

Regulatory annex¹

This annex covers the most relevant financial system regulation measures adopted since the publication of the previous IEF up to the closing of this edition (June 2020 - December 2020).

Financial inclusion, banking and use of electronic media

In early September 2020, the gender equality criterion was incorporated into the Guidelines on corporate governance in financial institutions, to balance the participation of men and women in decision-making work environments and guarantee the right to equal opportunities and non-discrimination based on gender.² In November, the BCRA established that institutions must avoid practices or actions that reflect gender violence and discrimination in advertising and the treatment of persons.³

As part of the provisions on the protection of financial services users, in October the Financial Institutions Law (LEF) was extended to other non-financial credit providers, including credit fintechs and home appliances stores that offer financing.⁴ Among other aspects, it establishes the obligation to enroll in a registry when they have granted financing for over \$10 million and to comply with provisions on disclosure and transparency of interest rates and communication on electronic media. These measures will be gradually introduced through an implementation schedule that ends in March 2021.

In December 2020, the BCRA launched the program called 3.0 Transfers, aimed at promoting digital payments and greater financial inclusion in the country.⁵ The scope of immediate transfers is thus expanded, building an open and universal digital payment ecosystem that can turn into an efficient and secure alternative to cash. These are the main features of the program: i) interoperability of all accounts (bank accounts and electronic wallets); ii) shops receive transfers of funds instantly and payments are irrevocable; iii) hidden costs for shops for cash handling are removed; v) flexibility since cards, QR codes, National Identity Documents, payment requests, and biometrics (such as digital fingerprints) are accepted.

Policies to stimulate savings

To encourage savings in domestic currency, as of 8/1/2020, the minimum rate for deposits in pesos of up to \$1 million made by natural persons and captured by Group "A" institutions and branches of systemically important banks that do not belong to this group (G-SIBs), was raised to 33.06% APR —87% of the LELIQ rate. This minimum rate is optional for the rest of the institutions.⁶ At the same time, the net LELIQ surplus was increased to the equivalent of 31% of these deposits for these institutions. Besides, the ratio defining the fixed early payment rate for UVA deposits was raised from 0.70 to 0.75.

Within the framework of the rate harmonization process, the applicable percentages of the LELIQ rate defining the minimum rates for time deposits⁷ continued to increase throughout September. In particular, the percentages of the LELIQ rate were increased to raise the minimum rate of time deposits to 34% APR for deposits made by natural persons for amounts below \$1 million (32% APR for the rest) in Group "A" institutions and G-SIBs. Additionally, the ratio defining the fixed early payment rate for UVA deposits was raised to 0.7917.

In November, the applicable percentages of the LELIQ rate defining minimum rates were readjusted, taking the minimum yield -in Group "A" institutions and G-SIBs- to 37% APR for deposits made by natural persons

¹ Refer to the Communications for a complete interpretation of the regulations mentioned in this annex.

² Communication "A" [7100](#).

³ Communication "A" [7162](#).

⁴ Communication "A" [7146](#) and Press Release of [10/22/2020](#).

⁵ Communication "A" [7153](#) and Press Release of [10/29/2020](#).

⁶ Communication "A" [7078](#) and Communication "A" [7091](#).

⁷ Communication "A" [7131](#), Communication "A" [7139](#), Press Release of [10/08/2020](#) and Press Release of [10/15/2020](#).

for amounts under \$1 million (and 34% APR for the remaining deposits).⁸ Likewise, the rate defining the fixed early payment rate for UVA deposits was modified. On the other hand, the BCRA established that institutions in which the percentage of time deposits in pesos from the non-financial private sector is less than 10% of the total deposits in pesos for this sector, will not be able to acquire LELIQs -for their net surplus position- or carry out 7-day repo transactions with the BCRA.

Policies to promote financing for production and households

By the end of June 2020, new lines of credit were established at an interest rate of 24% APR for non-MSMEs clients, to the extent that the funds are used to acquire capital goods produced by local MSMEs, extending as well the deduction in the Minimum Cash requirement for these loans.⁹ On the other hand, it was made mandatory for institutions to grant loans to MSMEs when they have a guarantee from the Argentine Guarantee Fund (FOGAR). Likewise, the deductible limit of the average minimum cash requirement in pesos was increased from 4% to 6% for MSMEs loans granted as of July

Following this and within the framework of Executive Order [621/2020](#), the BCRA implemented two new credit lines¹⁰ in early August. On the one hand, Corporate Loans at a Subsidized Rate, aimed at companies registered in the Emergency Assistance Program for Work and Production (ATP). These resources are deposited directly into the employees' wage accounts and the companies will cancel the loan paying a special rate, between 0% and 15% APR based on the change in year-on-year turnover. On the other hand, Zero Rate Culture credit line to assist members of the simplified tax regime (*monotributistas*) and self-employed workers who carry out culture-related activities. These funds are credited to the applicant's credit card in three equal and consecutive monthly installments, accruing a rate of 0% APR and with a one-year grace period. To offset the opportunity cost of these resources, institutions may deduct the equivalent of 60% of them from their Minimum Cash requirement.

To adjust credit assistance to the needs of the new stage of the pandemic, a new scheme was implemented in October 2020 called "Financing Line for MSMEs Productive Investment". This is intended both for companies affected by the pandemic and the rest of the MSMEs that want to expand their production processes.¹¹ This new initiative mainly consists of a line for Capital Investment, with a rate of 30% APR, designed to finance the acquisition of capital goods and for companies in the construction sector. On the other hand, there is a line to finance working capital, which is available at a rate of 35% APR. These loans are considered in determining the maximum limit of the net LELIQ surplus.

Also, to continue stimulating credit to MSMEs and to expand the "AHORA 12" 12-installment program, the allowance of Minimum Cash requirements for institutions for these financings were increased, since the beginning of the year. Since October, this percentage has risen to 50% for new financing.¹²

In November 2020, the regulations on the [financing lines for MSMEs productive investment](#)¹³ were modified. Namely, credits granted to MSMEs that have imported final consumer goods for investment projects after 03/19/2020 may be computed. Export pre-financing -except for large exporting companies-, export financing and import financing of inputs and/or capital goods are also admitted. Additionally, a reduction in the minimum cash requirement is allowed for an amount equivalent to 14% of the financing of investment projects to MSMEs, when the rate does not exceed 30% APR.

In turn, within the framework of the actions taken by the BCRA to address the effects of the pandemic, the changes to the classification parameters for bank debtors was extended until the end of 2020.¹⁴ Thus, a 60-

⁸ Communication "A" [7160](#).

⁹ Communication "A" [7054](#) and Press [Release](#) of [06/25/2020](#).

¹⁰ Communication "A" [7082](#).

¹¹ Communication "A" [7140](#).

¹² Communication "A" [7114](#).

¹³ Communication "A" [7161](#).

¹⁴ Communication "A" [7107](#).

day term is added to the current classification system that considers -among other aspects- the number of days in arrears, contemplating the difficulties caused by the crisis in various branches of economic activity. Also, unpaid installments corresponding to maturities of credit assistance -not included in the Credit Cards Law- granted by institutions may only accrue compensatory interest at the contractually established rate and institutions must incorporate these installments as of the following month, even at the end of the loan's life.

Liquidity Management and Monetary Regulation

In the second semester of 2020, to stimulate the supply of credit to the private sector, certain flexibilities were extended to the Minimum Cash requirements when financing is granted to MSMEs, while the lending capacity of institutions was increased by reducing their surplus LELIQ holdings. As of October, some of these deductions were eliminated. In this sense, as of 10/9/2020, the BCRA established that new financing granted to natural or legal persons from economic sectors not eligible for the benefits of the Assistance Program for Work and Production (ATP) may not be charged for the deductions of the Minimum Cash requirement.¹⁵ Since November, only the "Subsidized Rate Credits" granted as of 11/6/2020 (with specific financial conditions) will allow certain deductions of Minimum Cash requirements.¹⁶ As of November, a reduction in the minimum cash requirement was allowed for an amount equivalent to 14% of financing to MSMEs for investment projects, when the rate does not exceed 30% APR.¹⁷

On another note, since early July, the consolidated calculation of the minimum cash positions in pesos for the months of July/August and December/January 2021 was canceled.¹⁸

As of July 2020, the limits to the net LELIQ surplus were adjusted, reducing it concerning the position as of March of this year, based on financing to MSMEs.¹⁹ Also, new collateral was incorporated for the repo transactions that the BCRA carries out with institutions.²⁰

In the same vein, the limit for the net LELIQ position was increased since August by the difference between the maximum allowed for the net global cash position in foreign currency (US\$2.5 million or 4% of the ASE of the previous month) and the average of the balances observed in said cash position²¹ and as of September, for the equivalent of 13% of time deposits captured at the minimum rate of 33.06% APR (87% of the LELIQ rate as of that date).²²

The BCRA established that institutions must reduce the net LELIQ surplus concerning its position the previous month by 20 percentage points since October 2020. This adjustment can be done gradually, as bills are collected.²³

Money supply readjustment

The schedule to withdraw from circulation \$5 banknotes was extended. Financial institutions must accept them until the end of 2020, and they will be considered demonetized as of 06/01/2021.²⁴

Regulations related to foreign trade and exchange

¹⁵ Communication "A" [7132](#).

¹⁶ Communication "A" [7157](#).

¹⁷ Communication "A" [7161](#).

¹⁸ Communication "A" [7046](#).

¹⁹ Communication "A" [7054](#).

²⁰ Communication "A" [7063](#).

²¹ Communication "A" [7077](#).

²² Communication "A" [7078](#).

²³ Communication "A" [7122](#).

²⁴ Communication "A" [7113](#).

As part of the measures aimed at maintaining exchange rate stability and protecting savers, the main exchange market regulation measures were maintained. In this sense, the deadline to request the BCRA's approval for the payment of imports of goods (except medical supplies) or the cancellation of financing from abroad was extended on several occasions.²⁵ Furthermore, an online system was implemented to verify customers' tax returns.

Complementarily, the requirements for the payment of foreign obligations were eased.²⁶

To prioritize the allocation of foreign exchange to the recovery of economic growth and employment, the BCRA established since September 2020 that payments in foreign currency with credit or debit cards will be taken into account against the monthly purchase limit of US\$200. There will be no cap on card consumption (debit and credit) and when monthly expenses exceed the limit, they will absorb the limit for the following months.²⁷ Those who have refinanced loans or have benefited from the freezing of mortgage loan installments, will not be able to access the exchange market or carry out transactions in securities settled in foreign exchange or transferred abroad. Likewise, the control of economic capacity and income required to open new accounts in foreign currency was improved, and access of co-holders to the exchange market for the generation of foreign assets was limited. Regarding transactions in securities, non-residents may not sell securities settled in foreign currency, unless they have been acquired as of 09/16/2020 and have been held in the portfolio for at least one year. Local settlement in pesos of transactions arranged abroad was also limited. The minimum holding period between the acquisition of securities in foreign currency and their subsequent settlement in domestic currency was eliminated for transactions carried out by natural persons. On the other hand, companies that register monthly maturities greater than US\$1,000,000 -between 10/15/2020 and 03/31/2021- must submit a plan with the transformation of 60% of the principal due.

Since October 2020, the exchange rate measures have been readjusted on several occasions. First, access to the exchange market was eased for certain situations: i) application of foreign exchange charges for exports of goods and services, for the payment of principal and interest on foreign obligations for less than one year; and, ii) direct investments by non-residents, allowing the repatriation of investments when the firms are not local financial institutions parent companies and after one year from the capital contribution.²⁸ Likewise, the amount for importers to access the exchange market for the payment of import advances and commercial debts was increased by 50%. Also, the repatriation of direct investments and the cancellation of foreign debt were exempted from the BCRA's prior approval, under certain conditions. Subsequently, access to the exchange market was allowed for the cancellation of principal and interest on foreign debt, up to 30 days in advance and when certain requirements are verified.²⁹ Considerations were also included regarding scheduled principal maturities between 10/15/2020 and 03/31/2021. Additionally, new transactions were admitted for the application of foreign exchange from the collection of exports, the requirements for the advance payment of imports were adjusted and the amount for which transactions must be reported in advance was brought to US\$50,000.³⁰ In the same sense, the restriction to settle in the country in pesos transactions in securities arranged abroad was eliminated.³¹

Measures related to the COVID-19 pandemic

In the context of the COVID-19 pandemic, a number of measures were established to adapt the operation of the financial system based on the social, preventive and mandatory lockdown (ASPO) in force since

²⁵ Communication "A" [7052](#), Communication "A" [7068](#), Communication "A" [7079](#), Communication "A" [7094](#) and Press [Release](#) of [07/29/2020](#) and Communication "A" [7151](#).

²⁶ Communication "A" [7042](#).

²⁷ Communication "A" [7106](#) and Press [Release](#) of [09/15/2020](#).

²⁸ Communication "A" [7123](#) and Press [Release](#) of [10/15/2020](#).

²⁹ Communication "A" [7133](#).

³⁰ Communication "A" [7138](#).

³¹ Communication "A" [7142](#).

03/20/2020 following Executive Order [260/2020](#) (and amendments) as well as to mitigate the impact on the local economy.

In this regard, the BCRA established that banks will not be able to charge fees or commissions for transactions carried out through ATMs. This measure, which expired on 06/30/2020, was extended twice: first until 09/30/2020,³² and subsequently until 12/31/2020³³.

On the other hand, since mid-July 2020, institutions can extend their opening hours to the public up to 2 hours for the payment of the Emergency Household Income (IFE) under the schedule established by the Argentine Social Security Administration (ANSES).³⁴

Likewise, the BCRA established since March that the unpaid balances of loans granted by financial institutions, whose installments were due between April and June, did not accrue punitive interests. In the case of unpaid financing balances from financial institutions corresponding to the aforementioned period, the institution had to incorporate such installment in the month following the end of the loan's life, considering the accrual of the compensatory interest rate.³⁵ This measure was later extended until the end of 2020.³⁶ It was clarified that the restructuring of unpaid financing balances (other than credit cards) only applies to those generated as of 03/20/2020, excluding unpaid installments before that date.³⁷ By the end of August 2020, the BCRA established that unpaid balances of credit card statements that expired in September should be automatically refinanced for a minimum term of one year, with a 3-month grace period in 9 monthly installments, and would accrue compensatory interest that could not exceed 40% APR. Clients can prepay them, totally or partially, at any time and at no cost except for the compensatory interest accrued up to that moment.³⁸

Following the provisions of Executive Order [544/2020](#), the closing of bank accounts was extended until 12/31/2020 according to [section 1 of Law 25,730](#), together with the obligation to submit evidence that no social security amounts are owed for the granting of loans.³⁹

The method for calculating the Index for Rental Contracts⁴⁰ was approved by the end of August.

In turn, the BCRA defined that institutions will not be able to increase commissions, with caps⁴¹ until the end of February 2021.

Other prudential adjustments

In mid-September 2020 the BCRA established that to determine the clients included in the "Large exporting companies" category,⁴² financing in foreign currency in the entire financial system should also be considered.⁴³

³² Communication "A" [7044](#) and Communication "A" [7107](#).

³³ Communication "A" [7126](#).

³⁴ Communication "A" [7067](#).

³⁵ Communication "A" [6949](#).

³⁶ Communication "A" [7107](#).

³⁷ Communication "A" [7056](#).

³⁸ Communication "A" [7 095](#).

³⁹ Communication "A" [7 048](#).

⁴⁰ Communication "A" [7 096](#).

⁴¹ Communication "A" [7158](#).

⁴² Defined as those whose total amount of exports of goods and services for the previous 12 months represents at least 75% of its total sales and whose total financing in pesos in the financial system exceeds \$ 1,500 million. In the case of clients or economic groups whose controlling shareholders ?? are residents in the country, this amount was extended, first, to \$ 3,000 million (Communication "A" [6819](#)), and later it was increased to \$ 5,000 million (Communication "A" [6839](#)).

⁴³ Communication "A" [7104](#).

In the context of the current economic emergency, the granting of credit to the different provincial and municipal administrations in the country has been made more flexible to address salary payments, since October 2020. In particular, financial assistance for the payment of employees salaries is considered an excluded concept when computing the basic individual and global limits established in terms of credit risk fractioning of the regulations on "Financing to the non-financial public sector". This measure was extended until 01/31/2021.⁴⁴

Besides, since June 2020, the primary subscriptions of government securities settled with funds from the collection of financial services from other government securities were exempted from the credit risk fractioning limits, outlined in the regulations on financing to the non-financial public sector, provided that the period between the date of subscription and collection does not exceed 3 business days.⁴⁵ In turn, institutions were allowed to reallocate the available -unused- quota from the limit set for loans to the non-financial public sector (75% of the ASE)⁴⁶ since the end of August.

Since mid-July 2020, the special precautions to be taken by institutions have included foreign currency destination accounts as from the second transfer. In this sense, institutions must defer the crediting of transfers until any suspicion of regulatory non-compliance related to the generation of external assets is eliminated.⁴⁷ Following this, since mid-September 2020 the BCRA established that, before the opening of a savings account in foreign currency or the crediting of new amounts in said accounts, institutions must verify that the client has income and/or assets consistent with savings in foreign currency and is not a beneficiary of social assistance programs. Saving accounts with more than one holder can only receive credits for the generation of external assets by one of them.⁴⁸

In mid-July 2020, the calculation of the net cash global position in foreign currency was modified, excluding the net position of peso-denominated instruments linked to the evolution of the exchange rate.⁴⁹ As of September 2020, exports pre-financing, whose funding is attributed to liabilities linked to the evolution of foreign currency, was excluded from the calculation of the positive net global cash position in foreign currency.⁵⁰ Since the end of August 2020, government securities in foreign currency that financial institutions receive in exchange for National Treasury bills in dollars, pursuant to [Law 27.556](#), were added to the list of exceptions that allow a positive position of up to 30% of the ASE of the net global position in foreign currency.⁵¹

On the other hand, in mid-September 2020, the criteria to classify institutions into Groups "A", "B" and "C" were established.⁵² Namely, Group "B" is made up of those financial institutions with assets below 1% and greater than or equal to 0.25% of the total assets of the financial system, while Group "C" is made up of institutions with assets below 0.25% of total financial system assets. Additionally, certain regulatory conditions applied to Group "B" were extended to Group "C". In October, the list of financial institutions comprising Group "C" was published.⁵³

Between 10/22/2020 and 03/31/2021, financial institutions must have the BCRA approval for the transfer or closure of branches.⁵⁴

⁴⁴ Communication "A" [6816](#), Communication "A" [6852](#), Communication "A" [6919](#) and Communication "A" [7075](#).

⁴⁵ Communication "A" [7045](#).

⁴⁶ Communication "A" [7097](#).

⁴⁷ Communication "A" [7072](#).

⁴⁸ Communication "A" [7105](#).

⁴⁹ Communication "A" [7071](#).

⁵⁰ Communication "A" [7101](#).

⁵¹ Communication "A" [7093](#).

⁵² Communication "A" [7108](#).

⁵³ Communication "A" [7134](#).

⁵⁴ Communication "A" [7147](#).

The list of Group “A”, “B” and “C” institutions for 2021⁵⁵ was published in November 2020.

⁵⁵ Communication “A” [7169](#).