

Buenos Aires, August 15, 2001

- To the Board of Directors of
Banco Central de la República Argentina
- To the National Executive Branch
- To the National Congress

In my capacity as Syndic of Banco Central de la República Argentina (B.C.R.A.), I have reviewed, with the scope mentioned below, the Balance Sheet of the Institution at December 31, 2001, the Statement of Income and the Statement of Changes in Net Equity for the year then ended and the corresponding Notes 1 to 7 and Exhibits I to V to those financial statements, which were signed by me solely for identification purposes.

The review included the procedures described in the Exhibit to this report and did not include the application of all auditing procedures necessary to issue an opinion on the financial statements taken as a whole, in accordance with current auditing standards.

Furthermore, the review centred on confirming the agreement of all significant information contained in the documents detailed in the first paragraph with the actions adopted by the governing bodies of Banco Central de la República Argentina (B.C.R.A.) and their compliance with the Charter and other applicable regulations in their formal and documentary aspects.

I will refer below to certain changes in legislation in the period under review in so far as they are relevant to the purposes of this report, based on the scope of the review specified in the preceding paragraphs.

Decree 439, dated April 17, 2001, established changes to the Charter of the B.C.R.A. that had been approved by Law 24,144, making it possible to remunerate reserves and minimum cash compliance, as well as allowing such requirements to be complied with in the form of government securities payable in the currency in which they were required to be made.

In addition, Decree 1387 dated November 1, 2001 introduced changes intended to lower the cost of national and provincial public debt and the strengthening and capitalisation of the private sector. These changes mainly involved the offering to bond-holders of the possibility of conversion into loans or bonds -at par in the same currency of origin as the transaction, with interest accruing at a rate not higher than 7% p.a. or the equivalent at a floating rate- with principal and interest servicing secured by funds specifically set aside for the purpose, thus significantly improving the terms agreed for the bonds falling due through to 2003.

To carry out this public debt restructuring, which in all instances consisted of transactions offered to holders on a voluntary basis, the decree laid down that the B.C.R.A. should act as the agent of the Federal Government -as per Article 4, clause c) of its Charter and following the guidelines issued by the Ministry of Economy- when those interested in performing the exchange were financial entities, pension fund managers, investment funds, insurance companies and individuals or legal persons acting through financial entities.

Decree 1523 dated November 23, 2001, the text of which was modified by Decree 1526 dated November 27, 2001, incorporated reforms to Articles 17 and 19 of the Charter with the aim of granting greater flexibility to the granting of advances and rediscounts for temporary liquidity difficulties and open market transactions -as contemplated by Article 18 clause a)- making use of the public debt instruments foreseen by the mentioned Decree 1387/2001.

Subsequent to the closing date of the financial statements under review, Law 25,561 -in force as from January 6, 2002- declared a public emergency on social, economic, administrative, financial and exchange matters and made changes to Law 23,928 on Convertibility, granting the Executive Branch time until December 10, 2003 to adopt measures on the basis of the terms of the law.

Decree 214 dated February 3, 2002 laid down the conversion to pesos of obligations to give sums of money from whatever cause or origin, as well as those deposits within the financial system in existence as at the date of the sanctioning of Law 25,561, at the rate of \$1.40 per US dollar or the equivalent in any other foreign currency.

In addition, it modified the Financial Entities Act (Law 21,526) to improve the efficiency of intervention in financial entity restructuring processes by the B.C.R.A. as laid down by Section 35 bis of the law, widening the capacity of the Institution to provide assistance to troubled entities on a temporary basis and authorising the Ministry of Economy and the B.C.R.A. under the limit of its respective competence to issue the corresponding regulations.

Law 25,562, proclaimed on February 6, 2002, introduced changes to the Charter of the B.C.R.A. (Law 24,144).

Among other aspects, the new Charter includes changes in line with the new monetary regulations, imposing on the B.C.R.A. the duty to inform prior to the start of each fiscal year the details of its monetary policy for the following year, and to indicate the inflation target and the total forecast variation in money supply, making public on a quarterly basis, or as often as deviations are expected to take place, the reasons for such deviation and the new program, in all cases being independent from orders, indications or instructions from the National Executive Branch.

In addition, it allows the B.C.R.A. to make transitory advances to the National Government for up to 10% of the cash resources obtained in the previous twelve months,

which should be repaid over the same length of time, it being established that if any advance were to remain unpaid at the end of such period the facility granted by the Bank will not be able to be drawn on again until the amount due has been repaid.

On the matter of International Reserves, the Charter authorises the B.C.R.A. to hold part of its foreign reserves in interest-bearing deposits or other types of operation, in banking entities abroad or in securities of recognised solvency and liquidity payable in gold or foreign currency.

Decree 260, dated February 8, 2002, replaced the official exchange market with a single free exchange market for the trading of all foreign currency transactions, which will be subject to the requirements and regulations to be issued by the B.C.R.A.

In addition to the above rulings, and taking into account the rescheduling established by Decree 256/2002, the B.C.R.A. charged to the account of the National Government the amount of foreign debt servicing paid on its behalf, and the National Government placed at the disposal of the Bank the necessary funds to attend to such disbursements.

Based on the review carried out, and the comments in the previous paragraph, I inform that I have no objections to make on the financial statements described in the first paragraph and, therefore, I recommend that they be approved by the Board of Directors of the B.C.R.A.

In addition, I inform that I have controlled compliance by the B.C.R.A. with the provisions of its Charter -Law No. 24,144 and its amendments- and other applicable regulations by controlling the decisions adopted in Board of Directors' meetings, which I have attended on a regular basis, issuing opinions and formulating recommendations when the circumstances have so required it, in the context of the attributes and duties derived from sect.36 of those regulations.

APPENDIX

APPENDIX TO THE REPORT OF THE B.C.R.A. SYNDIC

DESCRIPTION OF THE MAIN REVIEW PROCEDURES ON THE FINANCIAL STATEMENTS OF B.C.R.A. AT DECEMBER 31, 2001

1. Reading of the draft report issued by KPMG Finsterbusch Pickenhayn Sibille and the Auditoría General de la Nación (A.G.N.).
2. Access to the working papers of KPMG Finsterbusch Pickenhayn Sibille and the Auditoría General de la Nación (A.G.N.) corresponding to the external audit of the financial statements.
3. Reading of the financial statements.
4. Verification for consistency of the amounts shown on the financial statements against the supporting documentation for the operations.
5. Access, in performing functions as Full Syndic, to certain documentation, records and vouchers of operations.
6. Attendance at Board of Directors' meetings since date of appointment as Full Syndic.
7. Participation in working meetings with B.C.R.A. officers, KPMG Finsterbusch Pickenhayn Sibille and A.G.N. to review progress of External Auditors' work.
8. Reading and review of work programs and reports of the General Audit division of the B.C.R.A. corresponding to financial statements accounts.
9. Reading and matching of condensed assets and liabilities statements, daily reports on Evolution of Reserves - Law No. 23,928, Monetary Liabilities and Convertibility Ratio and other accounting information.
10. Control of the debt consolidation files as per Laws 23,982 and 25,344 and supervision of the Payment Requisition Forms as per Decrees 2140/91 and 1116/00.

Marcelo E. Griffi
Syndic