, the maximum authorized amount, the type of debt (internal or external), the minimum repayment term and the financing destination of Public Credit operations developed during this period.

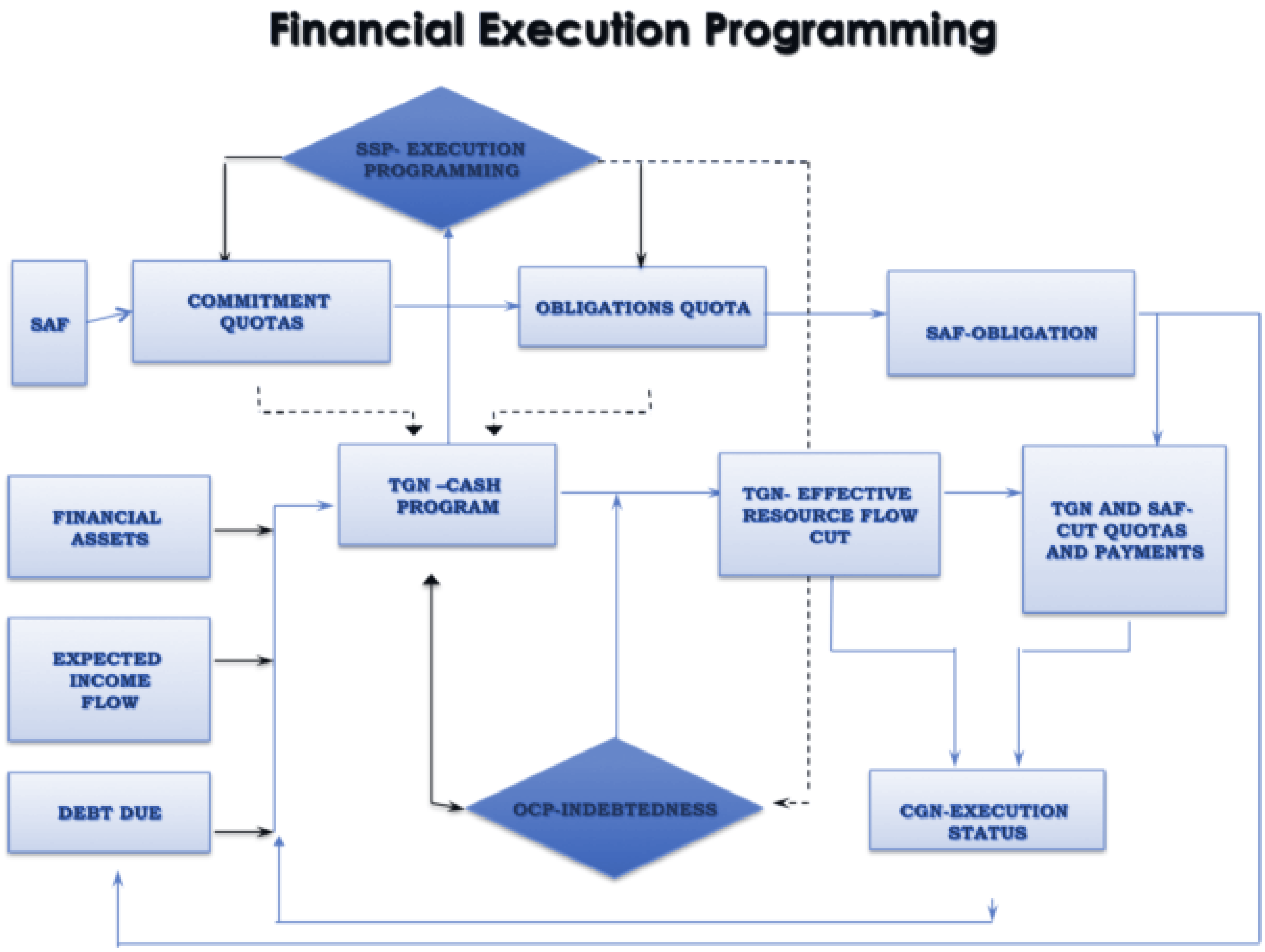
It must be noted that in terms of financing temporary or seasonal cash shortages, the Treasury has a series of instruments used within the framework of liquidity management, as well as the possibility, in case of cash surplus, of investing these funds in remunerated instruments within the same framework (see Chapter 3, *Liquidity Management*).

The financial programming process is completed with the control and evaluation of the cash execution during the period in question, in order to examine the quality of forecasts and possible deviations. The results of this execution are used to adjust the programming of the subsequent periods until the end of the fiscal year.

A final note to close this section refers to the different programming scenarios developed, which constitute the management tools and the indicators of the frequency with which the different stages of the process are developed and updated:

- The annual financial program, with a monthly profile, resulting from the fiscal year's budget. This program is periodically updated, at least once a month, with the execution.
- The quarterly cash program with a monthly profile, simultaneously with the budget execution programming process (determination of commitment and obligation quotas). This is conducted quarterly and updated monthly with the execution.
- The daily operative cash program, per currency and bank account, developed with the purpose of determining the seasonality of resources and payments in the short term. This is developed with a moving time-frame of 60 days, and is updated at the beginning of each month. Also, during the month, the

execution of resources and payments is analyzed against the forecasts, with the inclusion of weekly information.



SAVINGS ACCOUNT – INVESTMENT –
FINANCING CASH BASIS – M $

	CONCEPT	PERIOD
I	Current income	
II	Current expenses	
III	Economic result Savings/Dissaving (I-II)	
IV	Capital Resources	
V	Capital expenditures	
VI	Financial Result Before Contributions (III + IV - V)	
	Total resources (I+IV)	
	Total expenditures (II+V)	
VII	Figurative Contributions	
VIII	Figurative expenses	
IX	FINANCIAL RESULT (VI+VII-VIII)	
	FINANCIAL SOURCES	
	Figurative contributions (for financial applications)	
	Reduction of financial investment	
	Public indebtedness and increase of other liabilities	
X	FINANCIAL APPLICATIONS	
XI	Figurative expenses (for financial applications)	
	Financial investment	
	Debt repayment and reduction of other liabilities	

2.2.4 - THE TREASURY CASH PROGRAM AND THE NATIONAL ADMINISTRATION CONSOLIDATED CASH PROGRAM:

With the information and processes described so far, the TGN develops the Financial Programming of the Treasury, including the budget expenses financed with this source (general income) plus the use of internal and external credit made available to the Treasury (not allocated to any specific project).

Afterwards, additional information is included regarding cash programming of other sectors in the National Administration, who create them based on the knowledge of their own flow of funds. Finally, the quarterly cash programs with monthly opening are included, pertaining to the Central Administration and Decentralized Bodies that manage resources from different sources in the Treasury (own resources, allocated resources, and others).

This consolidation involves a periodical remittance of these programs to the TGN by the SAFs (Financial Administrative Services), responsible for operating with the resources in question.

The operative characteristics for the jurisdictions and entities of the National Administration to draft and send the cash programming to the TGN are regulated by the TGN.

Through this mechanism, it is possible to obtain the consolidated cash program for all the National Administration, and estimate the financial result and evolution of liquidity in this context, and more specifically, the estimated evolution of financial working capital accumulated in the CUT.

2.3 - THE CASH PROGRAM PER JURISDICTION:

2.3.1 - DEVELOPMENT OF THE MONTHLY CASH PROGRAM BY JURISDICTION, SAF, SUB-SECTION AND TYPE OF EXPENDITURE:

The allocation of monthly financial ceilings for each jurisdiction of the National Administration is a specific process resulting from financial programming, and is classified by SAF, budget sub-section and/or type of expenditure.

In this regard, the monthly total projected for the Primary Expenditure in the scenarios described in Paragraph 2.2.2 of this chapter for the Treasury programming, can be classified using budget criteria such as purpose of expenditure, economic, jurisdictional and/or combinations thereof.

In this line, and using a database extracted from the transactional system (Integrated Financial Information System, SIDIF), the data is exploited with user-friendly IT tools that allow a high level of customization of consults made by the end user (business intelligence).

2.3.2 - PROCESS INPUT: INITIAL DEBT DUE AND OBLIGATIONS QUOTA/BALANCE:

In order to determine the monthly ceiling, the SIDIF provides two basic inputs, classified as mentioned before (jurisdiction, SAF, sub-section and type of expenditure): the initial debt due of the considered period, defined as the outstanding accrued expenses that have expired or that will expire in the month being programmed, and the quota or remaining balance of this quota available also initially, which indicates the availability for jurisdictions within the National Administration to spend. Both indicators are analyzed during the opening on the first business day of each month.

The sum of both concepts automatically displays an initial theoretical scenario, which implies the maximum amount payable, encompassing 100% of the potential expenditure during the period:

INITIAL DEBT DUE + OBLIGATIONS QUOTA/QUOTA BALANCE = MAXIMUM PAYABLE (SCENARIO 0, 100%) classified per jurisdiction, SAF, sub-section and type of expenditure.

Monthly cash programming by jurisdiction

Jur.	**Jurisdiction**	**Debt due**	**Accrual quota**	**Preliminary Program**	**Monthly paid**	**Program balance**	**Debt to date**	**Daily quota balance**
1	National Legislative Power							
10	Public Ministry							
20	Presidency							
25	Chief of Ministry Cabinet							
30	Interior Ministry							
35	Ministry of Foreign Affairs and International Commerce							
40	Ministry of Justice and Human Rights							
41	Ministry of Security							
45	Ministry of Defense							
50	Ministry of Economy and Public Finances							
51	Ministry of Industry							
52	Ministry of Agriculture							
53	Ministry of Tourism							
56	Ministry of Federal Planning, Public Investment and Services							
70	Ministry of Education							
71	Ministry of Science, technology and Productive Innovation							
75	Ministry of Labor, Employment and Social Security							
80	Ministry of Health							
85	Ministry of Social Development							
90	Public Debt Service							
91	Obligations in charge of the Treasury							
Total Sum								

%Execution of cash program

0% - 80%   80%-100%   >100%

2.3.3 - COEFFICIENT ENTRY: THE GENERATION OF PROGRAMMING SCENARIOS:

The next step in the process is to generate different scenarios for payment programming, establishing an allocation per month, detailed for each mentioned indicator.

This monthly allocation constitutes a percentage or fraction of the maximum payable, as mentioned in the previous item. This potential allocation will vary with a coefficient of between 0% and 100% of the value resulting from considering the INITIAL DEBT DUE + OBLIGATION QUOTA and will be expressed by Jurisdiction, SAF, sub-section and type of expenditure.

The calculation of coefficients involves analyzing the financial programming *per se*, determining the total objective Primary Expense of the month, considering all the possible variables relevant for the cash flow design in terms of resources, financial assets and liabilities.

The factors considered for this calculation vary, and are related to: the estimation of monthly resources, cash availability/financial restrictions, specific requirements of the jurisdictions, expenses related with collection and policy guidelines, among others.

Each payment scenario has a set of coefficients associated, which reflect the group of hypotheses for the programming execution.

Once the coefficients are obtained and many versions are analyzed, the payment scenario is generated, approved and finally included in the consolidated Treasury cash program as the objective monthly total for Primary Expense. It is classified by payment object (total per sub-section) and/or from the economic point of view of the expense (current or capital).

2.3.4 - SECTOR PROGRAMMING, MONTHLY CASH ALLOCATION PER JURISDICTION, SAF, SUB-SECTION AND TYPE OF EXPENSE:

As described above, a monthly cash allowance is generated at the beginning of each month for each jurisdiction in the National Administration, detailed by SAF, sub-section and type of expenditure.

This allowance by sector is notified to technical and political authorities in the TGN and the SH, and to officials in charge of managing payments in the main jurisdictions, which constitutes a support tool and provides detailed information to control and prioritize payments.

This process improves efficiency, ensuring the compliance with the goals set for budgetary programs in each jurisdiction.

2.3.5 - DAILY FOLLOW-UP OF THE CASH EXECUTION THROUGH PAYMENTS:

An additional aspect that must be considered is the follow-up of the program execution and the analysis of available balance and deviations against the monthly allowance established in the approved scenario.

The indicator of the paid amount is daily updated in all execution follow-up reports, recorded in the transactional SIDIF, which allows to obtain the available balance on a daily basis for the remainder of the month, identifying deviations or potential savings, and/or authorizing ceilings for particular cases, each time the full cash programming scenario of the execution is analyzed.

Likewise, the debt due and obligations quota indicators are also updated daily. This allows an evaluation of the program's evolution and an analysis of potential modifications to the initial payment scenario.

2.3.6 - DEVELOPMENT OF THE QUARTERLY CASH PROGRAM WITH A MONTHLY PROFILE, INDICATED BY JURISDICTION, SAF, SUB-SECTION AND TYPE OF EXPENDITURE. INITIAL DEBT DUE, VALID OBLIGATION QUOTA BALANCE AND VALUE PER MONTH:

Once the monthly payment scenario is created, an additional process takes place, involving the determination of an estimated reference 'monthly value' for the remainder of the quarter, subject to the programming of budget execution, with the same classification as the monthly program -by jurisdiction, SAF, sub-section and type of expenditure.

For the calculation of the mentioned monthly value, the input considered is the following: the initial debt due of the month in question (same indicator as the one used for the monthly cash programming), the available balance to be executed from the accrual quota (difference between the initial quarterly quota minus the accrued expense at the date of calculation), and the allowance of the approved monthly cash programming scenario.

Assuming as a hypothesis that the jurisdiction will execute 100% of the valid accrual quota balance, and that at the closing of the quarter one month worth of cash will remain outstanding as debt due, this algorithm results in a simple average for a reference monthly value, for each jurisdiction, SAF, sub-section and type of expenditure.

During the first month of each quarter, this projected reference value will be used for the second and third month of said quarter, still unexecuted. During the second month of each quarter, a forecast reference value is obtained for the last month of the quarter, which is the period still left unexecuted.

If new budget policies are implemented, which could expand or modify the valid credit, these must be added to the calculation in order to measure the reference monthly value accurately.

2.3.7 - THE DEVELOPMENT OF THE MONTHLY-BASED ANNUAL CASH PROGRAM, CLASSIFIED BY JURISDICTION, SAF, SUB-SECTION AND TYPE OF EXPENDITURE. INITIAL DEBT DUE, VALID CREDIT BALANCE AND MONTHLY VALUE:

Once the payment scenario is developed for the reference month and for each of the remaining months until the end of the quarter, an estimated reference monthly value is obtained for the remainder of the fiscal year (calendar year), divided in the same way as the monthly program -by jurisdiction, SAF, sub-section and type of expenditure.

For the calculation of the mentioned monthly value, the input considered is the following: the initial debt due of the month in question (same indicator as the one used for the monthly cash programming), the available credit during the fiscal year (difference between valid annual credit minus the accrued expense at the date of calculation), and the allowance of the approved monthly cash programming scenario.

Assuming as a hypothesis that the jurisdictions will execute 100% of the valid budget credit, and that at the closing of the fiscal year one month worth of cash will remain outstanding as debt due, this algorithm results in a simple average for a reference monthly value, for each jurisdiction, SAF, sub-section and type of expenditure.

If new budget policies are implemented, which could expand or modify the valid credit, these must be added to the calculation in order to measure the reference monthly value accurately.

2.4 - ALLOCATION OF PAYMENT QUOTAS THROUGH THE CUT (TREASURY SINGLE ACCOUNT):

2.4.1 - MANAGEMENT OF THE TREASURY DAILY CASH PROGRAMMING:

Once the annual, quarterly and monthly fiscal scenarios are created (item 2.2.2 of this chapter), and once the monthly 'ceiling' or limit has been established by jurisdiction, SAF, sub-section and type of expenditure (item 2.3.1 of this chapter), it is necessary to have a greater level of detail in terms of more concrete management issues regarding daily cash management. This is done through the *Presupuesto de Caja Operativo del Tesoro* (Treasury Operative Cash Budget), where the daily payment quota allowance and financial limits are defined for the TGN and the SAFs included in the CUT circuit.

2.4.2 - DAILY PROCESS OF PAYMENT QUOTA DEFINITION FOR THE TGN AND THE SAFs. INPUT: MONTHLY CASH PROGRAM. REGISTERED AND OPERATIONAL ACCOUNT BALANCES. DEBT DUE CLASSIFIED BY PAYING SAF.

The starting point or general framework for this process is the monthly cash program of the Treasury, which contains a daily estimation of payments based on the seasonality of expenses and their scheduling, developed according to the initial debt due and the budgetary accrual or obligation quota.

Likewise, the quarterly cash program with a monthly opening of the resources is used as a reference, from other sources established by the SAFs of the National Administration, included in the CUT system or not.

Then, in order to establish the specific daily operation for payment quotas, two basic elements of the information from the CUT module of the SIDIF are considered:

1) The availability of funds for each "actor" of the process, meaning the ones who will receive the payment quotas distributed daily or those considered the "payers" of the system: the TGN and National Administration SAFs. These funds can be monitored in the balances of registered and operational accounts in each one of the SAFs and in the TGN, obtained daily every time an income is registered into the CUT, and after the bank reconciliation process. They are identified by source of financing, specifying who the

"owner" is from a legal and budgetary point of view, for each portion of the resources deposited in the CUT.

2) The debt due per source of financing and type of expenditure, grouped by "payer" (TGN or each SAF). The payer (or recipient of the payment quota/financial limit) is defined based on certain criteria established in the regulations regarding amount, source of financing and type of expenditure of the payment orders to be executed. In this regard and as a general criteria, when the accrued expenses are financed with sources other than the Treasury (own resources, within a specific scope, etc.) the payment quota is assigned to the SAF through a payment order, representing the mentioned expense (paying SAF). In opposition, when the accrued expenses are financed with Treasury resources, the payment quota will be for the issuing SAF when the payment orders are below AR$ 100.000, and when it refers to Goods and Services, Fixed Assets and Transfers. For those over AR$ 100.000, and for the rest of the expenditure types of any amount, the payment quota will be for the TGN.

Finally, it is important to mention that the payment quota programming is managed per balances, expressed in different operation accounts, detailed per source of financing, where the availability to program is detailed for each SAF and even the TGN, and also per source of financing and type of expenditure, showing the unused payment quota balance up until the moment in which the information is analyzed on a daily basis.

CHAPTER 3

3 –LIQUIDITY MANAGEMENT

3.1 CONCEPT AND SCOPE

The definition of a healthy liquidity management policy is an essential part of the Treasury System. Its purpose is to achieve a modern and efficient administration of resources.

Conceptually, we can define liquidity as 'the monetary capacity and the ability to convert assets into liquid resources that the National Treasury has to cover its obligations".

Two components are key to this definition:

- The monetary capacity of assets that are liquid *per se*,
- The conversion capacity, which includes all those assets that are not immediately liquid but which have a conversion potential.

For this reason, liquidity is measured based on the capacity for immediate (today) and short-term coverage of the National treasury's commitments involving the management of both financial assets and liabilities.

A liquidity policy must be flexible in its essence in order to adapt to the different economic and/or political contexts, to allow officials to react quickly in face of an unexpected change, mitigating the effects on programmed commitments.

3.1.1 - MAIN GOALS:

This policy must have the following goals:

- Making the financial execution of the budget more dynamic, ensuring the compliance with specific goals associated with the different programs, projects and activities, through the implementation of financing mechanisms that will consider the seasonality of income and payments within the Treasury and an orderly execution with no increase in the outstanding debt stock.

- Minimizing liquidity risks, establishing a policy of minimum cash balance and managing financial contingency lines, ensuring the TGN the possibility of identifying the minimum margin necessary to finance National Treasury expenses, including public debt.
- The remunerated application of financial excess and the reduction of debt costs, which must be carried out using a rational management of all financial assets and liabilities.

3.1.2 - PROCESSES INVOLVED:

The management of financial assets and liabilities could be defined as the process of planning and controlling the volume of operations, maturities, financial costs and profitability in order to minimize liquidity risks, for a more proactive behavior and anticipation of possible changes.

The process of liquidity risk management includes the stage of identification, measurement, control and monitoring of minimum levels of liquid assets, necessary to comply with payment obligations in a timely manner, both in stable and unstable scenarios.

This concept entails the need to have measuring and management processes available, creating indicators, building different scenarios for planning and also having technological tools to support this type of management.

With this in mind, the factors to consider are:

- Financial programming in the short and middle term.
- The procedures that regulate the issuance and placing of short-term instruments.
- The regulatory framework to obtain short-term financing by using debt instruments and administering currency risk coverage or interest rates.
- The short-term investment regime must include an adequate risk analysis based on the composition and characteristics of the suggested portfolio, as well as the intervening financial agents.
- The existence of clearing houses.
- Specific criteria to record and valuate short-term assets and liabilities managed by the Treasury which contemplate the universally accepted accountability principles.

- The monitoring of financial investments made by non-financial Public Sector entities.
- The evaluation and use of analysis and administration tools for asset and liability portfolios, to allow an efficient assessment of the different alternatives offered by the market.
- The design of an effective, efficient and timely report, and the monitoring of operations and information provided to the citizenship.

3.2 - ADMINISTRATION POLICY FOR FINANCIAL SOURCES:

In order to plan the financial program's operations minimizing the liquidity risks, a highly relevant tool is the management of the Treasury's bank balance, or the accounts held by the TGN in the main financial agents of the national public bank system; the BNA and the BCRA.

The CUT is included in these accounts. As a matter of fact, for Argentina, the implantation of the CUT guaranteed a working capital sufficient to manage the seasonal cash deficits in the short-term in a non-onerous way.

Additionally, the Treasury has an alternative zero-cost financing source, the *Fondo Unificado de Cuentas Oficiales* (Unified Official Accounts Fund, FUCO). This concept originated with Decree Nº 8586/47, which established the creation of a special account called "Unified Fund of National Government Accounts", currently managed by the BNA.

This Fund is constituted by the algebraic sum of all current account balances in Argentine pesos of the non-financial National Public Sector established in the BNA. This is a versatile instrument that provides the Treasury with short-term financing at zero cost.

After the approval of the Budget Law in 2009, an ad-hoc instrument was created as collateral, called *Letras del Tesoro* (Treasury Bills).

This instrument provided the alternative to immobilize cash funds, delivering Treasury Bills to the financial entity as collateral to cover the liquidity needs of certain entities to open letters of credit, ensuring the import of supplies, ensuring a more efficient management of the National treasury available resources.

Among other tools and additionally to other non-onerous resources, the TGN has a series of instruments that help achieve certain goals of the organization. These are regulated by the LAF, in the *Ley Complementaria Permanente* *de Presupuesto* (Complementary Permanent Budget Law N° 11672 (to.2005), in the Organic Charter of the BCRA Law Nº 24144 and its modifications. These norms will be mentioned when the different instruments are explained, as well as those used to obtain financing and to make short-term investments.

3.2.1 - MAIN INSTRUMENTS TO OBTAIN FINANCING:

In terms of financing, the mentioned legal framework allows different types of transactions, using mostly Treasury Bills, operations with Public Securities and Temporary Advances, all described in the following items:

3.2.1.1 TREASURY BILLS:

3.2.1.1.1 – CONCEPT:

One of the main short-term financing instruments used by the TGN since 1993 are Treasury Bills. Their use began after the LAF was approved.

Article 82 of the LAF and Decree 1344/07 authorized the TGN to issue Treasury Bills to cover cash imbalances, using this instrument to obtain financing based on the forecasted cash requirements both locally and internationally.

The LAF, in article 82, grants the TGN the authority to issue Treasury Bills up to an amount established annually by the Budget Law. It also provides that they must be reimbursed during the same financial year in which they were issued, given that their purpose is to cover seasonal cash deficits.

Treasury Bills issued with a term that exceeds the budget's fiscal year are out of the mentioned legal scope, since they must be issued in compliance with Title 3 of the LAF regarding Public Credit and, being used for financing budgetary needs, are part of the public debt.

It can be concluded then that short-term Treasury Bills are a suitable element to solve cash imbalances within the margins established by the General Expense Budget and Calculation of Resources Law of the National Administration for each fiscal year.

3.2.1.1.2 - MAIN CHARACTERISTICS:

The main features of Treasury Bills must be defined and provided by the National General Treasurer. This administrative act formalizes the issuance of this financing instrument.

The conditions of Treasury Bills, detailed below, will remain unaltered during their duration, since they represent the rights of the investor:

- **Issued Amount**: maximum amount authorized to issue this instrument and add to the Treasury's debt.
- **Issuance date:** date on which the Bills are issued. It is usually the same day as its placement date, and indicates the moment in which the instrument becomes valid and interest is accrued.
- **Term:** duration of the Bill. It is valid from the issuance date until the total extinction of the obligation assumed by the issuer as for this maturity -repayment. Certain issuances may include an anticipated pre-cancellation clause, at the issuer's discretion.
- **Currency:** specification of the currency of the Bill, usually Argentine pesos or US dollars.
- **Placement regime:** by direct subscription or public tender.
- **Negotiation:** The Bills may be negotiable or non-negotiable in the Stock and Securities Market, nationally and abroad.
- **Interest rates:** The Bills are issued with an interest due rate or at a discount (prepaid rate).
- **Form**: Non-registered, meaning that the bills are not represented by physical documents, reason for which the holder will certify their possession by certificates of deposit issued by the registry agent.
- **Settlement and Registry**: It is done through the *Central de Registro y Liquidaciones* (Registry and Settlement Central, CRYL) and the BCRA in the delivery vs. payment modality. It has the responsibility to register the holders of these bills, and issue the corresponding certificates of deposit, as well as record those transactions operating in secondary markets when the bills are negotiable.
- When Bills are placed at a discount, the implicit price for their placement will result from subtracting the discount from the nominal value, that is:

$$\text{Price} = vn - d$$

where vn=nominal value and d=discount

being $d = vn * Dt/360$ and

D=discount rate and t= term in days

then P= vn *(1-Dt)/360

3.2.1.1.3 - PLACEMENT AND PAYMENT:

The placement of these instruments can be carried out pursuant to article 82 of Decree Nº 1344/07, regulated by the LAF, by direct subscription or public tender.

In both cases, the process of Bill placement must include at least the following information:

- Amount of subscription
- Nominal values to be credited
- Registered accounts at the CRYL of the BCRA, and eventually the *Caja de Valores S.A* (Securities Commission) where the Treasury Bills will be credited.
- National Treasury account where the revenues of this placement will be credited.

When the Bills mature, the payment instruction is sent to the BCRA so that the CRYL, as a registry agent, or the Securities Commission, can proceed to crediting the corresponding funds to the accounts where the investors' holdings are credited, thus enabling the payment of the instrument.

3.2.1.1.4 – REGISTRY:

Treasury Bills, as mentioned before, can be issued at a discount rate or at interest due rate.

When the bills are issued at interest due rate, both payments will be recorded at the bill's maturity date.

When the Bills are issued at a discount rate, they are assimilated into a promissory note discount, and as a result, interests will be registered at their time of placement. Upon maturity, their payment is made by means of amortization or repayment of the Bill for its nominal value.

In this last case, and given that the funds are entered for their effective value -after interests-, two aspects must be considered for each placement:

- record of discounted interests.
- record of the liability incurred for the total placed nominal value.

These short-term Treasury Bills must be cleared and registered at the closing of the fiscal year at the latest, pursuant the regulations. Except for the financial cost, which has an accounting and budgetary impact, amortizations or repayments are only reflected on an accounting level.

3.2.1.2 - OPERATIONS WITH PUBLIC SECURITIES:

3.2.1.2.1 – CONCEPT:

Another financing instrument is the Present Sale and Future Purchase of public securities, known as Repo operations (Repurchase Agreement).

These operations involve the sale of public securities in the TGN portfolio, with repurchase agreements made with financial entities within the regulatory framework provided by article 44 of the *Ley Complementaria Permanente de Presupuesto* (Permanent Complementary Budget Law) N°11672 (t.o. 2005).

This norm authorizes the Secretariat of the Treasury to "*operate with liabilities, regardless of the instrument expressing them, which can include the purchase and sale of financial instruments and any other standard financial transactions in the derivative product market*".

3.2.1.2.2 - MAIN CHARACTERISTICS:

Present sale and future purchase operations are basically a simultaneous sale and purchase transaction of one same instrument -public securities-, considering different dates.

This type of operations can be described as follows:

- At the present date, the National Treasury sells public securities and enters into an agreement in which it agrees to repurchase them in the future within a pre-established time frame.
- Likewise, the bank institution commits to selling the securities back to the Treasury at the established date.

Main elements:

- **Framework Agreement**: contract to be entered into with the financial entity.
- **Underlying Asset:** public securities involved in the operation in question.
- **Present Sales Price**: market value or price of the securities involved in the transaction.
- **Interest Rate**: cost of the transaction to be borne by the Treasury.
- **Collateral or valuation**: security margin to be covered if the financial entity requires so.
- **Mark-to-market**: process through which the initial collateral is periodically updated.
- **Term**: time period established for the transaction
- **Modality for Settlement**: Delivery versus actual reception of the funds.

The focus of these operations, from an economic point of view, could be similar to the ones governing a collateralized loan. The participants enter into the transaction because they wish to invest in the short term -on the investor's side- or because they hold the instruments and need funds -in the case of operations made by the TGN-.

These operations provide the investing entity with the use of instruments with market liquidity and easily available-for-sale, while the counterpart is benefited by a relatively lower interest rate than with other non-collateralized loans.

Repos are operations that can usually be executed for a term ranging from one day to one year. They may be longer in special circumstances.

The implicit rate of the transaction (expressed as the difference between present sales price and repurchase price) will depend on the type of instrument and collateral used when so required by the entity, and the better their market is, with more liquid negotiation, the lower their cost will be.

The payment of transaction cost interests over the amount received will be made, quarterly, semiannually or on the repurchase date, based on the conditions agreed upon for each case.

Since the price of securities can reflect a constant change in the market values of instruments involved in the operation, both parties will experience what is called "credit risk", involving a possible loss assumed by an economic agent as a result of non-compliance with the contractual obligations of both counterparts. In order to minimize this exposure, the financial entity may require collateral security margins, which are updated periodically using Mark-to-Market, determining the need of presenting additional guarantees based on the price behavior, or, assuming a favorable evolution, the restitution of the collateral deposited beforehand.

An important aspect is this type of transaction is that it allows to combine investment and financing decisions. As a result, during their duration, the inherent rights of the public securities involved in the transaction are not lost.

3.2.1.2.3 - REGISTRY MODALITY:

When the purpose of issuing these securities is covering seasonal cash shortages, with their issuance and clearing within the same budgetary period, the registry of these public security operations will operate in the same way as with Treasury Bills, with no budgetary impact for the registry of capital movements.

Also, the budgetary registry is applied in the cases indicated below:

- Sale of securities during one fiscal year and repurchase in the following.
- Repurchase of securities sold in the previous fiscal year.

Expenses produced by operations, interests and commissions, if applicable, must be registered on an accounting and budget level, at the time of maturity and as agreed with the counterpart.

3.2.1.3 - TEMPORARY ADVANCES:

3.2.1.3.1 – CONCEPT:

After the year 2002, and as a financing alternative, the BCRA began financing the National Treasury.

As a financial instrument of legal origin, based on the modifications made by Law Nº 25562 to the Organic Charter of the BCRA, within the framework of the Public Emergency Law and Reform of the Currency Exchange Regime, this process allowed the Treasury to obtain financing at zero cost.

3.2.1.3.2 - MAIN CHARACTERISTICS:

The Organic Charter of the BCRA established that this entity may grant temporary advances to the National Government for a maximum period of twelve months, up to:

- 12% of the monetary base - Monetary Variable- and
- up to 10% of the cash resources that the National Government has obtained over the past twelve months - Fiscal Variable.
- Another important issue is that the Organic Charter reform, modified by Law Nº 26739, provides that, as an exception and if the situation or perspectives of national or international economy justify it, the BCRA may grant temporary advances for an additional sum equivalent to up to ten percent (10%) of the cash resources that the National Government has obtained over the past twelve months, and that this exceptional capability can be executed during a maximum term of eighteen months. It also establishes that once this time period expires, the BCRA shall not grant the national government any advance payment that may increase this established limit.

In order to implement and administer this financing instrument, monetary base shall be defined as the monetary circulation plus sight deposits of financial entities within the BCRA, in current accounts or special current accounts. This information is periodically published by said bank through its web page.

In this line, the cash resources of the National Government are defined as the total current income of the National Public Sector. This information can be found in the Savings Financing Investment-Cash Base chart published monthly by the Ministry of Economy and Public Finances.

An important characteristic of temporary advances is that they must be reimbursed to the bank within the established twelve months. If any of these payments remains outstanding after its maturity date, this method of financing may not be used again until the outstanding amount has been paid to the bank.

The most relevant issue is that this type of financing has zero cost for the National treasury, given that the BCRA does not perceive interests for this financing.

The request order for Temporary advances begins with a note from the Secretariat of the Treasury (SH) to the BCRA, indicating:

- Requested amount.
- Date of fund reception.

- National Treasury Bank account number where the funds will be deposited.

The BCRA then analyzes the proposal with the Directory and approves the request. If the response is affirmative, the funds are credited to the bank account indicated in the note presented by the SH.

3.2.1.3.3 - REGISTRY MODALITY:

The TGN registers the resource when the crediting is done on a budgetary level, because of the twelve-month time frame of temporary advances.

Their clearing process is done applying the FIFO criteria (first-in first-out), returning first the advances that were requested first.

Should any of these advances be paid off early, within the same fiscal year as its maturity, the payment is registered only on an accounting level with no budgetary effect, and in those cases, the resource is registered and reallocated manually.

3.2.2 - ADMINISTRATION OF FINANCIAL SURPLUS:

3.2.2.1 - FINANCIAL SURPLUS OF THE NATIONAL TREASURY:

3.2.2.1.1 - CONCEPT:

After the Treasury Cash budget is created, certain needs may arise in terms of financing, in which case alternative possibilities are analyzed using the tools already described. Likewise, there may be certain intra-annual periods producing financial excess, in which case a remunerated application is possible.

For these cases, the regulatory framework is provided for the administration of assets and liabilities by the Complementary Permanent Budget Law Nº 11672 (t.o 2005) in article 33, as well as article 29 of Law Nº26337 for General Expense Budget and Resource Calculation of the National Administration, included in the Complementary Permanent Budget Law.

These provisions allow the SH to make temporary investments using advances from the Unified Official Accounts Fund (FUCO, see Chapter 8, Paragraph 8.5) in remunerated accounts or deposits nationally and abroad, and/or acquire public securities or local/international securities, with known solvency, and/or perform any other type of standard operation in the financial market.

3.2.2.1.2 - INVESTMENT ALTERNATIVES:

Within the usual investment operations made by the Treasury, we can mention fixed-term deposits made into the BNA, with a maximum term of thirty days. These operations can take place as long as their maturity is within the fiscal period in which they were executed.

Although the minimum placement terms for cash availabilities in fixed-term settings are thirty-days, there is a BCRA regulation that allows certain operations at ninety days, with anticipated early cancellation clauses (with a minimum term of no less than three days). Although the interest is lower, this gives the National Treasury the possibility to pre-cancel them, minimizing possible liquidity risks.

In all cases, the revenue generated within the framework of these operations is entered as a resource into the National Treasury.

3.2.2.2 - TGN INTERVENTION IN TEMPORARY INVESTMENT OF NATIONAL PUBLIC SECTOR FUNDS:

3.2.2.2.1 –CONCEPT:

Just like the SH has the ability to apply and administer surplus, there are other entities within the non-financial Public Sector with the ability to perform investment operations as well.

In this line, another faculty granted by the LAF to the TGN in article 47, sub-section j) is the ability to express a previous opinion on the temporary investment of funds made by public entities in local or foreign institutions.

For the purposes of this operation, 'Investment' is defined, based on Joint Resolution Nº 357/07 SH and 62/07 SF, regulating article 74 sub-section j), as the following:

''Any sum of money placed in the financial market, be it by acquisition of stock, obligations, public securities, or deposits in financial entities, in order to obtain a future income in the form of dividends or interests''.

3.2.2.2.2 - SCOPE OF THE NORM:

All entities included in article 8 of the LAF must request a previous opinion on their investments, meaning: Central Administration and Decentralized Bodies, including Social Security Institutions, State Companies and Societies, Public Entities expressly excluded from the National Administration, and Fiduciary Funds totally or mostly made up of goods and/or funds belonging to the National State.

In this last case, the Fiduciary Funds are excepted from this requirement, due to specific norms such as Decree Nº 906 dated July 20th 2004, which regulate and establish the guidelines to be followed for investments of available liquidity with no temporary application.

The request for opinion must indicate:

- List of the type of investments
- Legal faculties authorizing the entity to make the investment in question.
- Amount
- Term
- Intervening entity
- Investment conditions (estimated start date, rate, currency)
- Origin of the funds
- If the funds are originated by disbursements from external loans, the opinion of the National Direction of International Organizations must be included, regarding the viability of the investment according to the terms of the respective contract, also indicating how the product of this investment will be treated upon maturity.
- If the maturity date of the investment exceeds the fiscal budgetary year, it must indicate its budgetary financial source.

With this information, the terms of the proposal made by the organization are analyzed. Also, the National Office of Public Credit is included to provide an opinion. With this information, a proposal is drafted as a response to the request made by the entity.

Investment of surplus in National Public Banks is prioritized in order to favor their lending capacity.

If the investment is made abroad, the National Treasury may also request assistance from the BCRA as a financial agent of the National State.

3.2.3 - MANAGEMENT INDICATORS:

In order to comply with the general objectives of the TGN, and pursuant to the goals defined by the strategic plan of the Programming Direction and Financial Execution Control, it becomes necessary to create Management Indicator reports in order to provide useful information for the citizenship and also for the decision-making process of authorities.

Some of these indicators are currently published in the TGN website:

http://forotgn.mecon.gov.ar/gestion/gestion.asp

Others are developed daily and quarterly, including:

3.2.3.1 - FINANCIAL AND ECONOMIC INDICATORS:

A daily report is created with Economic and Financial Indicators, providing national and international information, real-time data and historical data, news, and analytic tools that contribute to the investment decision-making process.

Based on this input, a series of indicators are presented containing information on the quotation of Public Securities in pesos and dollars, the exchange rate of most foreign currencies, the different fixed-term deposits interest rates in the BNA, quotation for world stock exchanges, relevant BCRA data -Monetary Base, Temporary Advances, International Reserves, M2- and data regarding LEBACS (Central Bank Bills).

Finally, the main economic and financial news of the world must be presented as well.

3.2.3.2 - FINANCIAL REPORT:

Additionally, a periodical financial report is created proposing an analysis of financial flows observed through a comprehensive presentation of all operations conducted, both those related with the Financial result and its financing, using in all cases a cash-base methodology.

The description of financing operations is done through detailed indicators showing the assets/liability ratio and their time-frame as well.

CHAPTER 4

4 - THE TREASURY SINGLE ACCOUNT SYSTEM

4.1 - REGULATORY FRAMEWORK:

Based on the provisions established in the LAF for the TGN as a Governing Body of the Treasury System, Decree Nº 1545/94 defines the set up and operation of the Treasury Single Account System (CUT for its acronym in Spanish), together with complementary rules detailed in the annex. The aim of this system is to promote:

- an intelligent and transparent management of available funds, from different sources of public income, current or credit, or of any other nature, within the National Administration, observing principles of effectiveness, efficiency, viability and transparency, and
- an adequate and timely registry of income and payments resulting from financial management, individualizing resources from the different jurisdictions and entities of the National Administration in the TGN; an optimal management of financial programming, including assets and liabilities, with the purpose of providing information that will help in the decision making process and improve its evolution, perfecting those instruments that will enable the integration of processes for cash programming and budget execution.

4.2 - CONCEPTUAL MODEL:

The CUT model is based fundamentally on maintaining a single current bank account established in the BNA, operated exclusively by the TGN.

All of the resources intended for the National Treasury are channeled into this account. The CUT also receives funds belonging to entities or related with specific or budgetary fund or program, external credits, donations or third-party funds. Entities that are not part of the CUT due to valid regulations are excluded.

The CUT will also be used to pay obligations contracted by the SAFs within the National Public Administration (APN), within the framework of budgetary program execution.

Entities may also have a bank account to cover small amounts for expenses associated mainly with revolving funds.

The implementation of the CUT as an operative instrument in APN entities has become an essential tool for a modern and safe management of public funds, reducing the use of onerous financial mechanisms by the TGN.

4.3 - INCOME AND RESOURCE RAISING PROCESS:

In order to channel the resources from the entities that make up the CUT, the use of a *collecting account* was defined, which will be used for each collection concept (own resources, specific allocation, donations, external credit, third-party resources, National Treasury resources) and will be related to a source of financing.

The collecting accounts will be current accounts, established exclusively in the *Plaza de Mayo* branch of the BNA; they will not provide checkbooks and will transfer the collected balance to the CUT on a daily basis after the closing of bank operations. This will be, except for certain special cases, the only debit in the collecting account.

In order to carry out the bank reconciliation process of the CUT, the BNA will supply the TGN with information regarding these transfers through bank extracts from the collecting accounts and the CUT.

4.4 - OPERATION OF THE TREASURY SINGLE ACCOUNT SYSTEM:

The account operates under a registered accounts mechanism. These accounts are held by the SAFs and are similar to regular bank accounts. They are operated within the TGN, which will act as a bank, having a direct relationship with the APN entities.

These *registered accounts* are sub-accounts within the CUT through which the financial availabilities belonging to the different entities are maintained individualized. These accounts are updated simultaneously when the different financial transactions made by the SAF are registered in the system, including the TGN itself. The consolidation of all these registered accounts make up the CUT balance.

In order to keep a clear record of the resources transferred for each collecting account, each one must have an associated registered account, with the exception of the tax collecting accounts belonging to the *Administración Federal de Ingresos Públicos* (Public Revenue Federal Administration, AFIP), because of the percentage that goes to the National Treasury, and other General Income accounts, which together reflect the income into the Treasury's registered account.

The account number of all registered accounts associated with a bank collecting account will be the same as the one assigned by the financial entity plus the bank and branch ID. For example, if the bank account number is 1234/56, the associated registered account will be 11-85-1234/56, where:

11 represents the BNA.

85 represents the Plaza de Mayo branch.

1234/56 is the account number assigned by the financial entity.

Additionally to these *registered accounts originated in bank collecting accounts*, there is another group of special registered accounts which are the result of income from figurative expenses.

Figurative expenses refer to contributions between APN Entities established in each year's Budget Law, and which constitute an expense for the paying entity and a resource for the recipient, and which do not involve movement of funds between bank accounts.

For this reason, when an organization receives income originated in a figurative expense, they will use a specifically designed *nominal registered account* which will have a special identification represented as 999 9 SAF FF/00, where

999 identifies that this account is not established in a bank institution,

9 identifies this is a nominal registered account

SAF identifies the number of the Financial Administration Service receiving the figurative expense, and

FF identifies the source of financing.

In summary, registered accounts may be originated in:

1) a bank account, in which case this will be called a *bank registered account*, or

2) a resource for a figurative expense, in which case this will be called a *nominal registered account*

For each registered account within the System, the CUT will generate an extract, similar to those usually provided by banks, which will reflect in detail each one of the financial operations and their respective balances (see model in item 4.4.1.5).

4.4.1 - CONTROL ELEMENTS IN THE TREASURY SINGLE ACCOUNT SYSTEM:

4.4.1.1 - OPERATION ACCOUNTS:

Within the CUT System, other types of accounts have been developed, different from the financial type. They are called Operation accounts and constitute mechanisms through which the fund availability of the SAFs is controlled, crediting and/or debiting according to the transactions made.

Operation accounts are organized with a level of detail necessary for identifying the holder of the SAF and allowing a more thorough control of balances, based on source of financing or type of expense, for example.

There are different operation accounts depending on the process to control, with balance equations which are essential to maintaining the integrity and consistency of the CUT system. These equations are permanently controlled specially designed auditors:

The catalog of operation accounts includes:

Code	Description
220	Accrual Control. This account calculates the balance to be accrued with a registered account in those organizations of the Central Administration which cannot yet operate in the SLU System.
230	Automatic Debits. This account registers debit operations in the bank extract, for expenses that occur outside the single account framework, for example banking expenses, garnishments, etc.
320	Fixed Payment Quota. This allows to draw on the Treasury Single Account. They are programmed and established based on the availability in the registered account where the payment will be made. They are also fixed based on the type of expense.
321	This operation account reflects the reserve of deduction quotas.
511	Availability to program. This operation account represents the possibility of assigning a payment quota in each registered account, which will be updated with the transfer of collected resources, identified in the registered account, establishing payment quotas based on the payment schedule presented by each body.
530	Registered accounts. They report the financial balance of each registered account and the movements are perfectly identified, generating extracts for each registered account held by the bodies.
640	Reflects all transfers between the different bodies that make up the Treasury Single Account.
710	This account represents the Treasury Single Account.
810	This account reflects Treasury Single Account income that for some reason, at the moment of transfer, could not be identified. After the pertaining identification activities, it redirects the income to the corresponding registered account.

The balance equations within the CUT, for operation accounts, are given by the following values:

Single Account Balance	=	∑ registered accounts balance	+	Unidentified Income

710=530+ 810

∑ registered accounts balances	=	∑ available balances to program the payment quota	+	assigned payment quota	+	Reserve of withholding quotas

530= 511+ 320+321

4.4.1.2 - TABLE OF EVENTS:

Each transaction in the system with an impact on the CUT is associated to one or more events.

Each event is responsible for triggering these impacts -both credits and debits- on operation accounts, to reflect the executed transaction maintaining the balance equations.

Within the Integrated Financial Information System there is access to this information, so as to reconstruct each impact on operation accounts. This is of vital importance when analyzing possible deviations.

4.4.1.3 - SINGLE ACCOUNT AUDITOR AND REGISTERED ACCOUNTS EXTRACT:

The TGN, in its role as administrator of the CUT, conducts a daily auditing procedure on registered accounts, which involves controlling at a certain moment the CUT balance as registered in the bank book, with the summary of all registered account balances and the bank extract.

Regarding the registered account extracts, the account holder will control that the resources transferred by the collecting accounts established in the BNA to the CUT are correctly reflected in the corresponding registered accounts, as well as authorized payments and appropriate back up registry forms for each transaction.

4.4.1.4 - EXTRACT MODEL FOR REGISTERED ACCOUNTS GENERATED BY A BODY OPERATING WITH AN SLU:

User

EXTRACT CONSULT

Service
Operation Account: 530 Registered Account Registered Account
Period from to Source of Financing
Initial Balance

Mov.	Date	Credit	Debit	Accumulated Balance	Receipt					Original Certificate				
					Year.	Type	N°.	SAF n°	SAF	Year	Type	N°	SAF n°	SAF

Final Balance

Receipt Field

Type

EXT Linked to the transfer of the total amount collected in the collecting account
F80 Shows the F80 with which the SAF makes payment for a certain form
C55 Shows the c55 number it is reversing
GIR The Bank Order number and the SAF number of the OP issuing organization

Original receipt Field

Type

Indicate the associated form (C41, C42 o C43, C10)

4.4.1.5 - EXTRACT MODEL FOR REGISTERED ACCOUNTS FROM CENTRAL SIDIF:

530 Registered Account

Registered Account

Period
from to Source of Financing
Initial Balance Accumulated Balance Type Year.

Registered Account	Period	from	to	N°. SAF n°	Source of Financing					Initial Balance				
					SAF	Year	Type	N°	SAF n°	SAF	Final Balance	Receipt	Type Field	EXT

Linked to the transfer of the total amount collected in the collecting account

F80

Shows the F80 with which the SAF makes payment for a certain form

C55 Shows the c55 number it is reversing
GIR The Bank Order number and the SAF number of the OP issuing organization
Original receipt Type Field
Indicate the associated form (C41, C42 o C43, C10) Receipt
Original Certificate Debit
Credit Date

Mov.

User

Extract consultation Service
Operation Account: 530 Registered account

There is a table with the codes from registered accounts extracts and detailed list of transactions. These tables are developed for operation account 530, in order to follow up on financial operations, and for accounts 320 and 321, which will display the transactions referred to fixed and used payment quotas.

The code table is associated with the different events, to control the different transactions occurring within the CUT.

Extract code transaction	Description
AJPG	Payment adjustment
ANCH	Check printing annulment
ANNT	Note of payment printing annulment
ANPG	Payment Annulment
ANRF	Figurative Payment Resource Annulment
ANSE	Payment Selection Annulment
ANTR	Transfer Payment Resource Annulment
AUTO	Automatic Debit
DCHR	Rejected Check Debit
DCRB	Quota Return for Bank rejection
DEPG	Reversal of payment
DLOT	Batch Disaggregation
DREC	Reversal/Rectification of Income.
FJCR	Deduction payment quota
FJCU	Quota fixation
NIDT	Unidentified income
NULO	Null
PAGO	Payment made through single account
PGTR	Payment by wire transfer
PRCU	Quota programming
RECH	Payment rejection
RECT	Income rectification
RETR	Resource for payment between SAF CUT
RFIG	Resource for figurative expenses
SELE	Payment Selection
SELR	Withholding Selection
SEXT	Extraordinary selection
TRAN	Income from transfer

4.5 - PROCEDURE TO INCLUDE BANK INSTITUTIONS INTO THE SINGLE TREASURY ACCOUNT:

The interested bank must submit a note addressed to the TGN, requesting to become a payment agent of the CUT system, observing the conditions established for this procedure by Resolution SH Nº 219/2011.

The Technical Direction of the TGN receives the request, verifies and evaluates the data and documentation provided by the bank entity.

- Name of the bank,

- Entity number according to the BCRA,
- CUIT (Tax ID) number;
- List of branches,
- Structure of the accounts,
- Structure and examples of conformation of CBU (Single Bank Code),
- Commitment to include a "univocal reference" for each operation in the bank extract.

If the requesting entity does not fully provide the information requested by the above mentioned Resolution, they will be compelled to do so until the necessary information has been covered to include them in the CUT.

If the requesting bank is already registered in the *Padrón Único de Entes del e-SIDIF* (Single Register of e-SIDIF Entities) (1), the existing data must be checked, verifying that they match the information provided by the entity, updating it when necessary.

Otherwise, the Bank proceeds to register the Bank Entity in the e-SIDIF, entering the branch information and completing all the data requested by the system.

If the financial entity reports a list of branches with an identification code different from the one found in the CBU block 1, a register is made for each one of the conversion relationships, in a table designed specifically for this purpose in the e-SIDIF, entering the branch number of the account as an origin number and the equivalent code used to identify the CBU as a destination number.

Once the verification and update instance is completed for the Bank Entity in the e-SIDIF, a date is set for the bank to begin operating within the CUT, creating a *Circular* (norm) for the General treasurer to sign, communicating to the SAFs the inclusion of this bank as authorized entity to operate as payment agent of the National Treasury. This norm must be published in the TGN website.

(1) Includes physical and juridical persons including Clients, Beneficiaries and Banks who intervene in State financial administrative management.

Once this TGN norm is published, the CGN is notified of the inclusion of the bank and the date in which it will begin operations, along with any adjustment made on the Entity's register in the e-SIDIF. This document is accompanied by a copy of the request presented by the bank, so that the CGN can issue another norm through which it communicates to Public Entities the structure of the bank accounts of said institution.

Finally, at the start date of operations, the TGN assigns the Bank the status of agent bank within the e-SIDIF, and communicates the inclusion of this bank into the CUT system to the remaining departments of the TGN.

CHAPTER 5

5 – INCOME ADMINISTRATION

5.1 –INTRODUCTION:

The State could not function without an efficient administration to raise and obtain the necessary resources and distribute them adequately, following public policies and with public interest as its ultimate goal. With no resources, there is no payment execution.

The adequate recording of resources, in a timely manner, allows the execution of credits established in each year's Budget Law, observing principles of effectiveness, efficiency and viability.

The TGN has the responsibility, as a financial management entity, to offer the citizenship a transparent management of public operations, with a participative role in the definition of policies to be followed within the framework of the Public Sector, as well as with the development of new processes designed to adapt to technological advances.

The great challenge to achieve excellence is to further develop collection mechanisms by using different channels, allowing the inflow of funds in favor of the National Public Administration. It also involves redesigning new IT systems based on the needs of each jurisdiction, issuing norms and procedures for their compliance, moving forward towards one sole purpose: the constant improvement of the financial management system.

5.2 - REGULATORY FRAMEWORK:

The LAF includes all the systems, organizations, regulations and administrative procedures that help obtain public resources and apply them in line with the State's objectives. This Law shall be the reference framework in this section, as well as Regulatory Decree Nº 1344/07.

Pursuant to Article 4 of the LAF, one of the financial administration goals is to establish an adequate system to record information and resources, specifying the methodology to be applied for their classification, using Budget Classifiers and Treasury Auxiliaries.

On the other hand, article 32 of the LAF establishes that the jurisdictions and entities included in this Law must record the budget execution activities. They must at least have a record of settlements and the precise moment when the resources are accrued and/or effectively collected. The accrual of resources occurs when, because of a legal provision, a right of payment is established in favor of the jurisdictions or entities of the National Administration and simultaneously, a payment obligation by physical or juridical persons, both private or public.

This right to receive payment can result from taxes, interest rates, sale of goods and services, royalties, rental of real estate and advances. This generates the need to record this transaction in the Budgetary and Accounting Register of Resources. For these cases, the different SAFs enter a form into the SIDIF called Accrual "Resource Report".

On the other hand, the perception or collection of the resources takes place when the resulting funds enter or become available for the SAF, National Treasury, one of its agents or any other official authorized to receive them.

When a collection right is paid off via Cash, Bank, Securities or Letters, Deferred Payment Checks, Documents, Credit Cards, Goods, Credit or Debit Compensation, then a budgetary and accounting record must be made for the *percibido* (cash basis) of the resource.

There are operations, such as ***tax collection***, that are entered using a "Resource Report" form that simultaneously reflects the *Accrual and Cash Basis*.

In this sense, article 21 of this Law establishes that for the central administration, the resources of the fiscal year are the following: funds expected to be collected during said period in any organization, office or agency authorized to perceive them; financing resulting from donations and public credit operations, representing or not cash inflow into the Treasury; and finally, the financial excess from previous fiscal years, deemed existing at the closing date of the previous fiscal year. The budget will not include those resources and amounts corresponding to the national tax co-participation system, corresponding to provincial jurisdictions.

On the other hand, article 22 determines that the mechanism used by Decentralized Bodies to determine the resources to be collected must be the same as the one established for the Central Administration.

Article 13 of the LAF establishes certain Budget Classifiers which determine the different types of income and financing sources, specific enough for identification purposes.

Public Credit operations include as resources those operations resulting from the issuance and placement of securities, bonds, short and middle term obligations, and issuance of Treasury Bills with a maturity date later than the closing of the fiscal year.

Another resource included as part of the budget are figurative contributions from figurative expenses accrued by the National Administration, even when perceived after the closing of the fiscal year. This is regulated in article 41 of the Annex to Decree Nº 1344/07.

This article also establishes that any remaining amounts will be entered into the TGN unless otherwise indicated by a specific law.

Certain funds come from special regulations or procedures which have to do with the collection management of each Organization, including the National Treasury.

On the other hand, article 73 establishes that the TGN will be the Governing Body (OR) of the Treasury System, and as such will coordinate all units and services of the Treasury operating in the National Public Sector. The TGN will be in charge, among other things, of centralizing the collection process of Central Administration resources and managing the CUT system.

5.3 - CONCEPTUAL MODEL:

5.3.1 - GENERAL CONSIDERATIONS:

The approval of the LAF led to a more efficient and modern public administration, providing reliable information to the citizen and achieving more transparency in the management of public resources, through an electronic system called SIDIF, designed by the SH.

All records of budgetary resources and their impact on general accounting is done through the SIDIF.

The information obtained in this System enables financial forecasting, and estimations of debt capacity, compliance with obligations of the National Public Sector, etc., in full compliance with government plans.

5.3.2 - IMPORTANCE AND GOALS:

The goal of the Treasury System is the Intelligent Administration of resources made available to it, observing principles of efficiency, effectiveness, viability and transparency, and the adequate and timely registry of income and payments resulting from the financial management of the administration, in order to obtain reliable information useful for the decision making process.

The TGN is responsible for systematically recording all transactions that affect the economic and financial scenario, the automatic bank reconciliation process, impact on General Accounting through the double-entry method, and the CUT System administration.

The Record of operations will generate information on the total Resources, using the Budgetary Resource Classifier and Auxiliary Treasury Codes, with their corresponding Bank Account.

5.3.3 - CHARACTERISTICS:

Resources can result from transactions involving the inflow of funds, a reduction of assets or an increase in liabilities.

All resources belonging to the National Administration are collected directly in current accounts specifically opened for this purpose, through active bank accounts in the BNA and the BCRA.

Based on the received financial flows, all resources from collecting accounts are recorded in the AFIP, the SAFs and the TGN.

There are other operations that do not involve the movement of funds, but that must be reflected in the budgetary and accounting levels as any other economic event. These operations are called "Related Transactions".

The system is initially fed by a database with information included in the General National Budget, approved by the National Congress in the Resource chapter, using Budgetary Classifiers. These organize and present all possible aspects of public transactions, enabling an easier analysis of how public resources are distributed (resources divided by sectors and economic characteristics).

On the other hand, certain extra-budgetary transactions are reflected at a financial and accounting level, but have no impact on the budget.

The procedures used to record these resources will be either automatic or manual, depending on the information mechanisms employed for each one.

5.3.4 - REGISTRY PROCEDURE:

As mentioned previously, all transactions are recorded in the SIDIF. Within this system, there is a sub-system called "Bank reconciliation", through which bank extracts are processed separately from current bank accounts, active in the BNA or the BCRA.

Chapter 9, entitled *"The Bank Reconciliation Process"*, describes its functioning and impact, distinguishing specific aspects in Item 9.8 for the recording of resources and expenses resulting from the bank reconciliation process in the Unified Local System, exclusively for SAFs.

Once the "Bank Reconciliation" process ends for active bank accounts in the BNA, this sub-system automatically generates the financial, accounting and budgetary impact by issuing a form called "Resource Report". Below is a list of each one of those impacts:

- Financial: has an impact on the CUT System and in bank accounts active in the BCRA.
- Accounting: generates a record in the Book Bank (auxiliary of General Accounting) used in the TGN.
- Budgetary: recorded as allocated resource in the National Budget.

Likewise, the TGN issues manual resource forms, when the income is perceived directly from different sources. This income is deposited in the collecting account specifically authorized for this purpose.

All bank accounts authorized by the BCRA must also be processed through the mentioned sub-system, except that these resources are usually recorded manually by the user in charge by issuing a form called "Resource Report".

It must be noted that bank accounts active in this Institution are not included in the CUT System. Regardless of this, the issuance of these forms creates the same impacts as mentioned above.

This information will be useful to understand the functioning of the TGN, and to make the necessary decisions.

- Cash availability.
- Payment schedule.
- Credit and Market operations.
- Advances to the provinces.
- Use of the FUCO.
- Resource forecasting.

5.3.5 - RESOURCE REPORT:

The "Resource Report" form is the document that records resources in the SIDIF, both for the National Treasury and National Administration Bodies.

This form simultaneously records the Accrual and Cash Basis stages of the resource, except for Organizations currently operating with the *SIDIF LOCAL UNIFICADO* (Unified Local SIDIF, SLU). These may be recorded separately or simultaneously.

5.3.5.1- TYPES OF ESTABLISHED FORMS:

- Collection: Issued to record the collection of funds.
- Regularization: Used to record external disbursements and/or Related Operations. There is no movement of funds, and it only reflects on the accounting and budgetary levels.
- Correction: This type of form is applied to modify the budgetary or extra-budgetary allocation of the already existing resource record.
- Reversal: When a previously recorded resource has to be reduced totally or partially.

- Change in the payment method: Used when a change must be made to the method of perception originally used when the operation was originally recorded.
- Daily Form: Issued by Organizations not included in the CUT System, presenting their collected funds.

5.3.5.2-INCOME AND COLLECTION METHODS:

Resource raising methods are the means used to make the payment. The National Treasury has the following methods:

- Bank: reports that the payment has been made via cash, check, transfer, CUT payments, Internet Payments.
- Securities: income from Securities or Letters.
- Related Operations: used to record income forms with no movement of funds.

For National Administration Entities, on the other hand, other methods are added to the ones mentioned above:

- Collection by bank teller
- Cash collection (SAF Teller): cash, check, documents, credit card, securities, etc.
- Compensation payment
- Transfer payment - for payments between Entities within the CUT-

Some of the collection channels are: Bank (Teller), Automatic Teller Machines, Jurisdictional Treasuries (Tellers), Home Banking (through the internet).

5.3.5.3–INCOME RECTIFICATION:

This procedure allows the SAFs in charge of recording income to correct any type of error in the original allocation of this income, by rectifying the original income record form.

In order to do so, the SAF in charge of rectifying the income record must ask the TGN to issue and record a form in the SIDIF called "Resource Report", of the RECTIFICATION type, presenting the information correcting the mentioned error as well as the original incorrect form that needs rectification.

The basic effect of this procedure in the CUT system is to transfer funds entered incorrectly from one Registered Account to the other. As a result, the involved SAFs must operate within this system.

When this "Resource Report" form is entered, the process automatically generates a form called "Reversal" for the original SAF and the debit entry in the CUT, obtained from the data recovered in the original form; a "Collection" form is generated for the target SAF, which in turn generates a credit entry in the CUT, with information obtained from this form.

The reversal of this Collection Rectification form generates the records of the pertaining counter-entries in accounting and in the Book Bank.

The rectification of income takes place when none of the involved SAFs operates with the SLU system.

When one or both organizations operate with the SLU system, the procedure will be the one indicated in ANNEX 3 of the Joint Provision Nº 7 TGN and Nº 30 CGN of the year 2004, mentioned in item 5.4.2.

5.4 - NATIONAL TREASURY INCOME

5.4.1 –INTRODUCTION:

The National Treasury has bank accounts in the BNA and the BCRA, both in local and foreign currency.

All operations related with this OR are concentrated in these accounts: tax income from the Federal Tax Co-Participation Program (Law Nº 23458) and modifications, customs collections, general income, figurative contributions, foreign loans, placement of securities, other operations related with Public Debt, loan recovery, fixed-term deposits, funds from earnings originated in the BCRA, temporary advances, transfer of reserves, etc.

As regards those accounts active in the BCRA, the funds are credited according to specific instructions established by the TGN, the SH, and the Department of Finances, for Public Credit operations.

As for BNA accounts, although there may be specific instructions, the funds mostly come from the Federal Tax Co-Participation Program and from customs enforcement. Additionally, the National Treasury has its own collecting account, the methodology of which is detailed below.

The sources used to record TN resources are:

- *National Treasury (Source 11):* Financing from general income resources. These resources have free availability and no return charge.

- *Internal Credit (Source 15)*: Source of financing from credit use; these may be in the form of debt securities, liabilities with service providers and loans obtained in the internal market.
- *External Credit (Source 22)*: These are loans granted by Foreign Governments, International Organizations and Financial Entities. They also include the placement of Bills and Securities.

5.4.2 - PROCEDURE FOR THE CREDITING OF FUNDS:

In order to comply with all obligations that have the National Treasury as a beneficiary, there is a specific procedure as regards those entities referred to in article 8 of the LAF. However, if other entities (banks, provinces, etc) need to pay an obligation that is not through the Entities management, they may use the same methodology.

In this regard, Entities and Jurisdictions of the National Administration entering funds in favor of the National Treasury must do it only in Current Account Nº 2510/46 - TN Collecting account - active in the BNA central headquarters.

The crediting of these funds in the account can be done through the following methods:

- Deposit slip
- Payments from Organizations to the TN within the CUT framework
- Bank Transfer
- Via Internet

Cash or check deposits into the TN bank account must be made exclusively through the *Boleta Única de Ingreso* (Single Income Slip, BUDI), generated in the TGN through their own system.

All deposits made by National Administration Entities into Account 2510/46 which turn out to be incorrect will adjust to the procedure of *Devolución de Fondos de Terceros erróneamente acreditados en la Cuenta Única del Tesoro* (Return of Third Party Funds Incorrectly Credited to the Treasury Single Account), Joint Provision Nº 7/04 OF THE GENERAL NATIONAL TREASURY AND Nº 30/04 OF THE NATIONAL ACCOUNTING DEPARTMENT dated 9/23/04.

On the other hand, in case of non-compliance with the necessary requirements for the normalization of the accounting records in the TGN account, Resolution SH Nº226/95, dated 11/17/1995, and addendums will be applied. (*These norms establish that the National Accounting Department and the National Treasury, upon request by the Governing Bodies of the Financial Administration, will not execute or select payment orders, as applicable, from those organizations within the National Administration that do not fully comply with the information requested by these entities).*

5.4.3 - TYPES OF INCOME:

Below is a detailed list of the income received by the National Treasury, listed based on the Resource Budgetary Classifier for better understanding. Many of the types of income mentioned in items 5.4.3.2 and 5.4.3.3 are described in Chapters 3 and 6 of this document.

5.4.3.1 - TAX INCOME:

National Treasury resources are collected directly in current accounts specifically opened for this purpose, that the Tax Authority (AFIP) keeps in the BNA.

Tax Collecting accounts receive tax money and can only be debited by the distribution of the Federal Tax Co-Participation Program, following instructions from the collecting entity or by automatic transfer to the CUT.

As regards the Federal Tax Co-Participation Program, the National Treasury receives only the part corresponding to Law nº 23548, "Federal Tax Co-Participation Program".

As regards customs enforcement, the procedure is identical to tax collecting accounts.

All of these resources are registered in source of financing 11, "National Treasury".

Below is a list of resources corresponding to the National Treasury:

- Collection from all existing or future national taxes (Law nº 23458).
- Import and export rights established in article 4 of the National Constitution.
- National taxes and contributions with specific allocations, for example: collection from bank account credit or debit taxes - Law nº 25413.

As a financial agent of the National Treasury, the BNA perceives no retribution whatsoever for the distribution services provided, pursuant to Law nº 23548.

5.4.3.2 - NON-TAX INCOME:

These are funds from non-tax sources, and are under Section 12 of the budgetary resource Classifier. Below are the types of income perceived by the National Treasury:

- **Fees:** These are funds paid to the National State for the provision of public services such as control actions, authorizations, certifications, etc.
- **Rights:** Income perceived for the temporary transfer of the National State's original rights, regarding commercial, regulatory or anti-trust activities, or for the usufruct of tangible or intangible goods.
- **Rentals**: Resources generated from the rental and use of State goods, not used in ordinary activities.
- **Fines:** Funds from different types of fines are deposited into the National Treasury Account, usually enforced by Entities in the event of contract breach or non-compliance with valid regulations.
- **Tenders**: this refers to the sale of a contractual document establishing the terms and conditions of a call for tender of goods and services by the National State.
- **BCRA and BNA contributions**: The Budget Law defines annually the contributions these entities must make to the national Treasury.
- **Legal Proceedings:** This resource results from a favorable sentence granted to the National State during legal proceedings.
- **Charges:** These funds enter periodically as a result of Concessions granted to different Entities, for the exploitation of a physical space or for the provision of a service exclusively for the State.

5.4.3.3 - OTHER INCOME:

These are other types of income that are listed under other categories because of their characteristics.

5.4.3.3.1 - LOCAL CURRENCY INCOME:

Sale of Goods and Services:

- **Goods and Services**: A resource is recorded for a service provided, such as periodical information on navigation access through canals or ports, technical verifications on measuring systems in commercial transactions (newsletters, booklets), etc.

Property rental:

- **Loan Interests:** These resources result from recovering loans granted to third parties, for which a pre-established interest is perceived representing a certain percentage over the repayment of these credits.
- **Collection of interest services for portfolio bills**: These will be perceived according to the conditions of each bill. Pure earnings are recorded for the rental services.
- **Dividends**: Profitability resulting from stocks held by the National State in different public or private companies.
- **Interests for the immobilization of balances:** All interests resulting from the immobilization of bank account balances, and/or temporary investment of funds from a project financed by financial and non-financial international organizations are entered into the National treasury, pursuant to Resolution SH 396/06.
- **Other interests:** The Treasury perceives interests from operations regarding the management of financial surplus.

Current transfers:

- **Return of funds by Provinces**: This is used to record funds returned by the Provinces for on-lending, to pay for interests paid to foreign entities by the TN as direct debt on their behalf.

Own capital resources:

- **Sale of goods:** Resources from the sale of fixed assets (lands and plots, buildings, facilities, machinery and equipment) and intangible assets belonging to the National State.

Sale of Securities:

- **Sale or Service charge for securities in the TN portfolio**: The decrease of an asset is recorded when funds coming from repayment coupons of portfolio securities are entered, and when said securities are sold.

Sale of stocks:

- These resources include the decrease of an asset to reflect the selling of stock held by the National State in its portfolio.

Recovery of long-term loans:

- **PPP (Participated Property Program):** A decrease in Credit is recorded as a result of a third-party debt pay-off for the purchase of State-owned Companies subject to privatization (See Item 6.2.6.1).

Decrease in other financial assets:

- **Direct Debt:** A decrease in Credit is recorded as a result of the recovery of an *on-lending* granted by the State to public organizations or the provinces, resulting from an original loan granted by an International Credit Organization, with a specific purpose (See item 6.2.3 and 6.3.3).

- **Financial Assistance Programs**: a decrease in Credit is recorded every time a fund from the provinces is recovered because of this Program (See item 6.3.2).

- **Financial advances**: Financial Advances are granted to the Provinces with a short-term return period and are recorded on an extra-budgetary level. A decrease in Credit is recorded when these funds are recovered.

- **Collections from Residual Companies**: The TGN will assume the liability of Residual Companies and will perceive future collection rights after these companies are liquidated. The resulting income is recorded in the TN Collecting Account (See item 6.2.5).

Figurative contributions:

- **Contributions and residuals:** In order to comply with the Figurative Contribution, the SAF must issue a Figurative Expense Payment Order in favor of the National Treasury, crediting the funds into the TGN collecting account. The TGN shall issue a *Resource Report*. Figurative Contributions are Residuals and Contributions in favor of the National Treasury, originated in National Administration Entities. This process is detailed in items 6.2.1 and 6.2.2.

Return of funds:

- **Return of wages:** Mostly from the return of payments of a Treasury Payment Order. The most frequent cause for the Return of Wages is an adjustment in the disbursement of salaries. They are recorded as a decrease in an expense or a resource within the fiscal year (when the returned payment corresponds to previous fiscal years).
- **Ministry of Labor Programs**: Certain returns come from Social Planning Programs developed by the Ministry of Work and Ministry of Social Development. The reasons may be the return of a surplus or an adjustment caused by the closing of the beneficiary's account. This may be recorded as a decrease in an expense or a resource within the fiscal year.
- **Trial-related funds**: These funds enter into the TN for different types of services provided by the National Direction of Legal Affairs, such as return of Complaint Resources, adjustment of fees, etc. They are recorded as return of payments or as TN resources.

Other concepts:

- **Indirect debt:** When the Collateral or Warranty is presented by the State before International Organizations, in favor of Provinces or State Organizations, the National Treasury proceeds to recover the funds in question during the fiscal year in course, recording a decrease in extra-budgetary assets (See item 6.2.3 and 6.3.3).

Revolving Funds: These resources results from an SAF that receives a reduction in the assigned value of a Revolving Fund, Source 11, due to an Administrative Decision. Also, when a Revolving Fund from this source is eliminated, then the funds are deposited into the National Treasury (See item 6.2.4).

5.4.3.3.2 - FOREIGN CURRENCY INCOME:

Includes the income that enters TN accounts in foreign currency. These accounts are active in the BCRA but these funds could be in accounts in pesos in the BCRA as well.

Property rental:

- **BCRA earnings**: The BCRA earnings that are not capitalized or applied in reserve funds, pursuant to article 38 of the BCRA Organic Charter, are recorded as a National Government Account resource.
- **Rental Coupons Collection for TN Portfolio Bills**: These funds enter as rental coupon resources, perceived for holding private or public securities in the Treasury's portfolio.

Sale of securities:

- **Repayment Coupon Collection for TN Portfolio Securities**: These repayment coupons are perceived for having private or public securities in the Treasury's Portfolio, recording a decrease in assets.
- **Operations with Portfolio Securities (Transfer Operations)**: They are the result of Present Sale and Future Purchase operations for financial instruments in the Treasury's portfolio. In the case of sales, the decrease in assets is recorded and later increased at the time of repurchase. When the purchase and sales operation occurs in

the same fiscal year, it will be recorded as extra-budgetary. The detailed explanation of this operation can be found in item 3.2.1.2.

Public Debt:

Public Securities and Treasury Bills: These funds entre the National Treasury as a result of the placement of financial instruments (Public securities, Long-term Treasury Bills), according to certain conditions established with their issuance. A liability is recorded, including a specific SIGADE code provided by the National Public Debt Direction, based on long-term debt.

Borrowing:

- **Foreign loans:** These loans are granted to those countries that belong to International Credit Organizations, and are received for specific purposes. These organizations include: the IDB, IBRD, CAF, etc. A liability is recorded as Public Debt, with a specific SIGADE code.

Increase in other liabilities:

- **BCRA Temporary Advances**: These advances, established in article 11 of Law nº 26739, are recorded as a Public Debt Liability, with a specific SIGADE code. If the Treasury pays off this advance within the financial year, it will be an extra-budgetary record. This operation is explained in detail in item 3.2.1.3.

Other concepts:

- **Short-term Treasury Bills:** Established in article 82 of the LAF, their purpose is to cover for seasonal cash shortages within the fiscal year. These operations are recorded as extra-budgetary. For more information, please review item 3.2.1.1.

5.4.4 - ACCOUNTING AND/OR BUDGETARY REGULARIZATION OPERATIONS

Certain operations do not involve the movement of funds. However, they must be recorded for a correct budgetary and accounting display. They are recorded through Entries involving resource and expense forms, which are regularized through the SAF that determines the type of operation. These transactions include:

- **Refinancing agreements with Provinces**: this process is done through the Sub-Secretariat of Provincial Relations, and involves provincial debt refinancing agreements to provide financial relief to these provinces. The Asset is reclassified under the new conditions.
- **Currency exchange differences**: at the closing of the fiscal year, there will be a difference in the currency exchange as a result of the fluctuation of foreign currency of assets belonging to the TN.

5.5 - INCOME OF CENTRAL ADMINISTRATION AND DECENTRALIZED BODIES

This section describes the general characteristics of operative processes carried out in the units and services of the Treasury, within the scope of the National Administration. The description of the mentioned processes is based on the functional model guidelines defined by the ORs of the Financial Administration Integrated System for the development of a Unified Local System (SLU).

The main goal of the Resource module in the Treasury System is to establish the procedures used to survey and record all of the resources that enter into the organizations, with the appropriate delimitation of roles and levels of responsibility assigned for their functioning.

This procedure also records all transactions that result in the stages of accrual and reception of resources with which the Entities are financed, by issuing the "Resource Report" forms.

After the implementation of this decentralized record system, the Bank reconciliation sub-system of the SIDIF will no longer generate the global record of resources corresponding to the Entities. It will only reflect the transfer of available resources to the CUT by updating the corresponding nominal registered account balances.

The Resource sub-system is integrated into the Accounting sub-system on a double basis through a relationship matrix that records budgetary and accounting transactions simultaneously.

Additionally, the sub-system provides the possibility of recording income with no budgetary impact, for example, for third-party funds.

Below are some of the roles defined for the SLU in terms of resources:

For the Central Administration: it records the accrual and cash-basis of the resource simultaneously or separately, generating an impact on the budgetary execution and the SIDIF Accounting record.

For Decentralized Bodies: it records the accrual and cash-basis of the resource simultaneously or separately, generating an accounting record in the Decentralized Body and the budgetary execution in the SIDIF.

5.5.1 - RESOURCES WITH SPECIFIC ALLOCATION AND OWN RESOURCES:

The Treasury's own resources, together with specific allocation and third party resources, are all collected directly in specific current accounts called "collecting accounts" that the SAFs, which hold these funds, have in the BNA.

The "own resources" refer to the income perceived by the Decentralized Bodies, Social Security Institutions and State-owned Companies and Societies, resulting from tax and social security collection, sale of goods and services, property rental, sale of assets, fees, rights, royalties, and funds originated as variations of the different types of financial assets.

The resources with a 'specific allocation" are used to finance institutions, programs and specific activities within the central Administration.

"Third party funds" are funds in cash or securities that belong to third parties different from the National State but are placed under its custody or at their disposal, with the purpose of ensuring the compliance with previously agreed upon conditions or time frames. If these conditions are not met, the funds will be lost in favor of the Treasury. Otherwise, they will be returned to the third party.

Collecting accounts, although held by the SAFs, can only be opened with the express authorization of the TGN and by definition of the system, and must relate to a source of financing and a budgetary or non-budgetary allocation in the case of third-party funds.

These accounts cannot be debited for any reason, except for the transfer to the CUT which is automatically generated by the BNA.

In the case of own resources or allocated resources, the cash basis is considered with and without previous accrual. For this purpose, a central record of Clients is made available for Organizations to have a systematical record of accounts payable.

5.5.2 - FIGURATIVE CONTRIBUTIONS:

By definition, Figurative Expenses refer to transfers between National Administration Organizations, with a transferor SAF -the one transferring the funds- and the recipient SAF -receiving these funds.

In the case figurative contributions, the record will reflect a request for figurative contributions for the SAFs receiving said contributions. This allows a record of the accrual of the figurative resource based on the acceptance of the request by the transferor SAF. This new system allows the Organizations to accrue the expenses that will be financed with the contributions based on the accrual of the corresponding resource.

Generic procedure to record Contributions and Figurative Expenses.

- The recipient SAF sends a Figurative Contribution request to the transferor SAF.

- The transferor SAF accrues the Figurative expense in favor of the recipient SAF.

- The TGN and/or the Jurisdictional Treasuries pay the Order of Payment issued for this purpose, in favor of the registered and/or bank account (depending on whether it operates in the CUT system or not) in the beneficiary Entity.

-The SAF receiving the funds shall issue the "Resource report" pertaining to the Figurative Contribution record.

CHAPTER 6

6 - COLLECTION MANAGEMENT

6.1 - INTRODUCTION:

Regulatory decree Nº 1344/2007 of the LAF defines the collection management system within the TGN of all non-tax resources and credit in favor of the National Treasury, as established in the respective administrative acts.

The development of collection activities and strategies is in charge of the Collection Management Direction, and its scope is the National, Provincial Public Sector and the private sector, as further explained below.

The information on resources, credit recovery, financial advances to provinces and any income collection that the National Treasury must manage, are all part of the cash budgets developed for Financial Programming.

Additionally, the Treasury collecting account, as part of the CUT, is where all resources and recoveries resulting from this activity are channeled.

Finally, the Direction uses an application developed by the Information Systems Coordination, in which all the information on managed obligations is centralized.

6.2 - NATIONAL PUBLIC SECTOR:

6.2.1 - CONTRIBUTIONS TO THE NATIONAL TREASURY:

6.2.1.1 – CONCEPT:

Contributions to the National Treasury are understood as those made by Jurisdictions and Entities of the National Public Sector to the National Treasury, from earnings obtained during their administration, and in order to finance the deficit of other jurisdictions in this sector pursuant to article 70 of Permanent Complementary Budget Law nº 11672 (t.o. 2005).

6.2.1.2 - COLLECTION MANAGEMENT PROCESS:

Every fiscal year, the Budget Law determines the Jurisdictions and Entities of the Public Sector that must make contributions to the National treasury. The distributive Administrative Decision establishes the conditions that must be observed for its compliance.

Also, other Contributions to the National Treasury may arise during the fiscal year, when the Budget Law anticipates that a percentage of the extension of budget credits financed with an increase in resources must enter the Treasury.

These regulations are published in the *Boletín Oficial* (Official Gazette) and notified to the Collection Management Direction by the ONP.

Afterwards, the Collection Management Direction notifies the appropriate Organizations about the conditions and maturities that they must follow.

For Jurisdictions and Entities within the National Public Sector to enter the corresponding sums, the must have the budgetary expense quota for commitment and obligations, and the respective payment quota.

When Entities do not have enough resources to comply with the payment, or when there is a valid reason for not doing so, they may ask the Collection Management Direction for an extension on the established maturity dates. This request is submitted to the ONP, which, if applicable, will grant and make a modification of the original schedule to enter the contributions and amounts in question.

The result of said action is reported by the mentioned National Office to the Collection Management Direction, which in turn notifies the Entity.

When the Organization clears the obligation, pursuant to Joint Provision Nº 23/99 of the National Accounting Office and Nº 12/99 of the TGN, and/or its modifications, the process of modification request is finalized.

The SH has the authority to seize budgetary credits for the payment of claimed debt and/or bank accounts of those Organizations that, having the resources and budgetary credit, have not complied with their obligation pursuant to article 38 of the Permanent Complementary Budget Law nº 11672 (t.o. 2005).

Upon request, management reports may be drafted indicating compliance with these obligations and collection projections for the requested period.

At the end of the fiscal year, the SH has the authority to condone outstanding debts, as long as the Entity complies with the provisions established in article 32 of the Permanent Complementary Budget Law nº 11672 (t.o. 2005).

6.2.2 - REMAINDERS FROM PRIOR FISCAL YEARS:

6.2.2.1 – CONCEPT:

Remainders from previous fiscal years are the financial excess resulting from a difference between the total income perceived and the total amount of accrued expenses within one fiscal year. Certain organizations are exempt from entering these obligations and they are listed in article 71 of the Permanent Complementary Budget Law nº 11672 (t.o. 2005), or when established by a regulation having the force of law.

6.2.2.2 - COLLECTION MANAGEMENT PROCESS:

Throughout every fiscal year, the Administrative Decision of distribution of the National Administration Budget establishes the obligation of entering any remainder from the previous fiscal year into the National Treasury. This surplus originates in Jurisdictions and Entities under the National Executive Power. This Decision also determines the maturity date for the obligation, allowing the SH to extend this date when justified.

Pursuant to Provision Nº 429/02 of the Sub-Secretariat of Budget, the CGN calculates the surplus and reports it to the ONP in order for the Secretary of the Treasury to transfer said funds to the National Treasury.

The norm regulating the previously mentioned budgetary allocation is reported by the ONP to the Collection Management Direction so that it can proceed to its recovery.

For this purpose, this Direction notifies the pertaining Entities of the amount to be entered, indicating source of financing and maturity date.

When the Entity pays off the obligation, pursuant to Joint Provision Nº 23/99 of the National Accounting Office, Nº 12/99 of the TGN, Provision Nº 14/99 of the CGN, and/or its modifications, the process of modification request is finalized.

If there were any outstanding amounts, the SH has the authority to seize budgetary credits for the payment of claimed debt and/or bank accounts, pursuant to article 38 of the Permanent Complementary Budget Law nº 11672 (t.o. 2005).

6.2.3 - CREDIT RECOVERY OF THE NATIONAL PUBLIC SECTOR IN FAVOR OF THE NATIONAL TREASURY AS A RESULT OF PUBLIC CREDIT OPERATIONS (RECAC).

6.2.3.1 – CONCEPT:

These are credits in favor of the National Treasury, originated in public credit operations paid off by the National State on behalf and in the name of the jurisdictions with obligations within the National Public Sector. They are the result of the Agreements subscribed by the National State with the different multi-lateral Credit Organizations or subsidiary agreements, if applicable.

6.2.3.2 - COLLECTION MANAGEMENT PROCESS:

Joint Provision SH N° 476/06 and S.F. Nº 7/06 establishes the creation of a Loans Receivable Record (RECAC) within the ONCP, under the scope of the Secretariat of Finances, where all the credits in favor of the National State resulting from Public Credit Operations are recorded, such as loans granted by Multi-Lateral Credit Organizations transferred to jurisdictions of the National Public Sector, collaterals, and others.

This resolution also establishes the administrative and operative procedure that must be followed for the activation, management and recovery of these credits.

For this purpose, and based on the mentioned regulation, the Public Debt Administration Direction, under the National Office of Public Credit (ONCP), commissions the Collection Management Direction to recover the debt services of the National Treasury, corresponding to the Entities in debt.

Subsequently, the Entity in debt is asked to enter the amount due into the National Treasury, indicating the loan, maturity, amount and currency of this obligation.

Once the Entity makes the deposit of the claimed amount in the collecting account of the TGN, the recovery is reported to the Public Debt Administration Direction.

6.2.4 - RECOVERY OF REVOLVING FUNDS:

6.2.4.1 – CONCEPT:

The authority to create Revolving Funds is established in article 81 of the LAF, and the process is regulated by article 81 of the Annex to Decree Nº 1344/07.

When the assigned amounts for the current fiscal year, indicated as Revolving Funds from source of financing 11, are lower than the ones from the previous year, a credit is generated in favor of the National Treasury, which must be entered accordingly.

The Secretariat of the Treasury and the CGN, in the closing resolution of the fiscal year, establish the regulations for the creation, adaptation and reporting of the Revolving Funds.

6.2.4.2 - COLLECTION MANAGEMENT PROCESS:

Based on the provisions and valid regulations, the CGN issues a norm notifying the limit for Revolving Funds per SAF during each fiscal year, according to the credits established by the General Budget Law and distributed by Administrative Decision.

Organizations must fully adjust the amounts established the previous year by source of financing and up to the defined limit, authenticating this through an administrative act. If this adjustment does not apply, it must be reported to the Collection Management Direction.

The CGN notifies the Collection Management Direction of the sums owed by the Organizations as a result of the decrease in Revolving Funds from the National Treasury Source of Funding, within the current fiscal year, for their recovery.

Entities will pay off all outstanding debts by making a deposit into the collecting account or by applying the executed forms of expenses made to decrease this Fund (Chapter 9 describes Revolving Funds, Internal Revolving Funds and Petty Cash regulation. Transportation and Per Diem Allowances)

6.2.5 - CREDIT RECOVERY FROM ENTITIES WITH A FINALIZED LIQUIDATION:

6.2.5.1 –CONCEPT:

Pursuant to the process of State Reform and Decrees Nº 2394/92 and 1836/94, the Entities and/or State Companies that have ceased to comply with their mission and role, or with their original specific corporate purpose will be liquidated and dissolved.

As a result, once the liquidation is finalized, different areas will be in charge of different duties. The TGN will manage effective and/or contingent payments, which in turn are reported through resolutions of liquidation and approval of accountability of the affected entities.

6.2.5.2 - COLLECTION MANAGEMENT PROCESS:

The TGN receives the resolution projects that finalize the state of liquidation of Entities and/or State-owned Companies, and must issue a ruling in this regard. Considering that the TGN is in charge of future income and/or payments, the incoming funds must be transferred to the TGN collecting account. As for accounts receivable, if there were any, backup documentation of these credits must be presented together with all record of activity made until the moment of transfer, so as to continue with collection management activities.

Once the Resolution is issued by the Ministry of Economy and Public Finances, finalizing the state of liquidation of State-owned Entities and/or Companies, the TGN is notified by the National Direction of Patrimonial Normalization.

After receiving the last accountability report developed by the liquidator and/or auditor, and if there were any outstanding sums, a new collection process begins or the ongoing ones continue, in order to effectively collect the due amounts.

If all extra-judicial measures taken for collection are unsuccessful, the backup documentation is presented before the General Direction of Legal Affairs in order to initiate all legal proceedings, if applicable.

6.2.6 - COLLECTION MANAGEMENT WITH INTERVENTION FROM OTHER AREAS:

6.2.6.1 - PARTICIPATED PROPERTY PROGRAM:

6.2.6.1.1 – CONCEPT:

This Program is used by the State-owned Companies subject to privatization to sell stocks to their employees, users and/or producers of raw material, who will pay off this operation with the accrued dividends resulting from holding these purchased stocks. The norm governing this Program is Law Nº 23696, Chapter III, governed in turn by Decree Nº 584/93.

The privatized Limited Company deposits the sums for the payment of stocks in the trustee bank, as established in the General Transfer Agreement. The bank then pays the State or the applicable authority the corresponding annual amounts on behalf of each of the acquirers. This bank institution manages the collections, payment and distribution mechanisms for the sold stocks.

The acquirers present a pledge on the sold stocks as a guarantee of payment in favor of the selling party, the State, or the applicable authority. For this purpose, the stocks are deposited in a trustee bank.

6.2.6.1.2 - COLLECTION MANAGEMENT PROCESS:

The Sub-Secretariat of Financial Services, under the Secretariat of Finances, notifies the Collection Management Direction of the companies included in this program and the number of stocks sold for each one of them.

Trustee bank institutions may be the BNA, the *Banco de la Ciudad de Buenos Aires*, and the *Banco de la Provincia de Chubut*. These institutions must deposit the payment of purchased stocks into the National Treasury account. This is done each time dividends are accrued in favor of stockholders.

Likewise, these bank institutions notify the Collection Management Direction of the reports entered for this concept in the National Treasury Account.

Once the fiscal year ends, bank institutions are required to present the outstanding balances of each of the active programs in order to confirm the registered balances.

Upon request by the Sub-Secretariat of Financial Affairs, the revenue resulting from this operation must be reported.

6.2.6.2 - DIVIDENDS:

6.2.6.2.1 - CONCEPT:

This refers to the profitability from stocks held by the National State in different privatized companies.

6.2.6.2.2 - COLLECTION MANAGEMENT PROCESS:

The Sub-Secretariat of Financial Affairs notifies the Collection Management Direction of the dividend distribution carried out by companies in which the National State has a share. The deposit of dividends is then controlled in the SIDIF, verifying that they are correctly entered into the TGN collecting account. If this is not verified, the situation is notified to the Sub-Secretariat of Financial Affairs.

6.2.6.3 - FINES APPLIED BY THE REGULATORY BODIES:

6.2.6.3.1 - CONCEPT:

These are resources from fines applied by the Regulatory Authorities in their role as treasury inspectors, pursuant to article 29 of the Permanent Complementary Budget Law nº 11672 (t.o. 2005).

6.2.6.3.2 - COLLECTION MANAGEMENT PROCESS:

Different notifications are sent out to the Regulatory Bodies, so that they can deposit the obtained resources into the TGN collecting account. The income is later verified in the SIDIF.

6.3 - PROVINCIAL PUBLIC SECTOR:

6.3.1 - RECOVERY OF FINANCIAL ADVANCES GRANTED TO THE PROVINCES:

6.3.1.1 - CONCEPT:

In order to make up for temporary cash shortages or for urgent matters, article 97 of the Permanent Complementary Budget Law nº 11672 (t.o. 2005). authorizes the Ministry of Economy and Public Finances to grant the provincial jurisdictions temporary financial advances deducted from their corresponding share in the national taxes, subject to distribution. These advances may be granted by a Resolution of the Ministry of Economy and Public Finances, or through a National Executive Power Decree, and must be returned by their beneficiaries within the month they were granted or within the calendar year, respectively.

Only the sums granted by decree will accrue interests, which will be calculated over the balances from the date of disbursement to the date of effective reimbursement, based on the rate established by the Ministry on a case-by-case basis, not to exceed the rate paid by the National Treasury for access into the credit markets.

The reimbursement of the advance and the interests is done by withholding a sum over the respective share in national taxes subject to distribution, or in the amounts projected in the Federal Commitment belonging to the provincial jurisdictions benefiting from this advance.

6.3.1.2 - COLLECTION MANAGEMENT PROCESS:

The Collection Management Direction initiates the process of recovery of financial advances, based on the reimbursement schedule proposed by the Sub-Secretariat of Provincial Affairs and developed by the SH. This schedule establishes the dates in which the lent sums must be recovered.

In order to recover these sums, the SH asks the BNA via the TGN to deduct the due amounts from the corresponding share of each province in national taxes subject to distribution, or from the established amount assigned for the province in question in the Federal Commitment Program.

The BNA must then transfer the withheld amounts into the National Treasury collecting account, and then send the TGN the corresponding credit receipt, where the requested deduction is detailed with its corresponding bank extract.

Once the incoming funds are verified in the collecting account by the Bank Account Administration Direction, the corresponding resource report is issued, in observance of Joint Provision 23/99 CGN and 12/99 TGN, and their modifications.

On the other hand, the Collection Management Direction notifies the National Direction of Provincial Fiscal Coordination of the resulting income.

Once the total amount of the financial advance is reimbursed, the National Direction of Provincial Fiscal Coordination, if applicable, will proceed to settle the interests, applying the rate established by Resolution Nº 842/2010 of the Ministry of Economy and Public Finances, or any resolution that may replace it in the future, and forward it to the Collection Management Direction for its recovery.

6.3.2 - RECOVERY OF PROVINCIAL FINANCING PROGRAMS :

6.3.2.1 - CONCEPT:

The Ministry of Economy and Public Finances, via the Budget Law, has the authority to implement financial assistance programs for the provinces. Also, article 26 of Law Nº 25917, Federal Fiscal Responsibility Regimen, establishes it may also implement debt-related programs for those provincial jurisdictions that do not have the appropriate financing, as long as they observe guidelines of fiscal and financial behavior compatible with the mentioned law.

These funds plus the applicable interests are restituted to the National Treasury, following the conditions established in the subscribed agreements, deducting the sums from the different shares in national taxes subject to distribution, as defined in the Federal Commitment Program for the beneficiary provinces.

6.3.2.2 - COLLECTION MANAGEMENT PROCESS:

As regards the granted loans, the Collection Management Direction receives the settlements from the National Direction of Provincial Fiscal Coordination.

The TGN instructs the BNA to deduct the due amounts from the corresponding share of each province in national taxes subject to distribution, or from the established amount assigned for the province in question in the Federal Commitment Program.

Finally, the Collection Management Direction verifies the incoming funds in the Treasury collecting account, and notifies the National Direction of Provincial Fiscal Coordination of the income.

6.3.3 - PROVINCIAL PUBLIC SECTOR CREDIT RECOVERY IN FAVOR OF THE NATIONAL TREASURY AS A RESULT OF PUBLIC CREDIT OPERATIONS (RECAC).

6.3.3.1 - CONCEPT:

These are loans granted by Multi-lateral Credit Organizations to provincial jurisdictions, through agreements subscribed by the National State, in which the National Treasury accepts the payment commitment.

Subsequently, the involved provinces reimburse the funds to the National Treasury, by depositing in their collecting account, by the deduction of their share in national taxes subject to distribution or in the amounts defined in the Federal Commitment Program for each provincial jurisdiction.

6.3.3.2 - COLLECTION MANAGEMENT PROCESS:

When the province in debt does not reimburse the debt services of the National Treasury, the Public Debt Administration Direction asks the Collection Management Direction to manage its recovery, according to Joint Resolution Nº 476 of the Department of Treasury and 7/06 of the Department of Finances.

The TGN instructs the BNA to deduct the due amounts from the corresponding share of each province in national taxes subject to distribution, or from the established amount assigned in the Federal Commitment Program.

Once these deductions are made, the BNA deposits the funds into the TGN collecting account.

This process may imply the deduction of funds during several days, until the total amount due is paid off. In this regard, the partial income of funds is verified on a daily basis until full recovery is achieved.

Once the full amount is recovered, the Public Debt Administration Direction is notified of the produced income.

6.4 - COTENA SYSTEM:

The COTENA System - *Cobranzas del Tesoro Nacional*, National Treasury Collections- is created based on the need to fully integrate the information regarding non-tax obligations of the National State, managed by the Collection Management Direction.

This application, developed by the Technical Direction department, is made up of modules, each of which consider the different specificities of each type of non-tax income. Each module contains managerial reports that respond to the different information requirements.

Among other benefits, the COTENA has a schedule of maturities -with e-mail alerts-. automatic generation of notifications, PDF listings, detail of the amounts to be recovered, effective collections and outstanding balances, all of which make it an efficient support tool for the collection process.

The system is automatically linked to another program developed exclusively for and by the TGN called SIGEDO (*Sistema de Gestión de Documentación*, Documentation Management System), obtaining the digitalized images of the notifications generated in collection management.

In the future, this application will also link to the *Sistema Integrado de Información Financiera Internet* (Online Financial Information Integrated System, e-SIDIF), which will automatically provide budgetary and accounting information, providing more security and integrity to the process of data entry.

In order to access the COTENA, different permits with different roles will be assigned based on the profile of the user requesting access to the system.

The initial goals, listed below, were achieved thanks to the implementation of the COTENA:

- Integration and improvement of the quality of the information.
- Optimization of the entry times.
- Reliable and timely information for a better decision making process.

CHAPTER 7

7 - PAYMENT ADMINISTRATION

7.1 - INTRODUCTION:

When considering the functioning of a "traditional" treasury, the basic elements are usually the inflow of funds or resources on one hand, and the obligations or debts that must be paid off on the other. The action of "paying", within this framework, involves long and tedious processes, with strenuous human efforts and high operational costs, commonly involving some level of inefficiency and deficient security in the handing of the funds.

Since the implementation of the CUT in 1994, the Treasury System and the Payment module in particular, have steadily increased their efficiency, effectiveness, viability and transparency, becoming a modern Administration System for different channels and methods of payment.

This transformation has been achieved by adopting new technologies in the Payment System, therefore adapting the software systems to the payment process. This change has occurred as a joint process with the Jurisdictional Treasuries, considering the technological update and further increasing the decentralization of the payment process.

The criteria used to carry out this payment decentralization process was established by Resolutions approved by the SH. The TGN, in turn, as a Governing Body, determined the regulations and procedures needed for an efficient payment operation.

The SH, by Resolution Nº 347/2007, defined the SAF as the " Payer Service ", in charge of selecting the obligations that need to be paid. This entity also approved the payment selection criteria that must be followed to pay-off the Certificates Liable for Payment.

And so, for the **Central Administration Organizations,** it was established that the clearing of certificates of payment financed by sources managed by the TGN will be selected by:

A) **The National General Treasury, ''TGN Payer'',** when the **gross amount of the obligation is equal or higher than AR$ 100,000**, and when the amount, whatever it may be, corresponds to:

1) Payment of Wages and Social Security Expenses
2) Payment for Construction Works or Pre-existing Goods
3) Payment of Figurative Expenditures
4) Payment of Withholdings
5) Public Debt Payment
6) Payment for Revolving Funds

B) **The Financial Administrative Service, ''Paying SAF''**, when the **gross amount is lower than AR$ 100,000, except for the items mentioned in A) 1) to 6)**, and when the amount, whatever it may be, corresponds to:

1) Disbursement for certificates liable for payment financed by sources not managed by the TGN.
2) Disbursement for certificates liable for payment with no budgetary impact

For **Decentralized Bodies, all payments will be selected by the Financial Administrative Service, ''Paying SAF'',** no matter the type of expense, the budgetary impact or the source of financing.

One thing to be noticed is that Jurisdictional Treasuries are no longer mere administrators of Revolving Funds and Petty Cash, but are now in charge of programming, managing and executing payments, as will be described further on. They are also responsible for settling and generating "Electronic Payment Vouchers" (VEPs) to pay off obligations before the AFIP (Tax Authority), as well as recording "Patrimony-Affecting Measures (MAPs), and complying with the requirements of the BCRA to make payments to beneficiaries overseas.

7.2 - PAYMENT MANAGEMENT:

Understanding the CUT payment management system involves executing the different stages of Selection and Confirmation of Payments, with the corresponding generation of a Bank Identification Number, to finally issue the corresponding payment methods.

7.3 - PAYMENT CLASSIFICATION:

7.3.1 –PER TYPE OF PAYMENT:

7.3.1.1 - TOTAL OR PARTIAL:

Regardless of the Paying SAF, payments can be made in full or partially.

Full Payment involves paying off the full accrued amount indicated in the Certificate Liable for Payment in one single operation. Partial payment involves paying a smaller amount than the one indicated in the Certificate Liable for Payment.

The Daily Payment Distribution Report will determine whether the payment of a Certificate Liable for Payment was made in full or partially.

7.3.1.2 - WITHHOLDINGS:

Valid regulations establish that withholdings will be managed by the SAF. In the case of Decentralized Bodies, the payment agent is also the SAF.

As for Central Administration Bodies, the TGN is responsible for managing payments from withholdings, accrued in the Certificates Liable for Payment issued by the SAF, regardless of their source of financing.

7.3.1.3 - TRANSFERS AND TRUSTS:

Credit Transfers and Administration Trusts are identified generically as *Medidas de Afectación Patrimonial Contractuales* (Contractual Patrimony-Affecting Measures, MAP C)

Credit Transfers are agreements between parties (transferor and transferee) through which the beneficiary of a payment (transferor) transfers the ownership of this credit to a third party (transferee).

For these operations to be valid, the Credit Transfer contracts must be notified by the contracting parties to the Organization in charge of managing payments, by means of a public deed, so that said entity is duly informed that payment must be made to a party other than the original beneficiary. The organization is responsible for registering the Transfer and later applying it to the Certificate Liable for Payment.

Both parties, transferor and transferee, must be registered as beneficiaries in the Entity Module of the National Public Administration.

It must be noted that Credit Transfers can only be applied to fully or partially unpaid Certificates Liable for Payment, at the time of notification of the Credit Transfer public deed.

The *Trust* is an agreement by which a physical or juridical person (trustor) transfers the fiduciary ownership to another physical or juridical person (trustee) who agrees to execute it in benefit of whomever is designated in the contract (beneficiary), and to transfer it within a certain time frame or conditions to the beneficiary.

If an Administration Trust is notified, its management, administration and payment will be similar to a Credit Transfer. The notified Entity shall request the proper identification of the Trust account.

As a general principle, Contractual Patrimony-Affecting Measures shall be applied by strict order of notification.

However, when Contractual Patrimony-Affecting Measures concur on the same Transferor, or in the case of concomitant Contractual and Judicial measures over the same beneficiary, this may lead to a prioritization of their application order, based on their contractual and/or legal nature and scope.

7.3.1.4 – GARNISHMENTS, INSOLVENCY PROCEEDINGS AND BANKRUPTCIES:

As opposed to Contractual MAPs, the *Medidas de Afectación Patrimonial Judiciales* (Judicial Patrimony-Affecting Measures, MAP J) are not generated by the intervening parties but by an external factor, since their provision and notification are based on decisions made by a legal authority.

Judicial Patrimony-Affecting Measures include Garnishments, Insolvency Proceedings and Bankruptcies.

These measures affect the recipient or destination of an accrued credit, in favor of a payment beneficiary in the National Public Administration that has been notified of a garnishment, insolvency proceeding or bankruptcy.

A *Garnishment* is a legal statement, notified through an official letter, informing the SAF to withhold payments in favor of the affected beneficiary.

The *insolvency proceeding* is a Universal Judgment, based on the existence of a cease payment situation, through which a delinquent debtor requests an extension for the payment of its debts.

Bankruptcy is a Universal Judgment that the debtor must face after a judicial statement, caused by a cease payment situation and the impossibility of finding a preventive solution. The debtor shall lose the power of administration and disposal of its goods, and the receiver will be the only person authorized to liquidate the bankrupt's patrimony.

The registry of Judicial MAPs is done in a decentralized way within the Entity notified of said measure. However, the TGN has the ability to register Judicial MAPs independently from the notified entity.

As with Contractual MAPs, and as a general principle, Judicial MAPs are applied in strict order of notification.

However, when Judicial Patrimony-Affecting Measures concur on the same garnished subject, insolvent or bankrupt, and when Contractual and Judicial MAPs concur on the same beneficiary, a prioritization of their application order may be generated based on their contractual and/or legal nature and scope.

7.3.1.5 - PAYMENTS MADE TO BENEFICIARIES OVERSEAS:

Overseas payments, in foreign currency, are made by using a "Note" notifying the Financial Agents of the amount to be wired, so that they can proceed to debit the resulting amounts after conversion to local currency from the Treasury Accounts.

The BNA shall be the Financial Agent used when transferring currency reserves overseas to pay off Service obligations or to purchase Goods abroad.

The BCRA is the Financial Agent for payments originated in Public Debt operations, and payments made to International Organizations for Treasury obligations.

7.3.2 – PER METHOD OF PAYMENT:

This section describes the different forms of payment used by the TGN through the CUT.

7.3.2.1 –CUT NETWORK:

This method of payment generates an automatic transfer to bank accounts, checking or savings, of the amounts corresponding to payments made by the SAFs, issuing the Certificates Liable for Payment through the CUT.

This method is used to pay off debts wit any type of creditor, be it a physical or juridical person, public or private entity. These beneficiaries must be registered in the Entity Module of the National Public Administration, where bank information is reported (bank, branch, bank account, CBU number). The beneficiaries, creditors of the State, are allowed to maintain only one bank identification in the Entity Module. Official Entities may have more than one bank identification.

Once the Certificates Liable for Payment have been selected and confirmed in the System, both the ones paid by the TGN and the SAF, are included in the Batch Payments and later sent to the BNA.

The TGN then proceeds to put together the Batch Payments with those confirmed Certificates Liable for Payment, each one of which is associated to a Bank Identification Number.

The Batch Payments are grouped into different Payment Files, which enable the exchange of information between the SH and the Financial Agent (BNA). This occurs both for sending payments and to accept or reject them.

The banks included in the bank transfer electronic compensation process will be the final destination of the payments made by the TGN, and will credit the funds in the accounts of the corresponding beneficiaries.

7.3.2.2 - NOTE:

This method of payment follows specific instructions issued by the TGN to the Financial Agents, according to operations requested by the SAFs involving Overseas Payments and Internal Debt payments.

The SAFs issue Certificates Liable for Payment for operations in favor of Overseas beneficiaries, in the case of physical and juridical persons, with no possibility of local payments.

When SAFs are presented with Internal Debt payments, with no possibility of payment through the CUT Network, this will be done through the BCRA or the BNA based on the operations of each Bank.

The BNA is the Financial Agent through which all funds are transferred to pay off obligations for services rendered or purchase of goods abroad, as well as for other Internal Debt concepts.

For Overseas Payments, pursuant to BCRA regulations, the BNA must also present the Exchange Sale Note along with the payment order issued by the TGN. This document must specify the information needed to wire the amount overseas.

The issuing SAF must verify the Exchange Sale Note with the BNA, prior to delivering the documentation to the Governing Bodies.

The BCRA is the Financial Agent through which the Certificates of Payment corresponding to Public Debt obligations, issued by the National Public Credit Office, are paid. In the case of Consolidated Cash Debts, involving creditors who have agreed to this method of payment with the National State, the intervening financial Agent will be the BNA.

7.3.2.3 - CHECK:

This method of payment is used to clear Judicial Obligations and comply with Judicial Patrimony-Affecting Measures.

All checks issued by the TGN are deposited into the corresponding Bank Entity, and the Certificates of Deposit are delivered to the issuers of the Certificate Liable for Payment. These Certificates of Deposit are later credited towards the corresponding legal proceedings.

The TGN has begun a systematization process for the payment of Judicial Obligations, which involves a gradual substitution of the payment by Check when cancelling Judicial Obligations or Judicial MAPs for crediting funds into the beneficiary's account, using the CBU of the judicial account.

In this sense, the SH has signed a Framework Agreement with the *Banco de la Ciudad de Buenos Aires* to clear all Judicial Obligations by using the CUT network.

The scope of this framework agreement includes the payment of Judicial Obligations that the National Public Administration Entities manage through the *Banco de la Ciudad de Buenos Aires*, for legal proceedings within the Courts of the City of Buenos Aires through the CUT.

As for the rest of the Financial Entities, payments made through the CUT network for Judicial Obligations are soon to be implemented.

7.3.2.4 - REGISTERED TRANSFER:

This method of payment is used when the beneficiary of the payment is an SAF registered in the CUT System. This modality generates no bank account financial movement of funds whatsoever, but instead generates debit and credit movements between registered accounts of the SAFs involved in the operation, represented as an expense for the paying SAF and a resource for the beneficiary SAF.

The paying SAF, when issuing a Certificate Liable for Payment, must specify the beneficiary SAF and a collecting account as a beneficiary account.

7.3.2.5 - SECURITIES OR DOCUMENTS:

This method of payment involves the possibility of generating a Certificate Liable for Payment that can be paid with assets in the portfolio or by making a placement together with the payment. This method of payment does not generate a movement of funds.

7.3.2.6 - AUTOMATIC DEBIT:

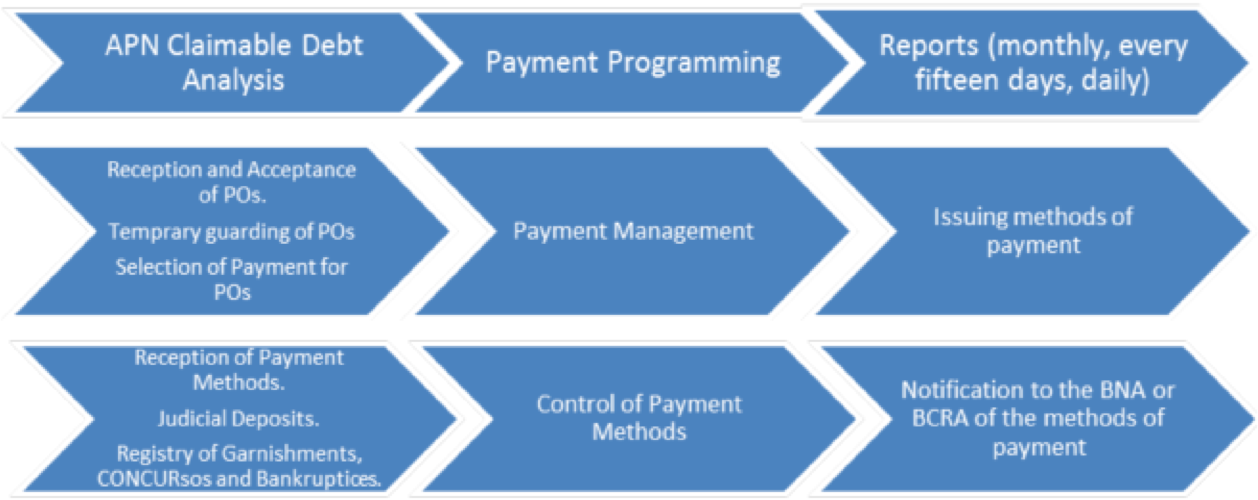
The TGN authorizes these debits only for certain cases, which are registered in the CUT extract by specific transaction codes, such as bank fees, which are registered in the system using regularization forms.

After the bank reconciliation process, these movements will have an impact on the registered account of the Treasury.

7.4 – PAYMENT PROCESSES AND STAGES IN THE NATIONAL GENERAL TREASURY:

As established in article 72 of the LAF, the Treasury System is made up of different bodies, regulations and procedures establishing, among other things, **the payments** that configure the flow of funds within the National Public System.

The following chart shows the **main processes** involved in the payment management.



The **stages of payment** are the following:

- Programming
- Selection
- Confirmation
- Generation of the method of payment
- Sending of the method of payment

7.4.1 - PROGRAMMING:

All Certificates Liable for Payment entered into the TGN are managed by the Expenditure Department, within the CGN, which sends the Certificates. Acceptance by the system allows to identify the Certificates Liable for Payment within the TGN, as part of the Debt Due of the National Treasury.

The TGN is responsible for managing payments when they are the result of Certificates Liable for Payment, financed by Treasury sources. For this reason, Payment Programming is an effective, efficient and indispensable tool to manage the funds deposited in the CUT.

This tool is used to operate consistently in the short term (daily), with the mechanisms and concepts defined for the Financial Programming of the Public Sector. *Link to CHAPTER 2 "Financial Programming in the Public Sector"*

Payment Programming is determined based on the Monthly Cash Programming, and its main goal is to effectively execute the available resources during that period.

For this reason, the TGN uses the Payment Scenario Management tool to generate payment programming or simulations, based on the Certificates Liable for Payment, in order to analyze the possible alternatives to pay and chose a specific scenario as entry data for payment management.

The benefits of the Payment Scenario Management tool are:

- Generating Programming or Payment Simulations, based on the Certificates of Payment, in order to analyze possible payment alternatives.
- Using information from a specific authorized scenario as input for other stages in the payment circuit (Establishing Quotas, generating Payment Selections).
- Programming Certificates Liable for Payment, by withholdings and by amount.
- Programming each Certificate Liable for Payment totally or partially (Distributed Amount, Successive Percentage and Payment by Item)
- Issuing a Daily Payment Distribution Report by:
    - ✓ Payment Programming Scenario
    - ✓ Consolidated Payment Programming Scenarios

The Payment Programming management by Payment Scenario expedites the daily payment operation and minimizes the margin of error. This tool is useful as a base entry for the selection and future confirmation of the Certificates Liable for Payment.

7.4.2 - SELECTION:

This Process executes the payment of Certificates Liable for Payment, as part of the Debt Due of the National Treasury.

The Certificates Liable for Payment enter the System for Payment Selection. This process can take place in the following ways:

- *Automatically*: the System provides a mechanism so that the official responsible for selecting payments in the Treasury can consult all the Certificates Liable for Payment that meet the requirements to be paid, and select them in order to make said payment effective.
- *Via Payment Programming Scenario*: the System can make the Payment Selection for the Certificates Liable for Payment using the Payment Programming Scenarios.

When selecting a payment, the corresponding deduction from the quota is executed, and the Certificate Liable for Payment is reserved, so that it is not used again by other areas that may intervene in the payment management process.

The System makes sure that for each Certificate Liable for Payment selected, the Payment Quota assigned is not exceeded, based on the reported Payer and Collecting account. *link to item 2.4.2*.

7.4.3 - CONFIRMATION:

This process involves a System Confirmation, completed by an official duly authorized for this role. Only then is the Payment Selection authorized.

When the Confirmation is received, the payment methods used to pay off the Certificates Liable for Payment are generated: Bank Transfer, Payment Note, Check, Registered Transfer. The Balance of the Certificate Liable for Payment is also updated, and the corresponding deductions are calculated and accrued, applying the Judicial and Contractual Patrimony-Affecting Measures.

The Confirmation of Certificates Liable for Payment has an impact on the Budgetary and Accounting registries.

7.4.4 - GENERATION OF THE PAYMENT METHOD:

The Method of Payment is the management instrument through which the accrued credits are paid off through the Certificates Liable for Payment issued by the SAFs.

7.4.4.1 - BY CUT NETWORK:

This method of payment is generated to pay local beneficiaries through the BNA Financial Agent, using the National Payment System.

As the System confirms the payments made both by the TGN and the SAFs, they are incorporated into the Batch Payments.

Based on operational criteria, Batch Payments are put together to generate the CUT Network Files, which are in turn sent to the BNA.

The BNA credits the payments in favor of the beneficiary accounts established in this same bank, and submits the payments going to other Banks before the Clearing House.

The generation of Batch Payment Files has an impact on the Bank Book registry and the Financial records.

7.4.4.2 - BY NOTE:

The generation of this method of payment is used to pay national Public Debt Services (local and foreign currency), Overseas Transfers (foreign currency) and exceptionally Local Transfers (local currency), which are carried out based on specific TGN instructions given to the Financial Agents.

National Public Debt obligations are paid via BCRA, by generating Payment Note Batches which are later sent as Payment Note Files.

Likewise, the BCRA intervenes in handling obligations in charge of the Treasury. The payment notes are sent in paper.

The rest of the Overseas Transfers are cleared through the BNA, and sent in paper.

When paper Notes or Batch notes are printed, and depending on the intervening Financial Agent, this has an impact on the Bank Book registry and the Financial records.

7.4.4.3 - BY CHECK:

The check printing process is the method of payment chosen to make Deposits, complying with Judicial Obligations or Judicial MAPs, in the corresponding Banks. The responsibility of issuing them falls solely on the TGN.

When the check is printed, it impacts the Bank Book Registry and the Financial Records.

7.4.4.4 - BY REGISTERED TRANSFER:

As mentioned before, this method is used when the beneficiary of the payment is an SAF included in the CUT. When used, it generates movements between Registered Accounts and the involved SAFs in the System, reflecting an expense for the paying SAF and a resource for the beneficiary SAF.

When payment is confirmed, it impacts the Registered Accounts.

7.4.5 - SENDING THE PAYMENT METHOD:

7.4.5.1 - BY CUT NETWORK:

When paying via the CUT network, a transmission file is generated called Cut Network File, which contains the Batch Payments generated once the payments are confirmed.

This method is used for payment operations within the TGN, and is the credit cancellation mechanism used in the account for all beneficiaries of payment.

Once the CUT Network File is generated, the second stage begins. This stage involves sending the file to the terminal, where the linking line to the BNA is installed.

This linking line allows the transmission of batch payment files, for their bank management (debit from the CUT and credit into the beneficiaries' accounts). It also receives the reports from the Bank informing the results of crediting operations for the sums paid in the target accounts.

Once the CUT Network file is sent to the terminal where the linking line is installed, the final stage -transmission- begins.

This transmission stage involves notifying the Financial Agent, through an encrypted data transfer program with the proper physical and technological protection, of a bank transfer instruction that must be managed within a specific period of time.

In order to obtain accurate information on the amount and time frame for crediting the payments sent to the BNA, the transmission is strictly controlled by the National Payment System, which validates the consistency of the CBU code structures in the payment beneficiaries' accounts, the number of operations transmitted, the total transmitted amount, the total amount to be processed, and the clearing date for the instructed operations.

After the transmission, the TGN receives a notification from the BNA providing the result of all bank operations that have been credited into the beneficiary accounts, or any possible rejection responding mostly to errors in the account CBU decoding, or due to the closing of bank accounts.

Once the report of sent transfers is processed, the bank reconciliation processes the Treasury accounts, which completes all processes inherent to CUT network payments.

7.4.5.2 - BY NOTE:

The method used in order to pay off accrued credits to beneficiaries that do not have a local address or local bank account, and therefore cannot receive payment in Argentina, is the Note. This document can be issued in paper or by generating a File.

Payment Notes managed by the BNA are printed on paper, signed holographically and sent as hard copy to the Financial Agent.

Payment Notes, on the other hand, are managed by the BCRA , generated as Batch Payment Notes and sent as Note Files.

The Note File is sent from the terminal where the BCRA link is installed, and later encrypted for transmission. For each transmission, the Bank sends confirmation of its reception.

7.4.5.3 - BY CHECK:

The check is the method used to pay the Judicial Authorities, and it can also be used to identify the legal proceedings corresponding to the transferred or deposited check.

The TGN issues the checks in the name of the Financial Entity where the payment is being deposited.

Checks issued to cancel Judicial Obligations are verified in the Judicial MAP database, in order to avoid unjustified payments, based on assumptions that the payment of a Judicial Obligation has already been made by garnishing public accounts.

This is also useful to control that the payment beneficiaries, identified in the backup documentation or the deposit certificate or judicial transfer, are not already affected by a garnishment, an Insolvency Proceeding or a Bankruptcy. If this were the case, the payment target must be analyzed so as to remain within the legal provisions.

Once the bank process is complete, including the deposit in the Financial Entity, the resulting certificate of judicial deposit intervened by the bank is transferred to personnel previously authorized by the issuing SAF. The SAF, in turn, issues the Certificate Liable for Payment to comply with the Judicial Obligation and credit it towards the corresponding legal proceedings for the appropriate concept.

Checks issued for payments based on Judicial MAPs will update the balance of the registered measure automatically in the System and in each record of Garnishment, Insolvency Proceeding or Bankruptcy, displaying date of deduction, sum and method of payment generated and printed, as well as the corresponding Certificate Liable for Payment.

Once the issued Check is deposited, pursuant to a Judicial MAP, the resulting certificate of deposit and/or judicial transfer is judicially credited.

As mentioned, the use of the Check as payment method both for Judicial Obligations and Judicial MAPs in the process of being substituted by the CUT network system. This is due to updates in the Public Financial Administration System.

7.5 - PAYMENT OF CONTRIBUTIONS TO SOCIAL SECURITY AND TAX WITHHOLDINGS:

7.5.1 - ELECTRONIC PAYMENT VOUCHER (VEP):

The Electronic Payment Voucher is an instrument implemented by the AFIP so that taxpayers included in the differentiated control systems can pay their taxes and Social Security resources.

The SH, at the same time, has established a procedure that includes SAF obligations, as *Employers*, for managing Social Security contributions, and as *Withholding Agents*, for income from Tax and Retirement withholdings. This is done through interactions between the SAFs, the BNA, the AFIP and the Treasuries of different SAFs such as the TGN.

For clarification purposes, the following chart was designed:

STEP	ACTION	RESULT	AREA IN CHARGE
1-AFFIDAVIT	CREATION OF AFFIDAVIT AND SUBMISSION VIA INTERNET	CONFIRMATION OF RECEPTION OF AFFIDAVIT BY THE AFIP	SAF
2- VEP GENERATION	CREATION OF A VEP (WITH THE SAF TAX ID NUMBER, OR *CUIT*) DELIVERY TO THE *LINK* PAYMENT ENTITY	GENERATED VEP VEP SENT TO THE ENTITY	SAF
3- PAYMENT VIA CUT	DOCUMENTATION SUBMITTED TO THE CGN (GENERAL ACCOUNTING OFFICE): -AFFIDAVIT -CONFIRMATION OF RECEPTION -VEP SENT TO THE PAYMENT ENTITY GENERATION OF BANK IDENTIFICATION NUMBER TO DEBIT FROM THE CUT AND CREDIT THE FUNDS INTO THE TGN BNA ACCOUNT.	EXACT SUM FOR EACH VEP DEPOSITED IN THE BNA ACCOUNT	SAF TGN
4- INFORMATION TO THE BNA	IDENTIFICATION OF THE BANK ID NUMBER AND VERIFICATION OF FUNDS TRANSFERRED. E-MAIL TO THE BNA NOTIFYING: - VEP NUMBER -BANK IDENTIFICATION NUMBER	BNA INFORMED OF VEP AND BANK IDENTIFICATION NUMBER	SAF
5- UPLOAD VEP	UPLOAD VEP	VEP UPLOADED	SAF
6- VEP SIGNATURE	VEP SIGNATURE	SIGNED VEP	SAF
7- SEND VEP CANCELLATION	SENDING VEP	VEP PAID AT AFIP	BNA

The SH and the AFIP have developed and implemented an online service to automatically generate VEPs for Tax Withholdings, Contributions and Social Security payments based on the records of the Integrated Financial Information System.

For future stages, a plan for the automation of the entry, signature and delivery (payment) steps is expected, based on the payment files sent by the TGN to the BNA, as well as the integration of the BNA payment systems and the *RedLink* Network for this operation.

7.5.2 - SELECTION OF WITHHOLDINGS:

The calculated and accrued deductions, when payment is confirmed to the beneficiary of the Certificate Liable for Payment, become Withholdings to be paid, automatically generating the Certificates of Accrued Withholdings.

When the Certificate Liable for Payment is executed, if any deductions are accrued, the payment quota is reserved corresponding to the sum for Withholdings payable. When selecting the Certificates of Accrued Withholdings, the quota reserved for this purpose is used up.

Beneficiaries of Withholdings payable, as all other beneficiaries of payment, must be registered in the National Public Administration Entity Module.

Whatever the nature of the Organization, withholdings selected for payment in favor of the AFIP generate a Bank Identification Number which is sent to the Bank Entity.

Withholdings resulting from Fines will be in favor of the TGN.

Withholdings resulting from Repair Funds or Collaterals will be in favor of the same beneficiary to which the Certificate Liable for Payment is issued, which can be modified in favor of the TGN based on the level of compliance with the necessary requirements to return said fund.

As for Voluntary Withholdings, they are reported in the Certificate Liable for Payment indicating the beneficiary for each record.

7.5.3 - CONFIRMATION OF WITHHOLDINGS:

The Certificates of Withholdings generated in the Selection stage are confirmed in the System through a series of validations, including the control of the integrity of information in the Certificate of Payment and the verification of Judicial MAPs.

The Confirmation has an impact on Accounting records.

7.6 - PAYMENT ANNULMENT:

7.6.1 - ANNULMENT IN THE PAYMENT OPERATION:

A payment annulment, whatever the payment method, consists in reversing the budgetary payment for the gross amount of the payment minus the withholdings that were applied and paid. The accrued or unpaid withholdings are eliminated from the 'withholdings payable' table.

The annulment of the Certificates of Payment may be done both by the TGN and the SAFs. Also, for payments within the CUT, or when that payment method has already been issued, the annulment can only be made by the TGN.

The payment method does not necessarily have to be issued in order to proceed with the payment annulment. Once issued, first the payment method issued must be annulled and then the actual payment.

The Annulled Certificate of Payment returns to the accrual stage, becoming once again a part of the Treasury Debt Due and liable for payment.

Once the payment is annulled, the impact on Budgetary, Accounting and Financial records must be reversed.

7.6.2 - REJECTION BY THE FINANCIAL AGENT:

Payments made via the CUT network that are rejected by the paying banks are returned to the TGN by the Financial Agent, indicating the reasons for the rejection.

The Financial Agent then credits the corresponding rejected sum back into the CUT.

For rejected CUT Network payments, the System annuls the operation for said payment, reversing their classification as paid.

The information regarding rejected payments is sent to the SAFs in charge.

The sum of an annulled payment is restituted into the SAF payment Quota, enabling it for a new payment.

The procedure for rejection of payments made via Check or Note is similar to the rejection within the CUT network. The difference is that the payment method must be annulled before annulling the actual payment.

7.7 - PAYMENT REVERSAL AND REGULARIZATION:

7.7.1 - REVERSAL:

The payment reversal is done when it becomes necessary to reverse the payment stage. This operation is done by the SAF.

The Reversed Certificate Liable for Payment returns to the accrual stage, becoming once again a part of the Treasury Debt Due.

7.7.2 - REGULARIZATION:

The regularization of payments takes place when it becomes necessary to adjust the paid amount. This implies the modification of all three expenditure stages: Commitment, Obligations and Payment. The regularization may be done totally or partially, and the SAF will be in charge of this process.

7.8 - CONTROLS AND IMPACT:

7.8.1 - FINANCIAL:

Once the Certificates Liable for Payment are confirmed in the System, they are included in the Batch Payments. Before generating a CUT Network File, the TGN performs internal controls to verify the consistency between the budgetary payments, financial payments and the generated method of payment; CUT Network, Check or Payment Note.

This control of the budgetary and financial payment is based on the verification of the equivalency between the transmitted payment amounts and the amounts selected for payment, as well as the identification of payment dates and impact on the bank book of the TGN. All payments must also generate the corresponding method of payment.

The Financial Impact refers to the movements generated by operations in the bank account balances of the Treasury and benefited third parties.

In this regard, the BNA debits from the CUT (Account 3855/19) and credits the funds into the beneficiary accounts, established in this Bank Entity.

For those beneficiaries whose accounts are established in other banks, the crediting process will be done through Clearing Houses.

7.8.2 - LEGAL PROCEEDINGS (JUDICIAL PATRIMONY AFFECTING MEASURES):

7.8.2.1 - GARNISHMENTS:

As previously mentioned, a *Garnishment* is a Judicial Protective Measure that affects the availability and usufruct of a good.

It is an instruction imparted by a judge, notified by means of a Judicial Communication, instructing the notified Entity to withhold or deposit the payment/s, by order of the acting judge, in favor of a beneficiary.

Garnishments can be general or specific. General garnishments affect those payments made by any SAF in favor of the garnished beneficiary, while specific garnishments affect payments from one or more SAFs identified in the Judicial Communication.

7.8.2.2 - INSOLVENCY PROCEEDINGS:

As previously established, an Insolvency Proceeding is a universal proceeding based on the existence of a cease payment situation, in which the delinquent debtor requests an extension for the payment of his debts.

The party involved in these proceedings keeps his patrimony under the surveillance of a designated judge. However, an insolvency proceeding may affect the availability and/or patrimonial administration by the party involved, if the judge so decides.

Insolvency Proceedings are always general, have no amount limits and affect the payable liquid assets. In the case of existing withholdings, they must be paid in favor of the beneficiaries from which they were initially accrued.

During insolvency proceedings in which the debtor continues to manage his patrimony, payments are perceived directly by the debtor. In those cases where the debtor no longer manages his patrimony, payments are deposited judicially.

7.8.2.3 - BANKRUPTCIES:

As mentioned before, a Bankruptcy is a universal proceeding affecting the availability and usufruct of the debtor's patrimony. When bankrupt, the debtor loses the power to administer and use his goods, and the receiver is the sole responsible for liquidating his patrimony, this being a priority over the rest of the MAPs.

Bankruptcies have priority of execution over all garnishments and insolvency proceedings that may have occured before, and their application is global in all SAFs. In the case of transfers or trusts, the Sytem must report this situation before making payment in order to check the origin of the trusted or transferred credit payment.

Bankruptcies are registered with no amount limit and affect the gross of the invoice or equivalent document, regardless of whether they have withholdings or not. Based on this, when paying a Certificate Liable for Payment affected by bankruptcy, if the system detects a withholding, the payment will not be confirmed and the issuing SAF will need to annul the record of calculated withholdings in the Certificate Liable for Payment, so that if that payment is made, it will affect the gross amount when the Bankruptcy proceeding is completed.

7.9 - COMMON ASPECTS IN THE SELECTION AND CONFIRMATION OF PAYMENTS AFFECTED BY JUDICIAL PATRIMONY-AFFECTING MEASURES.

The information regarding judicial MAPs is available upon entering the measure into the System, for all Entities (SAF and TGN), and must be available for the official in charge of issuing the Certificate Liable for Payment and of selecting the payment. Regardless of what Department has been notified, the impact of its application occurs when payment is confirmed.

During the payment selection stage for Certificates Liable for Payment that may be affected by a Judicial MAP, the System issues an alert in which the user is notified of the existence of other MAPs, both Judicial and Contractual, even when they are pending authorization. Depending on the notification date, amount, scope or concept, they may affect the selected Certificate Liable for Payment.

During the payment confirmation stage, the System applies Judicial and Contractual Patrimony-Affecting Measures on the payment beneficiary, and issues the resulting methods of payment.

In the case of Transfers or Trusts, the existence of Judicial MAPs is controlled against the transferor/s, or trust administrator, with the sole purpose of determining the final destination of the funds (transferor, trust administrator, or intervening Court).

The measures are executed in strict order of notification. This execution is based on validations of application priorities and determination of the need for a consult, established in the Application Rules and Consult of Patrimony-Affecting Measures of the System.

The execution of each Patrimony-Affecting Measure, both judicial and contractual, will update its balance in its System record.

CHAPTER 8

8 –BANK ACCOUNT MANAGEMENT

8.1 - REGULATORY FRAMEWORK:

Decree Nº 1344/07 of the LAF, specifically in article 78 of its Annex, regulates the opening, maintenance and closing of bank accounts belonging to the Entities of the National Public Sector, and establishes regulations and proceedings to be followed by these organizations.

It also establishes that the TGN will be in charge of the Official Account Registry in which all the bank accounts of the National Public Sector will be included.

Provision Nº 5 of the TGN, dated February 24th 2010, approves the "Procedure to authorize the opening, modification and closing of Official Accounts", in order to expedite their registry and maintain the information updated in the Official Account Registry.

8.2 - OPENING, MODIFICATION AND CLOSING OF BANK ACCOUNTS:

Those entities that need to open official bank accounts, previously authorized by the TGN, need to present a duly justified note. This authorization request must comply with all aspects mentioned in article 78, Paragraph 7) 7.2 of the Annex to Decree Nº 1344/2007, LAF Regulation, and the TGN Provision Nº 5/2010. The request note for opening a bank account will adjust to the model referred to in A) 1 of the Annex to TGN Provision Nº 5/2010.

Once an official bank account is opened, prior authorization of the TGN, the jurisdictions and entities of the National Administration shall report the numbers assigned to these accounts in order to include them in the registry of Official Accounts.

In order to comply with the provisions of Paragraph B) 1 of Annex to TGN Provision Nº 5/2010, the Organizations included in article 8 of the LAF and their modifications shall report to the TGN annually in the month of April, informing the status of their bank accounts.

If a new regulation modifies the attributes associated with an account (Jurisdiction, Sub-Jurisdiction, Denomination), the organization in charge shall communicate all changes to the TGN within SEVEN (7) consecutive days after the regulation is published, and shall also request authorization to adapt the accounts within the Bank Entity.

If there were any changes in the authorized signatories to draw from the bank accounts of the Organization, this must be notified to the TGN in order to maintain the registry of Official Accounts updated.

Certain accounts have an expiration date for operations, authorized by exception in article 78 Paragraph 1) 1.1 of the Annex to Decree Nº 1344/2007. In these cases, the Organization shall analyze the reasons for this exception, and if the causes are still valid, will proceed to request an extension for the expiration of the account, THIRTY (30) days before this expiration date. This request must also include all background information that may allow the TGN to verify the ongoing operability of the account.

All National Public Sector accounts whose operation is no longer necessary shall be closed, duly notifying the TGN.

When collecting accounts (bank or nominal) are to be closed, pursuant to Paragraph 6) 6.2 of article 78 of Annex to Decree Nº 1344/07, a request must be presented before the TGN to complete this operation.

8.3 - OFFICIAL ACCOUNT REGISTRY SYSTEM (SIRECO):

8.3.1 - DEFINITION:

The Official Account Registry System (SIRECO) is the database managed by the TGN which includes all bank accounts within the National Public Sector.

8.3.2 - FUNCTIONALITIES:

8.3.2.1 - BANK ACCOUNT INFORMATION:

As pointed out before, as a registry its main role is to provide information on accounts operated by the entities.

The main task is to enter the preliminary data of the authorized account, with a level of detail that includes:

Bank and branch where the account is established, Organization to which it belongs, Account name, Source of Financing, Type of account, Currency, Date of registry in the SIRECO, and afterwards, date of account opening and authorized signatories to draw on the account.

8.3.2.2 - DATA UPDATING:

One of the main goals of the SIRECO is to reflect the current status of accounts operated by the National Public Sector. For this reason, the Registry System also collects information on a regular basis from open accounts, and cross-references this information with the data presented by the Organizations in order to detect, for example, the unreported closing of an account.

The information regarding the list of Entities is also verified in the SIRECO Basic Tables, based on the Institutional Classifier reported by the ONP, in order to detect changes of jurisdiction for Organizations and so they can proceed to change the account name before the TGN, and so that the TGN can update its database.

Likewise, when the signatories authorized to draw on the Organizations' accounts change, this must be notified to the TGN to update the information on the SIRECO.

8.3.2.3 - CLOSING OF BANK ACCOUNTS:

All National Public Sector account whose operation is no longer necessary, must be closed and notified to the TGN. This process is also reflected in the SIRECO, changing the account status (from open to closed) and including the date in which it was closed.

8.3.2.4 - STATISTICAL DATA:

The SIRECO allows the user to create statistics on, for example, how many organizations are included in the CUT System, how many are part of the Central Administration, how many are Decentralized Bodies and how many accounts are operational, among other things.

8.3.2.5 - DATA CROSS-REFERENCE AND ACCOUNT ANALYSIS:

The information provided by the organizations is analyzed and verified against the existing information in SIRECO. Those accounts whose maintenance is not justified due to low activity or because they may be included in other existing accounts are closed.

8.4 - MANAGEMENT OF OPERATIVE ACCOUNTS:

8.4.1 - OBJECTIVE:

In the context of implementing @Sidif, the Module of Operative Accounts was developed to unify the information on bank accounts managed by the National Administration in one single repository, as well as registered accounts (in the CUT System), so that the same account can have different roles in the System.

This module is managed by the Direction of Bank Account Administration, under the TGN.

8.4.2 - DEFINITION:

Operative accounts are National Administration accounts that manage resources and expenses included in the national budget. They may be bank accounts or registered accounts, and may be linked to Beneficiary Entities.

8.4.3 - CLASSIFICATION:

Operative Accounts may be grouped into different types based on their characteristics or functionality.

8.4.3.1- REGISTERED ACCOUNTS:

These are registered accounts within the CUT system, managed by the TGN in the role of a bank. They allow the individualization of the financial availability of the SAFs and the TGN. They may have an associated bank account. The resources registered in these accounts are own resources, treasury contributions, third party funds, resources with a specific allocation, internal transfers, and payments made by the entities.

8.4.3.2 - NOMINAL ACCOUNTS: These are registered accounts and their bank is 999 (TGN). They have no associated collecting bank account.

8.4.3.3 - BANK ACCOUNTS: these accounts are established in a local or foreign Financial Entities.

8.4.3.4 - FINANCING ACCOUNTS: These accounts are used to allocate funds for financing expenses. Financing accounts may be registered accounts (for expenses financed with resources included in the CUT System) or bank accounts (for expenses financed with resources outside the CUT System). All financing accounts have an associated paying account. For CUT financing accounts, the associated paying account is a CUT account (for now, only designated as CUT account in pesos, 11-85-3855/19). For non-CUT financing accounts, the associated paying account is the account itself.

8.4.3.5 - COLLECTING ACCOUNTS: These accounts receive resources and their balance is daily transferred to the CUT.

8.4.3.6 - PAYING ACCOUNTS: these bank accounts are used to execute payments, for example, revolving fund accounts.

8.4.4 - REGISTRY CHARACTERISTICS:

The accounts are entered into the system only once with the necessary characteristics, so that they can be used in the different activities conducted by each of the SAFs and the TGN (such as Collection modules, Expenses, CUT and non-CUT payments, Revolving Funds, Bank Reconciliation, etc.).

An account that enters the Operative Account module may be, if necessary, associated to the corresponding Beneficiary through the Entity module.

Operative accounts may be used by other Organizations (Operative Entities) different from the account holder only when authorized by the account holder.

8.4.4.1 - LOCATION IN THE e-SIDIF:

This module is available in the General Menu - Basic Entities - Operative Accounts Section.

Based on the definition of user roles, the different options become available, including:

a) New

b) Search

Option a) is used to authorize new accounts and option b) allows to consult and/or modify the existing data.

8.4.4.1.1 - ACTIVATION PROCEDURE:

In order to activate an operative account, the system will request some information, for example:

Account Identification	**Bank. Branch. Account Nº.**
Name	
Account Holder	
Account classification	**CUT resource, nominal, Non-CUT resource, etc**
Holder SAF and SAF receiving the resource	
Account opening date	
Type of account	**Current Account., Special Current Account, currency**
Bank Identification Number (CBU)	
Associated Paying Account	
Source of financing and initial balance	
Classification by Type of Resource	**Budgetary, Non Budgetary**

8.4.4.1.2 - MODIFICATION, ANNULMENT AND RESTORATION:

If an account is already registered in the Operative Account Module, the associated information may be consulted in the Search option.

Apart from consults, officials authorized as administrators may modify the accounts as well as "Annul Operative Account" and "Restore Operative Account", based on their needs and requirements.

8.5 - UNIFIED OFFICIAL ACCOUNTS FUND (FUCO):

8.5.1 - REGULATORY FRAMEWORK:

The FUCO was created by Decree 8586/47, which established the creation of a special account called "Unified Official Fund for National Government or Secretariat of the Treasury accounts" in the BCRA. This fund included all types of accounts open or to be opened in the future in the BCRA, in the name of Ministries, Secretariats and dependencies of the National Government (excluding independent institutions).

These accounts were then transferred to the BNA, expanding the scope of the FUCO to entities and dependencies involved in special account services, health management organizations, decentralized bodies and state-owned companies (Decree 7580/62).

Decree 2361/80 established that Universities were excluded from operations within the FUCO, specifically for funds used to pay the personnel's salaries. Decrees 1757/90 and 1889/92 included the resources of Family Subsidies and social security organizations into the Fund, as well as the National Housing Fund, respectively.

The LAF established the concept of single account, and article 80 of Decree 1344/2007 maintained the validity of the FUCO and extended it to include "all bank accounts belonging to entities and jurisdictions of the National Administration, including the Single Account". It also specified that "Social Security institutions shall include all national public organizations of social security and dependencies, and any other national public organization intended for the attention and assistance of the Social Security system".

As for the limits of its use, there are no regulations restricting its use or placement. It may encompass 100% of the deposits, pursuant to Decree 6190/65 which established that "the Secretariat of the Treasury may use up to 100% of the sums deposited in the FUCO as an advance, to cover temporary shortages in the National Treasury".

Finally, Articles 29 and 30 of Law 26337 authorized the SH to make temporary investments using FUCO advances, following all applicable limitations and conditions.

8.5.2 - ARRANGEMENT AND USE:

To determine its value, the fund will result from the algebraic sum of all account balances (current in pesos, open in the BNA, within the regulations of debtors and creditors). The BNA supplies this balance to the TGN on a daily basis.

CHAPTER 9

9 - THE BANK RECONCILIATION PROCESS

9.1 - INTRODUCTION:

The Bank Reconciliation sub-system, as part of the SIDIF, is an essential tool to register, control and obtain information, ensuring a better decision making process within the TGN.

9.2 - ROLES:

9.2.1 - RESOURCE AND EXPENSE REGISTRY: The Automatic Bank Reconciliation Process generates the application of Resources and Expenses, by issuing Accounting Forms that reflect income and expenses within the SIDIF.

9.2.2 - IMPACT ON THE TREASURY SINGLE ACCOUNT: The execution of the Automatic Bank Reconciliation Process has an impact on the CUT. The collecting accounts of Entities, and AFIP accounts for National Treasury Tax Income, transfer their balance to the CUT on a daily basis, and this is reflected in each of the registered accounts.

9.2.3 - CONTROL AND BANK RECONCILIATION*:* this sub-system automatically reconciles the debit and credit operations reported in the National Treasury's bank extracts. These bank accounts are active in the BNA and the BCRA.

9.2.4 - INFORMATION FOR DECISION MAKING*:* the result of this operation is that the Bank Reconciliation sub-system determines the Daily Financial Balance, a fundamental instrument for programming the compliance with financial obligations.

The system also generates the following important information:

- Consulting the financial balance

- Pending Reconciliation Operations
- Consulting activity and bank extract balances
- Consulting activity and Book Bank balance

9.3 - FUNCTIONAL RELATIONS:

The Bank Reconciliation sub-system is interrelated with the rest of the Modules included in the SIDIF and ONLINE SIDIF, and also establishes a link between financial entities and the different SAFs.

9.3.1 - LINKS TO OTHER SIDIF SYSTEMS:

9.3.1.1 - EXPENDITURE SUB-SYSTEM:

This system automatically generates regularization expenditure forms, reflecting outgoing funds from the National Treasury executing the corresponding budget allocations.

The generation of forms reflecting expenses issued by the Organizations, both of the 'Regularization' and 'Reversal (payment/global)' type are entered into the Bank Reconciliation Sub-System Bank Book and are reconciled manually.

9.3.1.2 - PAYMENT SUB-SYSTEM *(e-SIDIF)*:

This sub-system registers those checks issued in favor of different beneficiaries, Bank identification batches (National Payment System), authorization notes and payments, and payment annulments, which are automatically entered into the Bank Book after confirmation in the e-SIDIF.

9.3.1.3 - RESOURCE SUB-SYSTEM:

This sub-system automatically generates the resource application by issuing the Collection forms, which are entered into the Bank Book (accounting assistant), except when organizations operate with the Unified Local System (SLU), explained in item 9.8 of this chapter.

9.3.2 - ASSOCIATION WITH FINANCIAL AND ADMINISTRATIVE SERVICES:

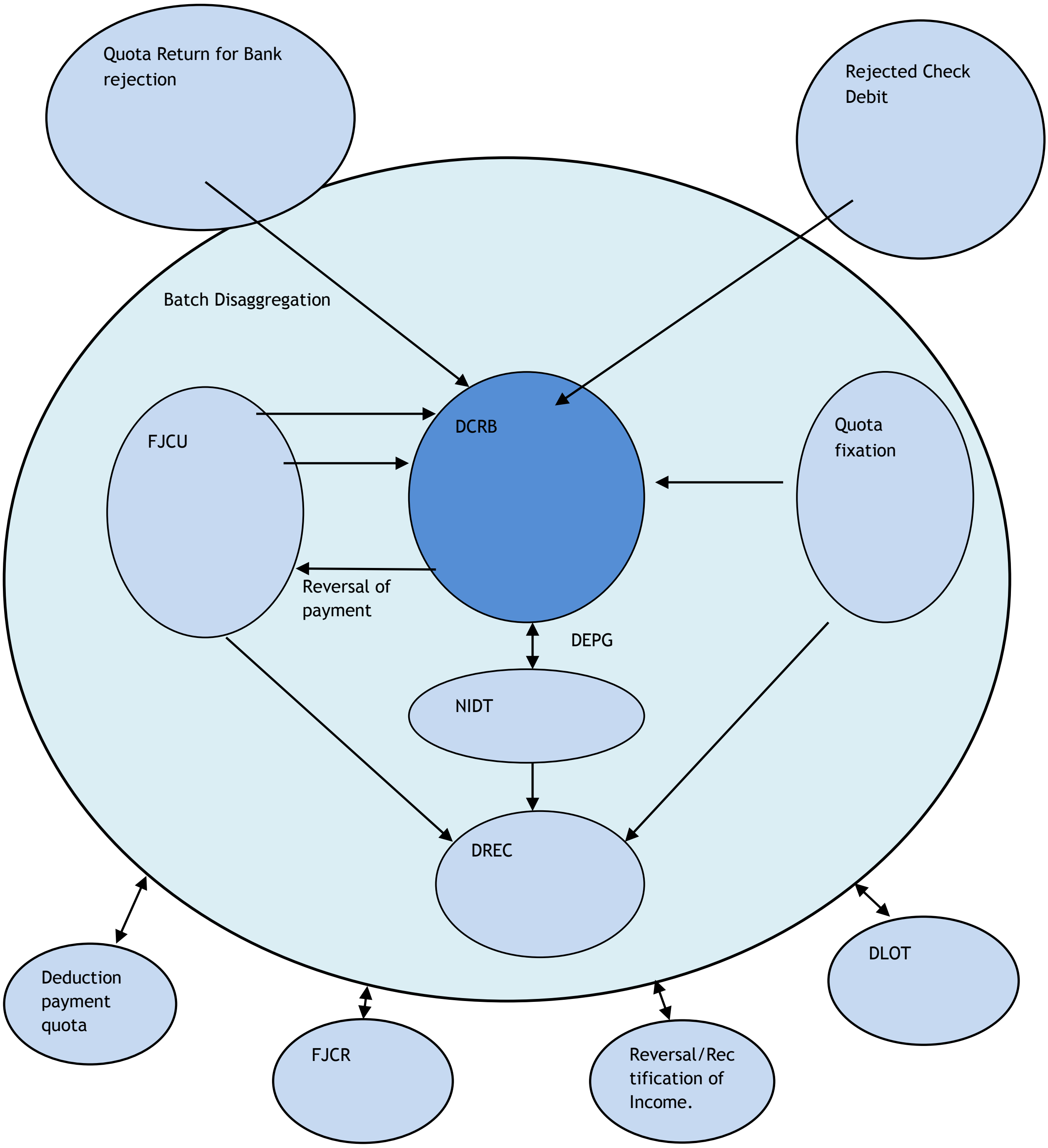
The relationships established within the SIDIF are also linked to other external agents. All the entry information and adjustment processes come from bank entities linked to the TGN (BNA and BCRA), and these processes lead to a back-and-forth relationship involving information and operations with the different SAFs connected with the SIDIF.

As a consequence, the reconciled movements and those pending reconciliation are reflected. In order to complete their budgetary regularization, the personnel in charge manages these operations with the different SAFs, handling the respective accounting forms.

The conclusion is that these functional relationships are closely interconnected and that each operation has an immediate impact in its environment, which allows a more transparent recording process for the National Treasury Administration.

These activities mainly involve analyzing the type of operation involved, requesting information from Bank Entities operating with the National Treasury, among others.

The following diagram illustrates these functional relationships:


Quota Return for Bank rejection
Rejected Check Debit
Batch Disaggregation
FJCU
DCRB
Quota fixation
Reversal of payment
DEPG
NIDT
DREC
Deduction payment quota
FJCR
Reversal/Rectification of Income.
DLOT

9.4 - THE REGISTRY SERVICE:

Once again, one of the goals of bank reconciliation is to automatically register the information on resources and expenses originated in the BNA and the BCRA through bank extracts from TGN accounts.

In this sense, the TGN reached an agreement with both entities to submit the Bank Extracts in paper and by point-to-point online transfer of the electronic files.

9.4.1 - RECEPTION OF ELECTRONIC BANK EXTRACTS VIA ONLINE POINT TO POINT TRANSFER (CABLE CONNECTION):

On a daily basis, the electronic files are transferred point-to-point from Bank Institutions that operate with the TGN. These Financial Institutions are the BNA and the BCRA.

These electronic files store the daily activity in bank accounts owned by the National Treasury, as well as transactions occurring in Collecting accounts of Central Administration Entities and Decentralized Bodies that are part of the CUT System, and Tax Resources from AFIP accounts, used for the Federal Tax Co-Participation Program.

Paper and backup documentation received refers only to accounts held by the National Treasury.

9.4.2 - CONTROL OF ELECTRONIC BANK EXTRACTS:

The information received may not be modified by the user, due to the fact that it is external and identical to the information found in the paper bank extract.

A series of reviews are conducted, and the backup documentation issued by the banks are controlled, to ensure that they are a faithful reflection of the operations reported electronically.

Other controls are made to ensure that the codes for external activity match the type of operation carried out and the internal activity codes.

AFIP collecting accounts, which transfer funds in favor of the TGN, are also checked.

9.4.3 - AUTOMATIC BANK RECONCILIATION PROCESS:

Once prior controls are complete, the electronic files are entered into the Bank Reconciliation Sub-System, which converts the External Bank Activity Codes (assigned by each bank for credit and debit operations) into Internal Bank Activity Codes (with a coding specific to the Sub-System).

When uploading the bank extracts, the system performs the following validations, ensuring that:

- the bank account is registered in the SIDIF as an active account,
- the initial reported balance is equal to the final balance of the previous day,
- each reported operation and its balance are valid,
- all transactions have a receipt number.

If any inconsistency is found in transaction codes or certificate numbers, the sub-system proceeds to inhibit the registry for that day's process, identifies the transaction as erroneous, assigns a number and issues a request of correction that is sent to the BNA so that, in the next process, the Bank can correct the error with a reversal and include the corrected record. This reversal will be linked to the erroneous movement by the number assigned, as if it were a bank reconciliation generated by countercodes.

A request for correction of the extracts is also sent to the bank, so that the movement is marked as erroneous and recorded in a table as pending response from the bank. This will allow control of the bank transaction regarding this activity. When consulted by the user, the system allows to mark the detected errors in the extract based on the analysis of the backup documentation presented together with the extract.

Once the automatic entry process is complete, the Automatic Bank Reconciliation Process is executed for each bank extract. This system cross-checks debits and credits from the bank extract with the Bank Book records, reconciling the pertaining activity and executing the automatic entry of resources and expenses. Each reconciled operation generates an instance of historic reconciliation, a very important tool for future analysis and follow-up on bank movements.

9.4.3.1 - MAIN ENTITIES:

9.4.3.1.1 - BANK EXTRACT:

The information contained in these files includes, based on the established coding, the following data:

- Bank: the bank where the account found in the extract is established
- Account: account into which the extract activity is entered
- Sub-account: sub-account of the account into which the extract activity is entered.
- Number: consecutive number from the extract activity
- Transaction Identification: identifies the debit or credit that the bank has performed using the activity code, sub-code, and certificate number.
- Amount: amount of the operation
- Operation: indicates whether this is a debit or a credit.
- Date: date of the bank extract as it appears on the certificate
- Status: this attribute is included in the sub-system after all extracts have been entered, and indicates the last reconciliation status of the receipt. In these cases, the operation may be: **T** totally reconciled, **P** partially reconciled and **N** not reconciled

9.4.3.1.2 - BANK BOOK:

The Bank Book is a General Accounting tool, used by the TGN, in which all bank account fund movements are recorded when generated or acknowledged. It is also an analytical record of the Bank account of the General Accounting Ledger.

The opening of the Bank book is done on the first business day of each fiscal year by uploading the initial balance, which corresponds to the final balance of the previous year. After this, operations are recorded sequentially, which means that the operations are included one after the other with no insertions, even though it may simultaneously generate records in other processes with different dates.

The book uses a transaction code table to identify the operations. Each operation recorded in the Bank Book modifies the balance, reflecting the new one simultaneously with each transaction.

The closing of operations is daily and the final balance must match the initial balance of the following day:

The entry dates in this book are related to the operations found in each form, for example:

- Automatic generation of resource forms, with a 'confirmed' status. In this case, the issue date of the forms must match the bank extract date. They are recorded in the Bank book with the reconciliation process date, that is, the entry date.
- Automatic generation of regularization expense forms, in the 'confirmed' status. These forms are entered in the bank book when the Automatic Bank Reconciliation Process is finalized. Their date must match the bank extract date, and the registry and confirmation date must match the date in which the indicated process is executed.
- Manual entry of resource forms: These forms will have the date of issue and entry. When confirmed, they are entered into the Bank book.
- Expense form record for "global or payment reversal" and "Revolving fund and reinstatements", with final submission or annulment. If these forms are registered normally, they will have an issue date, an entry date and a confirmation date. Upon confirmation, they are entered into the Bank book.
- Payment record for Payment Orders. In cases o normal entry, payments will always be made by check, bank identification or notes. These are recorded in the Bank book with the issuance date, which must match the entry or uploading date, as a result of the TGN payment process.
- When reprocessing checks with an earlier date than the current one, the checks will keep that earlier date, and the entry date in the Bank book will be the current date or the uploading date.
- Entry of regularization expense forms not generated automatically. These forms are registered and confirmed in the SIDIF, and later entered into the Bank book on the date of confirmation. Regularization has the purpose of linking forms with one or more debits in the bank extract, to mark operations as reconciled.

The Bank book contains the following information, according to the codes established for each type of information:

- Bank: bank of the account associated with the certificate.
- Account: account associated with the certificate

- Sub-account: sub-account of the account associated with the certificate
- Number: consecutive number of receipts in the bank book.
- Number of receipt to reconcile: receipt number associated with the record that will be used to compare with the receipt number in the reconciliation process extract.
- Amount: amount of the receipt.
- Operation: indicates if it is a credit or a debit.
- Status: last reconciliation status. The list of possible values is the same as in the bank extract (**T:** totally reconciled; **P**, partially reconciled, and **N**, not reconciled).

The charts below explain the types of entries for debit and credit operations in the Bank book, and the code used for the reconciliation of each of these transactions.

Debits

Type of entry	Receipt Number to reconcile	Sub-system of origin
Checks	Check number	Sidif Payment Module
Bank order batches	Compensation date plus remittance number	Sidif-Internet Payment Module
Notes to Foreign Beneficiaries	Note Number	Sidif-Internet Payment Module
Issued Transfers	Receipt number on extract	Graphic Sidif Bank Reconciliation Module
Regularization Expense Forms	Receipt number on extract	Sidif Expense Module Graphic Sidif Bank Reconciliation Module
Debit Adjustment	Book Entry Number	Graphic Sidif Bank Reconciliation Module

Credits

Type of entry	Certificate Number to reconcile	Sub-system of origin
Received transfers	Receipt number on extract	Graphic Sidif Bank Reconciliation Module
Collection "Resource Report" forms	Deposit slip Number	Sidif Resource Module
Expense forms for "Payment or Global Reversal" or "Revolving Fund"	Receipt number on extract or Deposit slip Number	Sidif Expense Module Graphic Sidif Bank Reconciliation Module
Rejected Checks	Check number	Graphic Sidif Bank Reconciliation Module
Rejected Bank Orders	Bank Order Number (Sidif Internet – ID identification nº)	Sidif-Internet Payment Module
Credit Adjustment	Book entry number	Graphic Sidif Bank Reconciliation Module

9.5 - BASIC SUB-SYSTEM TABLES:

In order to fully understand the Entry and Automatic Bank Reconciliation Process, it is necessary to clarify that there is a Group Table for internal bank movements, which associates them by identifying common characteristics in their reconciliation process. This classification is useful for a global summary of all processes involved in the automatic reconciliation. The group where a transaction belongs will determine the way in which its reconciliation is executed. The following are the existing valid groups:

- TRA. Transactions involving transfers between accounts.

If the transaction belongs to the TRA group (Transfers), the movement to be reconciled must be searched for in the account reported as transfer counterpart. For this purpose, the transaction codes for transfers include the counterpart account information.

This automatic reconciliation function compares a large group of bank accounts reconciled within this sub-system. There will be accounts belonging to the AFIP, to the National Customs Administration, as well as Central Administration Collecting accounts, and Decentralized Bodies accounts.

This information comes from the BNA and the counterpart account information is indicated in a field reserved for the receipt number. The information provided by the BCRA includes an additional field for validation.

This account must reflect a transfer for the same amount, pending reconciliation, and its certificate number must match the "source-account, target-account" criteria. There are certain transfers, defined as such in the basic tables, where the movement in the counterpart account extract cannot be absent. If this is the case and the movement were missing, a correction of the extract must be requested. A determination will be made on whether the transfer between these accounts implies the application of resources, and the corresponding entry will be processed.

Transfers received in TGN accounts from AFIP collecting accounts and entities operating within the CUT sub-system, will automatically generate C-10 collection forms, unless the entity operates with the Unified Local System, (SLU). The basic tables of this sub-system contain information on the issuer, recipient, allocation, etc, associated with the transfer source account, needed in order to apply the resource. When the transfer source account belongs to an entity operating with the Unified Local System, no C-10 collection form is generated, and the resource is not applied to the budget.

Transfers between TGN accounts generate no application of resources. However, the system reconciles the involved extract transactions between these accounts. These operations may be instructed by the TGN through the module for issuing transfer notes, or these can be routine operations made automatically by the bank.

Transfers instructed by the TGN are entered in the bank book as 'in-transit' transactions and are reconciled when operations are reflected in the respective bank extracts. Transfers executed by the bank are reconciled and entered into the Bank book automatically during the automatic reconciliation process after analyzing the bank extracts, as long as they meet the coding requirements. If this is not the case, these movements must be reconciled manually.

- LIB. Transactions that look for their match in the Bank book.

If the transaction code belongs to the LIB group (match with Bank book), one must look for this pair code in the bank book.

The Bank book is accessed by looking into a registry containing the bank book code, which matches the internal bank code and is not reconciled. Its certificate number must match the one reported in the extract.

When located, the sums are compared. If the amounts are the same, a reconciliation takes place for compared transactions in the extract and Bank book.

If the sums do not match, the basic tables will determine if a partial reconciliation is accepted or not:

- If accepted, a reconciliation instance is generated.

- If not accepted, an extract correction is requested.

- APL. Transactions applying resources/expenses automatically.

When a transaction code belongs to the APL group (applies resources and expenses automatically), one must search the basic tables for an association between the internal bank code and the allocation of expenses or resources to be applied, the SIDIF certificate and the Bank book code that must be generated to reconcile the transaction.

As a result, the transactions obtained will have the status of **T** (Totally Reconciled), **P** (Partially Reconciled) and **N** (Not Reconciled).

As mentioned before, the Automatic Bank Reconciliation process starts off the application of resources and expenses, depending on the operation in question. This will involve the automatic generation of SIDIF certificates based on an analysis of bank extracts during the reconciliation process. These operations are associated with financial movements in TGN accounts, such as expenses for bank commissions, adjustments for use of the FUCO, debits due to transfers of own resources or deducted from entities, among others. These debits and credits occur on a daily basis and always refer to the same resource or expense concepts. For this reason, it is advisable to automate the entry process.

The automatic entry of SIDIF certificates associated with expenses carries out the budget execution, as long as the existence of budgetary credits is confirmed. If the available balance in budgetary quotas is insufficient, the budgetary entry must be performed anyway, reflecting this situation in the Basic tables.

The procedures to be used in the budget execution involve the application of Accounting Forms.

When the income of funds is recorded, this results in the application of resources by generating C-10 Collection "Resource Reports", which determine an increase in the budgetary credit of the National Treasury, and directly affect the budgetary allocation corresponding to these funds. This impact does not occur when the recipient collecting account belongs to an organization operating with the Unified Local System. Chapter 5 of this document describes in detail the Resource Module procedure. For that reason, we will only refer to the fact that movements in collecting accounts identified with this attribute will only have financial effects on registered accounts and the Bank book within the Central SIDIF Automatic Bank Reconciliation Process. This will only prove successful if the Basic Tables of the Sub-system are updated and all associations are successfully performed.

The application of an expense will determine, for example, when the system detects an outflow of funds, generating C-55 form, "Registry Regularization or Modification", or CRG, resulting in a decrease of the available budgetary credit and reflecting an increase in the budget execution.

- EXB. Transactions that reconcile with countercodes found in the extracts.

If the transaction belongs to the EXB group (extracts), the system analyzes the extract searching for transactions which represent countercodes. For each one of them, it will look for the transaction corresponding to the original code, with a matching sum and certificate number, pending reconciliation. If these conditions are met, the transaction are associated, resulting in an instance of reconciliation (with the possibility of consulting the history of reconciliation for each transaction).

- MAN Transactions reconciled by manual regularization.

This item is explained in detail in the following Title (Inconsistencies).

9.6 - PROCESSES PENDING RECONCILIATION (INCONSISTENCIES).

Once the automatic process is complete, those transactions identified by the System as non-reconciled or partially reconciled will be deemed **Inconsistencies**.

In order to obtain all of the reconciled records, the user must complete a series of steps necessary for this purpose. The Direction of Bank Account Administration of the TGN works together with the SAFs, the ONP, the CGN, etc., to obtain the necessary budgetary credit for the regularization of operations pending reconciliation.

Once the accounting form is obtained and confirmed in the SIDIF, the inconsistencies are manually regularized, allowing the user to reconcile the transactions in the extract and the records in the Bank book. For each **manual regularization** completed, the Sub-system stores the reconciliation instance in a file, historically reflecting the operation.

There are different options for this operation:

- Bank Book vs. Bank Book
- Extract vs. Extract
- Extract vs. Bank Book
- Transfers
- Entry of forms into the Bank book.

9.7 - INFORMATION FOR DECISION MAKING:

The available balance is the result of the bank reconciliation process, which based on the extract balances and the Bank book, will compare the bank records and the SIDIF records. A balance equation is developed where the non-reconciled transactions are used as adjustment values. As a result, the financial position of the TGN is determined in relation with the execution of the daily payments.

The Consult and Listing menu allow the user to access a multiplicity of information used by the system operators and the top management for decision making.

This system provides the user with the consults and listings needed for different activities, regarding movements from extracts originated in banks and SIDIF Bank book records. Likewise, it displays reports on basic tables, allowing the administration of extract uploading processes, activations in the Bank book, and routine maintenance of automatic reconciliation processes. As mentioned before, the sub-system offers information regarding financial availability, useful for the top management of the institution.

The menu options offer the possibility of executing concatenated consults, so that when analyzing an extract or Bank book transaction, the user can access information on historical reconciliations, resource certificates, expenses or payments, all of which are recorded through other SIDIF sub-systems, and essential information on financial balances. The sub-system offers a user-friendly system of consult and listing on the screen, including parameters and balance detail.

The parameterized reports allow the user to access records, based on a series of common attributes that can be selected when consulting, for example, the bank account, transaction code or a range of specific dates. As a result, the data required is classified, facilitating the analysis of information and contributing to optimizing the search times in databases.

Consults and listings with a balance allow the user to see the evolution of the extract balance or the Bank book for a certain bank account during a certain period of time, determined by the user when consulting the information. The user can see the balance at the beginning of the specified period, together with a list of transactions recorded during said period and the evolution of the balance after each entry. Consults and listings with a balance can also be restricted to a list of records during the selected period, in the same way as with parameterized reports. The user can also consult the total compared balances in the extract and the Bank book, parameterized by bank account and date range.

For Bank book records, the sub-system also haves an option for advanced search, which accesses information on records for a specific SIDIF certificate.

Reports on financial availability are the main object of the bank reconciliation sub-system, and an essential tool to determine the daily financial position of the TGN. These consults show the available balances for a bank account on a specific date. The reported balances are based on the Bank book, adjusted by extract inconsistencies, and on the extract balances, adjusted by in-transit Bank book transactions.

These adjusted balances must match; for this reason, when the balance equation is not verified, the report acts as a control instrument over the sub-system management.

Available balance consults accumulate the total extract and in-transit Bank book inconsistencies, discriminating subtotals by type of operation -debit or credit-, offering the user related consults that report each accumulator in detail, disaggregating the amounts by operation code and even detailing each extract movement or SIDIF Bank book record.

9.8- UNIFIED LOCAL SYSTEM:

9.8.1- AUTOMATIC BANK RECONCILIATION PROCESS

9.8.1.1 - GOAL:

The Bank Reconciliation Sub-system of the Unified Local System (**SLU**) has the purpose of recording transactions occurred in collecting bank accounts of the Entities.

To this end, it compares debits and credits reported in extracts received from Bank entities for each bank account, and registered extracts received from the TGN, with incoming and outgoing fund records in the Bank book of the Unified Local System, applying resources and expenses as needed.

As a result, the available SAF financial balance is obtained in a timely manner, and is essential to for the efficiency of the decision making process.

9.8.1.2- CHARACTERISTICS:

The Entry and Bank Reconciliation Process begins when the Entity receives the information on collection bank account extracts from the financial Institution. This information is uploaded into the SLU system either automatically or manually.

Manual uploading takes place when the user enters each one of the transactions that appear in the bank extract into the system. On the other hand, the process is automatic when the user enters the extract information by using an electronic support (diskette, CD, etc.).

To complete these processes, information must be provided on the bank, branch, bank account, etc. The system allows adjustments on the uploading date.

The final stage involves uploading the information on the bank extract and confirming the operation. If any piece of data is uploaded incorrectly before confirming the operation, the system allows corrections on the entered data.

Once the uploading process is complete, transactions are automatically reconciled, generating simultaneous accrual and cash-basis "Resource Report" forms. This will impact the Bank book of the Collecting Account.

It is also possible to regularize inconsistencies manually, with the following criteria:

- Extract vs. Extract
- Bank book vs. Extract
- Bank book vs. Bank book
- Bank Transfers

When bank extract or Bank book transactions need to deconciled, the user may do so manually by selecting the target transaction, which will deconcile the source transaction.

In summary, the Bank Reconciliation system generates essential information for the decision making process of the Entity, among other features such as:

- System Parameterization. Provides flexibility and functionality to the organization.
- Available information on bank transactions and balances
- Available information on Book bank transactions and balances
- Automatic generation of receipts and records in the Book bank
- Uploading of bank and registered extracts
- Automatic reconciliation
- Correction requests
- Manual regularization of inconsistencies

- Accounting bank reconciliation
- Available balance

Registered bank extracts, on the other hand, are sent from central SIDIF electronically, and are processed automatically.

When uploading registered extracts, the system validates the data on each transaction and then reconciles them automatically based on the characteristics of each transaction, reflected in five pre-defined categories (see 9.5, Basic Tables of the Sub-system) with their corresponding registered Bank book.

The daily automatic debit in the collecting bank account will match the corresponding credit in the registered account.

In those cases with no previous operations, the expense or resource records are registered on an accounting level through the automatic bank reconciliation process and entered into the applicable Bank book.

Once the bank reconciliation process is finalized, the system allows the user to consult the relation between the different reconciled transactions (source transaction detail vs. target transaction detail).

Bank extracts from paying accounts are also received from the Bank Institution. They are uploaded and automatically reconciled, previously updating the Basic Tables, which represent the intelligence of the System. Paying account extracts do not have registered extracts.

9.8.1.3 - MANAGEMENT:

Within the Unified Local System, there is an alternative way of registering budgetary resources at different times, depending on the selected modality.

The Entity may choose to use the "accrual document and/or invoice" to account for their income. When confirming the issuance of said documents, an accrual "Resource Report" form is generated.

If the organization uses a "receipt" as an accounting system, its confirmation will generate the resource by issuing a simultaneous accrual and cash-basis "Resource Report" form. These records are later reconciled with the bank extract transactions of the associated account.

This modality for recording transactions comply with article 32 of the LAF, regarding the accrual of resources and their effective collection.

CHAPTER 10

10 - RISK MANAGEMENT AND CONTINGENCY PROCESSES

10.1 - OPERATIONAL RISK MANAGEMENT IN THE NATIONAL GENERAL TREASURY

10.1.1 - INTRODUCTION:

Due to the nature of the activities and responsibilities carried out by the TGN, where a high number of transactions must be handled on a daily basis, benefiting local and overseas beneficiaries, it becomes essential to identify the potential risk factors that may affect Treasury operations on different levels. This involves evaluating preventive measures and remediation if necessary. This assessment is reflected in a Comprehensive Operational Risk Management Plan, which hereinafter will be referred to as PIGRO.

What do we mean by 'risk factors? Basically, we try to identify those internal or external events that may limit the functions of the TGN to some degree. This can result in more adverse scenarios or operative restrictions that may undermine the response capacity when faced, for example, to urgent payments.

10.1.2 - RISK IDENTIFICATION, DETERMINING FACTORS AND IMPACT ON THE TREASURY PROCESS.

Based on the PIGRO definition, the TGN has carried out, as a first step, the individualization and evaluation of the variables that determine operational risks, establishing their probability of occurrence and the degree in which they could affect the Treasury's functions. This can occur separately or together with other events included in the operational risk assessment.

Once risk factors were identified, and their 'weight' or relative relevance within the operational risk as a whole was assessed, the TGN evaluated and defined the measures and procedures leading to a reinstatement of service capacity, considering different scenarios of probability, from the simplest (such as temporarily losing its check printing capacity) to more complex situations (such as the partial or total loss of electric supply in key sectors of the Treasury, system crash, fires, data communication problems or batch payment transfers to bank entities, etc.).

The PIGRO first identifies risk factors and then defines recovery or mitigation measures. This criteria applies to all of the Treasury processes, identifying risk and corresponding corrective measures. And so the Plan takes shape, with contingency procedures aimed at strengthening the TGN's capacity to solve problems identified as threats for its normal functioning.

A central aspect covered while analyzing the Treasury processes has been evaluating preventive measures that could be included in the current procedures, in order to reduce and/or control the exposure to manageable risk variables.

The PIGRO is, in nature, a dynamic system. Each process likely to be included into the Treasury system must be subject to prior operational risk evaluation, in order to define the corrective measures needed for their implementation.

The mentioned course of action is by definition transversal to all Treasury processes and as such, it will attempt an identification of each element representing an operational risk and find a way to mitigate it. However, special efforts and attention have been devoted to those incidents that may have strong repercussions on the ongoing functioning or critical processes, even when faced to the most adverse scenarios.

The TGN has no critical processes affected by risk factors with high occurrence probability, generating a highly favorable environment for the normal development of the Treasury and providing stability and predictability to all its functions. This quality contributes in practice to maintaining a solid image and the management capacity to overcome different types of difficulties, which any organization must successfully deal with in a changing environment.

All of the TGN personnel has been duly trained to fulfill their duties, understanding the responsibilities associated with managing operational risk. Each individual, from their own position, performs their activities according to procedures established to minimize the probability of adverse events that could degrade the Treasury functions.

The maximum authorities of the Treasury are closely integrated and actively participate in periodical reviews of the Risk Management Plan, promoting audits and permanent updates in order to set hierarchies, disseminate and provide it with the most adequate restoration tools for each identified problem.

10.2 - ASSET CLASSIFICATION AND CONTROL:

In today's world, information is the most important asset any organization can have. Therefore, information security is an essential topic; its loss can not only affect the institution but also the individuals involved in it.

The Secretariat of the Treasury, under the Ministry of Economy and Public Finances, approved a Policy for Information Security with Resolution Nº 71/10. The TGN complies with these regulations by implementing the Information Security Policy Plan (PSI), presented before the Information Security Committee.

In order to achieve this goal it is essential to have the cooperation of everyone involved and aligned behind the general policies of the PSI.

In order to achieve this, Chapter 5 of Annex to resolution SH Nº 71/10 determines the Asset Classification and Control as an essential part of risk management, according to the sensitivity and criticalness of the information.

This procedure involves the security of information and the preservation of:

- **Confidentiality**: Ensures that the information is accessible only for those people cleared to do so.
- **Integrity**: Safeguards the accuracy and completeness of the information and the processing methods.
- **Availability**: Ensures that authorized users have access to the information and resources at their disposal.

A thorough and detailed classification will ensure that the information assets receive an adequate level of protection, pinpointing their sensitivity and criticalness to define different levels of protection and special treatment measures based on their classification.

The application of an adequate Information Security Policy protects the data against a wide range of threats, ensuring the continuity of information systems, minimizing damage risks and guaranteeing an efficient fulfillment of TGN goals.

10.3 - QUALITY POLICY OF THE NATIONAL GENERAL TREASURY

By implementing the Quality Policies, the TGN certified the payment order process in the Fund Movement Direction, paid by Treasury bank transfer, in order to continually improve the efficiency of the processes.

The development of a Quality Management System, the Fund Movement Direction applied a methodology to avoid risks. To this end, it uses the Non-Compliant Product Registry tool, through which it can measure the risks.

The Non-compliant Registry identifies non-conformities, meaning the incompliance with a regulation of the process that endangers its continuity.

Once this non-compliance is detected, it is recorded and then analyzed accordingly, applying the suitable treatment. Depending on its seriousness, a corrective action is applied to avoid future reoccurrence.

CHAPTER 11

11 –REVOLVING FUNDS, INTERNAL REVOLVING FUNDS AND PETTY CASH SYSTEM. TRANSPORTATION AND PER DIEM ALLOWANCES.

11.1 - GENERAL CHARACTERISTICS:

The Revolving Funds, Internal Revolving Funds and Petty Cash system allows jurisdictions and entities under the National Executive Power to channel those urgent expenses which, having credit balance and quota, cannot be normally executed through a payment order. This constitutes an exceptional procedure in which both the type of expense and the amount are determined based on a restrictive criteria and is only applicable to cash transactions.

Revolving Funds may reflect amounts not to exceed three percent (3 %) of the sum of all original budget credits for each fiscal year, authorized in sub-section f) of article 81, in the Annex to Decree Nº 1344/2007, all valid regulations on this matter. As an exception, the SH may authorize an increase of up to fifty percent (50%) over the established percentage, when duly justified.

These procedures are formalized with a provision authorizing them, signed by the maximum authority of each entity and jurisdiction, observing all requirements established in sub-section d) of article 81 of the mentioned decree, with prior approval by the CGN and the TGN, both within the scope of the Sub-Secretariat of Budget of the SH, Ministry of Economy and Public Finances.

They are materialized with a certain amount of money delivered to an SAF or a dependant unit, to be used for the duly authorized payment.

The sums for Revolving Funds must be manually adjusted by the entities, pursuant to the procedures established by the SH and valid regulations.

11.2 - INTERVENTION BY THE NATIONAL GENERAL TREASURY:

The TGN intervenes throughout the different stages of the Revolving Fund process, explained below:

- During the stage prior to formalizing the administrative act, the CGN takes part, through its Technical Direction, in determining the cut-off amount that must be respected by the entities to develop or adapt their Revolving Fund.
- In order to operate the Revolving Fund, the Entity will use a specific bank account for this purpose, activating it with the approval of the Bank Account Administration Direction, pursuant to the valid procedures, as well as all requests involving cancellations or modifications.
- The Technical Direction performs a detailed analysis of the Administrative Act Project, specifically regarding the amounts and the compliance with the requirements established by valid regulations. Likewise, it participates in the analysis of increase requests presented by the different entities, and in the drafting of reports submitted to the Secretariat of the Treasury to evaluate their origin.
- The TGN Collection Management Direction is in charge of managing the return of Revolving Funds financed with Source 11, "NATIONAL TREASURY", when the credits allocated for the fiscal year in question are lower than the previous fiscal year.
- The TGN Directions of Programming and Financial Execution on one hand, and Control and Movement of Funds on the other, are in charge of establishing the limits and quotas for payment, and of executing these payments, respectively.
- Finally, if any budgetary, accounting or financial operation in entities operating within the CUT System were to be modified, merged, divided or dissolved, the TGN will intervene to close the Revolving Fund.

11.3 - REVOLVING FUND ADMINISTRATION AND MANAGEMENT MODULE:

The Revolving Fund module is an exceptional procedure to manage expenditure, used for urgent cases that do not allow a normal course of action of the payment document. For this reason, both the type of expenditure and the amount of the allocation respond to a restrictive criteria.

The functionality of Revolving Funds encompasses the management of Revolving Funds, Internal Revolving Funds and Petty Cash, and entails the following functions:

- Creation
- Extension

- Reduction
- Payment and Reception of Funds
- Transfer of Funds
- Registry, Payment and Reporting of Expenses
- Expenditure Annulment
- Correction of Expense Allocation
- Restitution
- Closing

11.4 - SUMMARY:

Pursuant to valid regulations, the SAFs can manage the creation of a Revolving Fund. They may also create Internal Revolving Funds and Petty Cash within the mentioned Revolving Funds. Petty Cash and Internal Revolving Funds will request their creation, extension, reduction and restitution from the Revolving Fund to which they respond.

The Revolving Fund centralizes its own operations and those of Internal Revolving Funds and Petty Cash, and does so before the CGN and the TGN. The amounts for creating the SAF Revolving Funds must be proportional to its budget. Based on this, Revolving Funds may be extended or reduced to adjust them to the budget determined for each fiscal year.

The expenses are recorded as they occur, undergoing routine controls. Then, an administrative and budgetary report is presented, along with any applicable restitution request. Restitutions control that the amount requested does not exceed the reported expenses, considering the amount of accrued deductions that will have an impact on it.

Modifications on budgetary allocations can be made via Revolving Fund operations, directly on the certificate, as long as it is not included in the Administrative Report, or generating a new modifying certificate when the original one is included in an Administrative Report, even if already restituted.

The requests for creation, extension, and restitution of the Revolving Fund are entered into the normal selection process of the payment module.

Finally, when applicable, the Fund will be closed and the remaining funds will be eventually returned.

Revolving Funds and Internal Revolving Funds manage funds in cash and in bank accounts, while the Petty Cash only uses cash funds. Revolving Funds and Internal Revolving Funds may manage cash in foreign currency.

11.5 - ADMINISTRATIVE PROCEDURE TO CREATE OR ADAPT REVOLVING FUNDS AND PETTY CASH:

After a Request to Create or Adapt is presented, a Resolution project is created. This project is sent to the SH so that it can be technically reviewed. This area verifies that all information is complete and that it adjusts to the valid regulations, and that the request is within the established limits in terms of amount and maximum per individual expense. Eventually, the SAF may request a special authorization to exceed the constitution limit, within the parameters established in the applicable regulations.

Requests for revolving Funds can include details of Internal Revolving Funds (FRI) and Petty Cash (CC), including amounts and officials in charge, or the creation or adaptation of these funds if approved by the authorities of the Entity.

11.5.1 - CREATION OF A REVOLVING FUND OR PETTY CASH FUND:

The request must at least contain the following information:

- Official in charge of managing Petty Cash, Internal Revolving Fund or Revolving Fund.
- Constitutive amount of the Cash fund and maximum amount for each individual expense.
- Expenses that may be made using Petty Cash or Funds.
- Specific regulations and limitations, if any.
- Reason to request its creation.

The Fund or Petty Cash Fund is created using the information on the request. In the case of Revolving Funds, the source(s) of financing must be defined as well. Internal Revolving Funds and Petty Cash "inherit" the information from the Fund they are included in, only choosing one source for those cases in which the Main Revolving Fund has more than one source associated to it.

There may be more than one Internal Revolving Fund per source of financing.

There can also be Revolving Funds with more than one source of financing.

Internal Revolving Funds are part of a Revolving Fund and cannot be part of another Internal Revolving Fund or a Petty Cash Fund.

Petty Cash funds may be part of a Revolving Fund or an Internal Revolving Fund.

Revolving Funds and Internal Revolving Funds must have an associated bank account. These bank accounts are not necessarily exclusive for the use of the Revolving Fund, but can be used for other purposes and expenses.

Several collecting accounts may be associated with a Fund, be it because the Fund has several sources of financing or because the entities have several collecting accounts associated with the same source. In this last case, the activation of several accounts form the same financing source for the same fund must be authorized by the Governing Body, pursuant to any applicable restriction or rule.

11.5.2 - EXTENSION OF REVOLVING FUND OR PETTY CASH FUND:

The extension responds to a functional circuit, similar to the creation procedures. The decision to extend may come from the official in charge of the Fund, Internal Revolving Fund or Petty Cash. Extensions can be granted also if the budgetary credits of the fiscal year exceed those from the previous year.

11.5.3 - REDUCTION OF THE REVOLVING FUND OR PETTY CASH FUND:

The authority in charge of the fund may request a reduction of the Revolving Fund, Internal Revolving Fund or Petty Cash. Reductions must be carried out if the budgetary credits from the fiscal year are lower than the ones authorized for the previous year.

Reductions can take place by returning the funds, by decreasing the amounts reported which are pending restitution, or a combination of both. In the case of a decrease in funds being returned, they can be deposited in the

Fund which they are part of, or in the case of a Revolving Fund, they will be deposited in the TGN or the SAF's Treasury, as applicable.

11.6 - PAYMENT AND RECEPTION OF FUNDS:

The payment for creation and extension of Revolving Funds is done through the Payment module selection process.

The payment for creation and extension of Internal Revolving Funds or Petty Cash is done by debiting from the affected Fund and transferring the funds to the corresponding Internal Revolving Fund or Petty Cash Fund.

Once payment is made effectively, the official in charge of the Revolving Fund, Internal Revolving Fund or Petty Cash will proceed to receive the funds according to the method of payment. The credit is then registered and the available balance is updated.

11.7 - TRANSFER OF FUNDS:

When a Revolving Fund or Internal Revolving Fund managing cash and bank funds needs to increase the available balance in one of these funds, it may do so by transferring available balance from one fund to the other.

In order to transfer form cash to bank funds, a deposit must be made in the Fund account, and to transfer from bank funds to cash, a check is issued form the Fund account reflecting the amount to be transferred. In both cases the cash and bank balances are updated, and the total available balance of the Fund is maintained at the same level.

11.8 - EXPENSE RECORD IN REVOLVING FUNDS, INTERNAL REVOLVING FUNDS AND PETTY CASH:

A Certificate Liable for Payment is entered by the Fund or Cash Fund. The certificate can be an invoice, a voucher or a request for per diem allowances, miscellaneous expenses or transportation.

11.8.1 - INVOICES:

Invoices that meet the conditions and established regulations to be paid by the Revolving fund process are entered into the system.

Invoices associated with purchases cannot be entered into the Revolving Fund circuit for payment.

Different verifications must be made to ensure that the expense is authorized to be paid by the Revolving Fund, Internal Revolving Fund or Petty Cash, that there is enough budgetary credit, that the invoice does not exceed the maximum amount authorized by the Fund, that there is enough available balance in bank or in cash, according to the selected method, and that the beneficiary's assets are not garnished -if they are, the invoice must be managed through the usual Expense circuits.

The invoice may be paid using any method of payment available to the Fund. If applicable, the pertaining withholdings will be calculated and generated. A receipt must be issued by the payment beneficiary.

An invoice may be annulled. The annulment must be made within the fiscal year of the invoice authorization. If the invoice has only been entered, it will be directly annulled. If it is already authorized, the impact must be reversed and the generated quota reserve modified.

If it has already been paid, then this payment must be reversed, choosing a credit note to be deducted from future payments or returning the funds using a method in line with the Cash, Revolving Fund or Internal Revolving Fund modality, which must not necessarily be the same as the method originally chosen for payment. If the invoice has been reported and there is sufficient non-restituted funds, the impact on the credit and the quota is reversed, decreasing the non-restituted amount.

If the reported amount is not sufficient, the last restitution must be partially annulled for the difference. In this case, an unpaid accrued restitution may be reversed, or an annulment may be carried out over a paid restitution with a return of funds.

Withholdings associated to invoices are annulled when calculated and when accrued. If they are accrued and paid, then the beneficiary obtains fiscal credit.

11.8.2 - VOUCHERS:

With the purpose of advancing money to pay for minor expenses, a voucher is entered indicating the expected use of the funds requested.

Once the voucher is authorized, and at the discretion of the SAF, this expense will be registered with no need to reserve a budgetary quota.

A voucher can be paid using any method of payment available to the Fund or Cash Fund. There must be sufficient available balance in the bank or in cash according to the payment method selected.

If a preventive reserve of funds is executed when the voucher is authorized, sufficient available balance must be present for those cases in which the payment exceeds the authorization, with no need to have available quota, updating this preventive fund if necessary.

The voucher will be printed and later signed by the person receiving the funds, as a certificate of effective delivery.

In order to report these advance funds, the official in charge presents the receipts for the incurred expenses. In a Voucher Report, many certificates can be included, and one same voucher can have partial reports.

The system verifies that each certificate included in the report does not exceed the maximum authorized amount for the expenses of the Fund or Petty Cash Fund. With each report, a quota reserve is generated. If the quota is not sufficient, the voucher report will be authorized, but in order to report it administratively, all certificates must have sufficient quota available.

If the delivered certificates do not cover the amounts of the voucher(s) included in the report, then the remaining funds are returned.

On the contrary, if payment receipts are presented for an amount exceeding the one on the voucher, a reimbursement will be generated and included in the voucher report.

A voucher may be annulled, even if included in a report. In this last case, it will answer to the annulment of the receipts presented in the report.

If a voucher was requested and not yet paid, it will be directly annulled, reversing the preventive fund if applicable.

If a voucher has been paid but not reported, the payment will be reversed and the beneficiary must return the funds. This return can occur using the same method of payment used to pay the voucher or not.

When vouchers are already reported, they are not directly annulled; instead, this is done by reversing the reported receipts. If a reported receipt is reversed, the voucher report is partially annulled.

The voucher reported with the reversed receipt is then totally or partially liberated. It can be reported at a later time or be totally or partially annulled with the corresponding payment reversal. If the voucher report generated a new quota reserve, the annulment by reversal of certificates will generate a reversal of the reserve as well.

If the voucher report is present in the administrative expense report, then an annulment must be made to reverse the Commitment, Obligations, and Payments on a budgetary level, generating the pertaining accounting records.

If the voucher has been reported and the funds are reinstated, then the reported non-reinstated amount must be modified (if this will cover the amount of the reversed certificate). Another option is to partially annul the last reinstatement, reversing one that is still unpaid, or registering an annulment for a paid reinstatement by returning the funds.

11.9 - PER DIEM ALLOWANCES AND TRANSPORTATION EXPENSES:

Officials shall request advance money and the ticket for the trip. In the Request, a detail must be presented of the anticipated expenses (meals and/or daily expenses), the amount of money and the budget items corresponding to each one.

The sums for per diem allowances are calculated based on the destination of the assignment and a category. This category is defined based on valid regulations of the organization in question. Once the authority evaluates the expenses requested by the official, it may reject or accept them.

If the request is accepted, the authority must then verify that there is no overlap with other trips, and the credit must be affected preventively for all budgetary allocations with which the trip or commission is being financed.

If there is no sufficient credit to cover for the allocations, then the Request for Travel Ticket, Per Diem Allowances or Daily Expenses (PVE) cannot be authorized.

Authorized requests may be reversed if still unpaid, or they may be paid through the Revolving Fund circuit.

Upon return from the commission or trip, the applicant must report all expenses by presenting an affidavit, along with the travel tickets and receipts for expenses. Only one report is allowed per PVE advance payment request. When the report is authorized, a reimbursement or return is generated as applicable, impacting the FR accumulators associated to the request. If credit is sufficient, the certificate will automatically pass to the 'reportable' status. In this status, the preventive fund allocated is reversed for all existing budget items in the associated request. Finally, a credit/commitment quota/obligation is reserved for the reported items.

If the quota is not sufficient, the voucher is authorized, but in order to report the expense administratively, all receipts must have available quota.

Before reporting the advance payment for travel and daily expenses, and before being authorized, officials may manage one or more returns for unused advances, which are entered in the Revolving Fund circuit.

When the reported allowance is authorized, the total expense is calculated considering all previous reimbursements and the report associated with the PVE Advance Request. If, upon authorization of the report, the total expense was higher than the sum requested, a reimbursement is automatically generated for the requestor. On the contrary, if the total expense was lower than the sum requested, an automatic fund return is generated for the requestor. The reimbursement or return generated by this report authorization is paid or received through the Revolving Fund circuit.

When a report is authorized, every amount is checked for validation, verifying that the sum of each reported certificate in the "unexpected" status does not exceed the maximum amount allowed for expenses by the Fund. If it exceeds this limit, the report shall not be authorized. Also, the sum of all expenses reported is checked to confirm it does not exceed the limit allowed for the Revolving Fund.

11.10 - ADMINISTRATIVE SUBMISSION OF RECEIPTS:

The officials responsible for Internal Revolving Funds and Petty Cash will submit the receipts of reported expenses before the official in charge of the Revolving Fund, and he, in turn, will submit them before the SAF management direction.

These receipts are reviewed by the official in charge of the Fund and may be approved or noted. If noted, the reason must be explained before submitting it back to the original adjuster who issued the certificate, so that the observation can be addressed and solved.

If the observation is solved, the certificate is returned for approval. If the observation cannot be solved, the certificate must be annulled in the way described before for invoice annulment processes and voucher reporting.

If a certificate is approved, it may be included in the Administrative Reporting. When authorized, and if sufficient credit and quota are available, it will execute the budget in the commitment, obligations and payment stages, generating the corresponding book entry and updating the non-restituted reported amount which will allow its restitution.

The process of Administrative Reporting may be done individually per certificate, with the intervention of the maximum authority approving the expenses, or submitted to a higher level as a group, through an "Expense Association" report which must be approved by the official in charge of the fund.

11.11 - RESTITUTION REQUEST AND PAYMENT:

In the case of Internal Revolving Funds or Petty Cash, the request for restitution from the Fund must indicate the amount requested as restitution. This amount must be checked to verify it does not exceed the sum of reported expenses that have not yet been restituted minus the accrued withholdings plus the paid ones.

The official in charge of the Revolving Fund will select the Internal Revolving Fund or Petty Cash restitution request to be accepted. The amount to be restituted is entered, which may be lower or equal to the one requested, as well as the method of payment to be used, verifying that there is sufficient cash or bank balance, depending on the payment method selected to pay off the restitution.

The payment of said restitution is made using available funds from the Fund in question, and entering the corresponding amount into the Internal Revolving Fund or Petty Cash. If the method of payment used requires so, a receipt is issued, to be signed by the recipients of the restitution funds.

In the case of Revolving Funds, a restitution request is generated indicating amount to be restituted. This amount must be checked to verify it does not exceed the sum of reported expenses that have not yet been restituted plus the paid Petty Cash restitutions minus the accrued withholdings plus the paid ones. When authorizing this restitution request, the non-budgetary accrual is generated together with its corresponding book entry.

The payment of this restitution from the Revolving Fund is entered into the normal process of payment selection. When paid, the record of non-budgetary payment is entered along with its corresponding book entry.

Once payment is made effective, the official responsible for the Fund or Cash proceeds to the restitution depending on the method of payment. The entry is recorded and all balances are updated accordingly.

11.12 - CLOSING:

The competent authorities may request the closing of a Revolving Fund, an Internal Revolving Fund or Petty Cash Fund. For this purpose, they will notify the official in charge of their management. The closing may be requested by the same official in charge of the Fund to be closed or by the official in charge of the Fund it depends on.

If a request is entered to close a Revolving Fund, an Internal Revolving Fund or Petty Cash fund, a verification must be made to check if they are in fact in a condition to be closed. For example, if a certificate of expense has not yet been reported, or accrued withholdings have not yet been paid, this must be solved in order to reach a balance equal to the original minus the non-restituted reported amount. In the case of a Revolving Fund, it must not have any Internal Revolving Funds or Petty Cash associated to it.

When the Fund is in a condition to be closed, this operation is authorized and the available balance is deposited in the Fund it depends on, or in the case of a Revolving Fund, the balance is deposited in the TGN or in the corresponding SAF treasury, as applicable. The Fund or Cash Fund is definitively closed when all deposit are reconciled.

The closing of a Revolving Fund will reduce the non-budgetary allocation and the associated book entries.

CHAPTER 12

12 - CUSTODY OF SECURITIES

12.1 - INTRODUCTION:

The Custody of Securities is an area shared by the TGN as a governing body of the Treasury System, and Jurisdictional Treasuries of the Entities that make up the National Public Administration. However, because of the different characteristics observed in the different scenarios, it becomes necessary to distinguish their treatment in this document based on the following categories:

12.2 - CUSTODY OF SECURITIES IN JURISDICTIONAL TREASURIES:

The role of securities custody in Entities of the National Public Administration has become one of the main responsibilities of Jurisdictional Treasuries, generating a renewed interest in officials in charge, to define a homogeneous operative circuit that will aim at standardizing practices for this process.

Given the commitment of Jurisdictional Treasuries to move towards the drafting of a reference manual that will cover all aspects regarding the Custody of Securities and Collateral process, the TGN promoted an environment to exchange ideas, with the participation of different organizations interested in developing this manual, with the participation and coordination of TGN officials.

To this end, a group was created to develop this Manual, which attended regular meetings within the Ministry of Economy and Public Finances, in order to move forward in the definition of actions and measures regarding Custody of Securities and Collateral.

Once consensus was reached within the group, the preliminary version of the text was presented before the Treasurers who attended the 7th Seminar on Jurisdictional Treasuries, and who provided valuable experience-based input aimed at the optimization of the process.

Likewise, in compliance with article 101 of the LAF and its provisions, the Manual was submitted for consideration to the Internal Audit Unit of the Ministry of Economy and Public Finances, who had no objections to proceed with the development of the manual, suggesting its approval by a TGN administrative act.

The result of the joint efforts between the TGN and the Entities participating in the development of the Manual was the approval of the *Reference Manual on Custody of Securities and Collateral for Jurisdictional Treasuries of the National Public Administration,* by Provision of the National General Treasurer Nº 24, dated September 29th 2011.

12.3 - CUSTODY OF SECURITIES IN THE NATIONAL GENERAL TREASURY:

Article 74 of the LAF, sub-section k), establishes that the TGN shall have competence to *"have custody and responsibility over the securities and collateral belonging to the central administration or third parties*"

Given the level of responsibility awarded by this Law to the Governing Body, and in line with the goal of reducing operational risks affecting all areas of the TGN, a procedure has been put in place to document all activities and officials responsible for managing the Custody of Securities and Collateral. This was approved by the National General Treasurer Provision Nº 19, dated September 19th 2012.

CHAPTER 13

13 - INSTITUTIONAL RELATIONS

13.1 - RELATIONSHIP BETWEEN THE NATIONAL GENERAL TREASURY AND OTHER LOCAL OR FOREIGN TREASURIES:

The TGN is committed and supports a fluent communication with different areas that participate in the creation and administration of strategic management models, aimed at the constant optimization of treasury processes.

To this end, those Entities that make up the National Public Administration attend to consults on a daily basis, which are sent to the TGN and mainly concern solving different operative and procedural matters, as well as other inquires regarding the management of new e-SIDIF modules, which are being gradually implemented.

Since 2002, and in an attempt to strengthen relations and work closely together, the TGN annually meets with Jurisdictional Treasuries, to participate in activities related with the most relevant Treasury processes. The purpose of this meeting is the exchange of opinions on different problems and issues of interest, shared by the Entities' Treasuries and the TGN as a Governing Body of the system.

A meeting with the Provincial Treasuries is held with the same regularity since 1994, proposing an environment for integration and exchange, focusing on different topics of common interest for provincial jurisdictions and the TGN. The participation of the Treasurers results in the application of new administrative tools, updated procedures in line with new technological developments and the reinforcement of the Treasury's view as a key sector in the efficient management of public resources.

More recently, and with a constant vocation of growth and institutional strengthening, the TGN has further developed its relationship with foreign treasuries. The national General Treasurer has participated in Latin American Governmental Treasuries Forums, a space aimed at promoting regional cooperation and the exchange of experiences, fostering the implementation of best international practices for the administration of public funds.

13.2 - RELATIONSHIP BETWEEN THE NATIONAL GENERAL TREASURY AND OTHER ENTITIES - LIST OF VALID CURRENT AGREEMENTS

This section makes reference to agreements that are presently in force within the scope of the SH, through which the regulatory framework is developed to backup the TGN's main operations:

1. Agreement dated 8/31/2001 entered into by the SH and the BNA for the electronic transfer of files (point to point). Status: valid until any of the parties express their wish to terminate said agreement.
2. Agreement dated 10/05/2005 entered into by the SH and the BNA to implement the Single Income Document. Status: valid, with automatic renewal.
3. Agreement dated 01/27/2006 entered into by the TGN and the BNA adhering to the *Nación Empresa* service 24. Status: valid, with automatic renewal.
4. Agreement dated 01/30/2006 entered into by the SH, the BNA and the AFIP to implement the payment of taxes and resources from Social Security through the *Nación Empresa* service 24 (VEP). Status: valid, with automatic renewal.
5. Agreement dated 12/05/2007 entered into by the SH and the BCRA validating the mutual adherence to the electronic transfer of funds between entities of the Argentine Republic financial system. Status: valid, with automatic renewal.
6. Contract dated 01/25/2010 entered into by the SH and the BCRA to receive equipment under a commodatum agreement, in compliance with the project of Communication Modernization. Status: valid, with automatic renewal.
7. Agreement dated 02/26/2010 entered into by the SH and the AFIP, granting access to the information of the Single Taxpayer Registry. Status: valid, with automatic renewal.
8. Agreement dated 11/11/2010 entered into by the SH and the BNA for the payment of beneficiaries through the National Payment System. Status: valid, with automatic renewal.

9. Agreement dated 11/11/2010 entered into by the SH and the BNA for the electronic exchange of files. Status: valid, with automatic renewal.

10. Agreement dated 11/11/2010 entered into by the SH and the BNA for the electronic transfer of files. Status: valid, with automatic renewal.

11. Agreement dated 12/30/2010 entered into by the Public Administration Secretariat and the SH formalizing the technical cooperation for the integration of the contracting system into the e-SIDIF. Status: valid, with automatic renewal.

12. Agreement dated 09/10/2012 entered into by the SH and the AFIP formalizing the Authentication Service via fiscal password, accessible online, for the e-PROV consult and follow-up system for payment to service providers. Status: valid, with automatic renewal.

CHAPTER 14

14 - ANNEXES

14.1 – ANNEX 1 - REGULATORY REFERENCES

14.1.1 - CHAPTER 1 - *The Treasury System:*

Law Nº 24156

Law Nº 24144

Law Nº 21526

Law Nº 11672

Decree Nº 1344/2007

14.1.2 - CHAPTER 2 - *Financial Programming in the Public Sector:*

Law Nº 24156

14.1.3 –CHAPTER 3 - *Liquidity Management:*

Law Nº 26337

Law Nº 25562

Law Nº 24156

Law Nº 24144

Law Nº 11672

Decree Nº 1344/2007

Decree Nº 906/2004

Decree Nº 8586/1947

Resolution SH Nº 357/2007

14.1.4 – CHAPTER 4 - *The Single Treasury Account System:*

Law Nº 24156

Decree Nº1545/1994

Resolution SH Nº 219/2011

14.1.5 – CHAPTER 5 - *Income Administration:*

Law Nº 26739

Law Nº 25413

Law Nº 24156

Law Nº 24144

Law Nº 23548

Decree Nº 1344/2007

SH Resolution Nº 396/2006

SH Resolution Nº 256/1998

SH Resolution Nº 226/1995

Joint Provision Nº 30/04 CGN and 7/04 TGN

14.1.6 – CHAPTER 6 - *Collection Management:*

Law Nº 25917

Law Nº 24156

Law Nº 23696

Law Nº 19550

Law Nº 11672

Decree Nº 1344/2007

Decree Nº 1836/1994

Decree Nº 584/1993

Decree Nº 2394/1992

SH Resolution Nº 842/2010

SH Resolution Nº 476/2006

SSP Provision Nº 429/2002

14.1.7 – CHAPTER 7 - *Payment Administration:*

SH Resolution Nº 374/2007

14.1.8 – CHAPTER 8 – *Bank Account Management:*

Law Nº 26337

Law Nº 24156

Decree Nº 1344/2007

Decree Nº 1889/1992

Decree Nº 1757/1990

Decree Nº 2361/1980

Decree Nº 6190/1965

Decree Nº 7580/1962

Decree Nº 8586/1947

TGN Provision Nº 5/2010

14.1.9 – CHAPTER 9 - *The Bank Reconciliation Process:*

Law Nº 24156

14.1.10 – CHAPTER 10 – *Risk Management and Contingency Processes:*

SH Resolution Nº 71/2010

14.1.11 – CHAPTER 11 – *Revolving Fund Regime, Internal Revolving Funds and Petty Cash. Transportation and Per Diem Allowances.*

Decree Nº 1344/2007

14.1.12– CHAPTER 12 – *Custody of Securities:*

Law Nº 24156

TGN Provision Nº 24/2011

TGN Provision Nº 19/2012

14.1.13 – CHAPTER 13 – *Institutional Relations:*

Law Nº 24156

14.2 - ANNEX II - LIST OF ABBREVIATIONS:

ADMINISTRACIÓN FEDERAL DE INGRESOS PÚBLICOS (FEDERAL ADMINISTRATION OF PUBLIC INCOME)	**AFIP**
ADMINISTRACIÓN PÚBLICA NACIONAL (NATIONAL PUBLIC ADMINISTRATION)	**APN**
BANCO CENTRAL DE LA REPÚBLICA ARGENTINA (CENTRAL BANK OF THE ARGENTINE REPUBLIC)	**BCRA**
BANCO DE LA NACIÓN ARGENTINA (BANK OF THE ARGENTINE NATION)	**BNA**
BANCO INTERAMERICANO DE DESARROLLO (INTERAMERICAN DEVELOPMENT BANK)	**IBD**
BANCO INTERNACIONAL DE RECONSTRUCCIÓN Y FOMENTO (INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT)	**IBRF**
CONTADURÍA GENERAL DE LA NACIÓN (NATIONAL GENERAL ACCOUNTING OFFICE)	**CGN**
CORPORACIÓN ANDINA DE FOMENTO (ANDEAN SUPPORT CORPORATION)	**CAF**
CUENTA ÚNICA DEL TESORO (TREASURY SINGLE ACCOUNT)	**CUT**
FONDO UNIFICADO DE CUENTAS OFICIALES (UNIFIED OFFICIAL ACCOUNT FUND)	**FUCO**
LEY DE ADMINISTRACIÓN FINANCIERA Y DE LOS SISTEMAS DE CONTROL DEL SECTOR PÚBLICO NACIONAL (FINANCIAL ADMINISTRATION AND NATIONAL PUBLIC SECTOR CONTROL LAW)	**LAF**

OFICINA NACIONAL DE CRÉDITO PÚBLICO	
(NATIONAL PUBLIC CREDIT OFFICE)	**ONCP**
OFICINA NACIONAL DE PRESUPUESTO	
(NATIONAL BUDGET OFFICE)	**ONP**
ÓRGANO RECTOR	
(GOVERNING BODY)	**OR**
SECRETARÍA DE FINANZAS	
(SECRETARIAT OF FINANCE)	**SF**
SECRETARÍA DE HACIENDA	
(SECRETARIAT OF THE TREASURY)	**SH**
SERVICIO ADMINISTRATIVO FINANCIERO	
(FINANCIAL ADMINISTRATIVE SERVICE)	**SAF**
SISTEMA INTEGRADO DE INFORMACIÓN FINANCIERA	
(INTEGRATED FINANCIAL INFORMATION SYSTEM)	**SIDIF**
TESORERÍA GENERAL DE LA NACIÓN	
(NATIONAL GENERAL TREASURY)	**TGN**