

Regulatory Annex¹

This annex covers the most relevant financial system regulation measures adopted since the publication of the previous IEF and up to closing of this edition (November 2017 – May 2018).

Savings promotion instruments

In October 2017, the BCRA established that special accounts of the “Severance fund for construction workers” should be denominated in UVA². In this context, in late December, the withdrawal in cash of such funds was authorized, with no need of a prior transfer to a sight deposit account held by the worker³.

By the end of November 2017, it was established that foreign investors who had obtained the Foreign Investors Code (CIE) may use it to open special current accounts for legal entities, with no need to obtain an additional code from the AFIP (CUIT or CDI)⁴.

In order to encourage higher momentum in taking UVA deposits, in April 2018, the minimum term was reduced from 180 to 90 days for time deposits and other time investments created in UVA and for the term established for savings accounts called “*Alcancía UVA*”⁵.

Readjustment of cash held by the public

For the purpose of continuing with the promotion of higher efficiency in everyday transactions and improving the quality of cash held by the public, during 2017 the BCRA put in circulation a new legal tender banknote of \$20⁶ and another banknote of \$1,000⁷, containing strict security features. Besides, in December 2017, new coins of \$1 and \$5⁸ were released.

Exchange market

Effective as from May 7, 2018, the positive net global position in foreign currency of financial institutions calculated in daily balances at the reference exchange rate at closing of the month preceding the month of calculation of this ratio⁹ may not exceed 10% of the adjusted stockholders’ equity (RPC) or of own liquid funds of the entity, both of the month prior to the relevant month, whichever may be lower¹⁰. In addition, the excess was admitted with respect to the limit to the long position that financial institutions may verify as from such date, not exceeding the lower between such excess and their position in National Treasury Bills in US dollars, both measured as at such date¹¹.

Financial inclusion and bancarization through modernization of means of payment

In early 2018, in the context of transactions made through Immediate Electronic Payments (PEI) and through Immediate Debit (DEBIN), it was established that, in specific cases, financial institutions from which funds are debited (origin of funds) may charge to institutions where funds are deposited (destination of funds) a trade rate up to 0.3% on the total amount involved¹². The DEBIN process continued to be improved by incorporating new manager responsibilities (such as systemic controls and

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

² Communication “A” [6341](#). For further detail, see [Regulatory Annex corresponding to IEF II-17](#).

³ Communication “A” [6415](#).

⁴ Communication “A” [6381](#).

⁵ Communication “A” [6494](#) and [Press Release](#) of 04/19/18.

⁶ [Press Release](#) of 10/3/17 and Communication “A” [6335](#).

⁷ Communication “A” [6380](#) and [Press Release](#) of 11/30/17.

⁸ Communication “A” [6400](#) and [Press Release](#) of 12/22/17.

⁹ Communication “A” [6507](#).

¹⁰ Communication “A” [6501](#).

¹¹ Communication “A” [6504](#).

¹² Communication “A” [6420](#).

scoring of transactions) and generator responsibilities (such as defining the acceptance/rejection method of companies requesting DEBINs with an authorization in advance)¹³.

Taking into account technological advances and the increasing prevalence of mobile telephony in access to financial services, in early 2018, financial institutions were authorized to use mobile telephony devices to promote, install and/or explain to their clients the manner to use mobile banking apps and/or the mobile payment platform¹⁴. Additionally, the operation was regulated of payments through quick response codes (QR codes) made by natural and legal persons that are holders of accounts in local financial institutions¹⁵.

In order to generate a more pleasant environment and to encourage bancarization, in February 2018, the BCRA established that automated agencies may offer meeting rooms and other goods and services provided by third parties (such as cafeterias and/or book stores)¹⁶.

In April 2018, the BCRA expanded the conditions for the operation of ATMs by non-financial institutions¹⁷. Institutions are required to link the ATMs of non-financial companies to the accounts and debit cards of their clients. This measure is aimed at contributing to financial inclusion and development of the sector, encouraging the installation of ATMs in commercial chains or in other public places by non-financial institutions.

In mid-May 2018, the Uniform Virtual Code (CVU)¹⁸ was created. This CVU allows for the identification and traceability of transfers of funds made between sight accounts when, at least, one of them belongs to a payment service provider. Thus, the objective is to continue facilitating the interoperability between sight accounts and payment services.

Liquidity management. Deposit insurance.

In January 2018, the BCRA resolved the issue of peso-denominated Bills with 7-day maturity (LELIQs)¹⁹, a new tool for management of the financial system liquidity.

In mid-2018, it was established that, for the period from May to July 2018, the requirement and compliance with the minimum reserve requirement in pesos will be observed on the average resulting from dividing the sum of daily balances of headings involved, recorded during such period, by the total number of days of the quarter²⁰. During May 2018, no daily minimum compliance in pesos will be required.

Promotion of systemic competition and efficiency

In order to facilitate the access of users of financial services and, indeed, to encourage competition in the financial sector, in February 2018, the BCRA established that users may cancel their accounts and other financial and non-financial services through electronic means of communication such as e-mail, phone, home banking, ATMs and self-service terminals, as well as to perform such cancellation personally at any branch of the institution²¹.

In early 2018, [Executive Order 30/2018](#), and its subsequent regulation by the BCRA, adjusted the regulatory limits of existing interest rates so that deposits may be covered by the deposit insurance system²². It was established that sight deposits on which interest rates are agreed above the reference interest rate, and time deposits and investments exceeding 1.3 times such rate or the reference rate plus 5 p.p. (whichever may be higher) will not be covered by the deposit insurance system. These measures are intended to encourage competition in the sector, with an eventual improvement of the return on savings.

¹³ Communication "A" [6423](#).

¹⁴ Communication "A" [6432](#) and Communication "A" [6488](#).

¹⁵ Communication "A" [6425](#).

¹⁶ Communication "A" [6457](#).

¹⁷ Communication "A" [6483](#) and [Press release](#) of 04/10/18.

¹⁸ Communication "A" [6510](#).

¹⁹ Communication "A" [6426](#).

²⁰ Communication "A" [6508](#).

²¹ Communication "A" [6448](#).

²² Communication "A" [6435](#) and Communication "A" [6460](#).

Channeling of savings towards productive activities and households

In December 2017, the effects were mitigated of non-compliance by reciprocal guarantee companies (SGRs) and Public Guarantee Funds (FGCPs) with the obligation to report to the “Financial System Debtors’ Database”²³.

For the purpose of keeping on promoting access to credit by micro, small and medium-sized enterprises (MiPyMEs), in early 2018, the BCRA changed the ceilings for financial aid that financial intermediaries may grant to SGRs or FGCPs, by increasing from 25% up to 50% the RPC of the lender²⁴.

[Executive Order 27/2018](#) expanded the scope of guarantees granted by SGRs, including all types of companies, among other measures. , at the beginning of 2018, the BCRA adjusted its standards on SGRs²⁵, in line with the Executive Decree issued by the National Executive Branch.

Taking into account the provisions of [Executive Order 893/2017](#), in November 2017, the obligation was eliminated to clear into the country and settle the collections from exports as a requirement for the granting of pre-financing or financing with funding of liabilities through financial intermediation in foreign currency²⁶.

In order to ease the treatment of credit guarantees, but not reducing their protection, in November 2017, the treatment of preferred “A” guarantees²⁷ was adjusted, by eliminating the existing maximum residual term (of six months) on the credit to classify such guarantees.

To facilitate the granting of credits in jurisdictions throughout Argentina declared in state of emergency and/or agricultural disaster, in early 2018, the BCRA extended the criteria to make payment terms more flexible for debtors located in such areas²⁸.

For the purpose of facilitating the execution of investment projects and to provide instruments with liquidity, in February 2018, the prior BCRA’s authorization was excluded for the purchase by financial institutions of debt instruments created under Law 27,328, Public-Private Partnership Contracts Act, in which the holder has the right to collect on a flow of funds in the care of the national public sector. In addition, a security interest or collateral assignment of proceeds from this type of contracts was admitted as preferred “B” guarantee²⁹.

In turn, in April 2018, the BCRA eased the conditions for granting of credits to agricultural producers having hedges covering climate risks³⁰. In particular, the existing limit to define MiPyMEs of the retail portfolio was increased, from \$10 million up to €1 million, only in case of MiPyMEs of the agricultural sector, with respect to which a lower capital charge will apply. All of this, to the extent that the credit exposure in excess of \$10 million is hedged –through insurance or another financial instrument– against climate or meteorological risks with an estimated likelihood of occurrence of once every 20 years and the hedge amount covers 100% of the abovementioned credit exposure in excess.

Transparency and protection of financial services users

In order to keep on improving instruments to assess debtor’s credit performance, and so as to encourage greater access to financing, in November 2017, additional information was included in the Financial System Debtors’ Database³¹. In particular, it was allowed to know the date as from which a debtor records a regular situation on an uninterrupted basis in all institutions.

In November 2017, to make it possible to withdraw in full the amounts deposited in salary / social security accounts and savings accounts for payment of entitlement plans or programs, an increase was

²³ Communication “A” [6398](#).

²⁴ Communication “A” [6467](#).

²⁵ Communication “A” [6437](#).

²⁶ Communication “A” [6363](#).

²⁷ Communication “A” [6374](#).

²⁸ Communication “A” [6468](#).

²⁹ Communication “A” [6449](#).

³⁰ Communication “A” [6489](#) and [Press Release](#) of 04/19/18.

³¹ [Press Release](#) of 11/22/17.

implemented from \$49.99 to \$99.99 of the amount up to which institutions may round sums up to pay for withdrawal of funds through ATMs³².

By the end of 2017, a control instance was created involving members of the boards of directors of institutions (obliged parties) in processes for protection of financial services users³³. In particular, it was established that financial institutions and non-financial companies issuing credit cards must appoint a member of the Board of Directors –or equivalent authority– to act as “Executive Responsible for Protection of Financial Services Users” before the BCRA.

In order to promote higher transparency in financial transactions, in March 2018, it was established that all documents related to the taking of loans must highlight the Total Financial Cost (CFT), with a font size at least five times larger than the font size used in the rest of the information. Thus, the bank client will easily identify the CFT of the loan, which in addition to the interest rate, includes the fees and charges related to the transaction that will determine the instalment to be paid³⁴.

Communication with users and consumers, environmental protection

In December 2017, it was established that financial and foreign exchange institutions, non-financial entities issuing credit and/or purchase cards and the representatives of foreign financial entities not authorized to operate in Argentina may use electronic displays to comply with the requirements of relevant information for the clients³⁵.

Simplification of the foreign exchange market and elimination of remaining exchange restrictions (currency clamp)

By the end of 2017, the regulations on “Foreign exchange firms, brokers and offices” and “Foreign trade and exchange” were adjusted, by simplifying and facilitating both the authorization process of new exchange institutions and their regular operation³⁶. It was admitted that foreign exchange firms and brokers may perform their transactions in the streets with their own personnel duly identified and provide for an increased use of electronic means.

In order to favor the development of the foreign exchange market, under the provisions of [Executive Decree 27/2018](#), the BCRA resolved that both companies operating on a regular basis in the Free Foreign Exchange Market and natural persons who had previously organized a sole-proprietor corporation or a simplified corporation, may operate as foreign exchange brokers with the only requirement to be registered with the “Registry of Foreign Exchange Operators”³⁷.

Adjustments aligned with international standards

As from July 2018, the BCRA established new guidelines for interest rate risk management in the investment portfolio (RTICI)³⁸. These changes are intended to improve the Pillar 2 approach, to introduce new disclosure requirements (Pillar 3) and to continue improving the current process of banking supervision.

In early 2018, regulations on minimum capital requirements were adjusted, by incorporating the new standard revised by the Basel Committee on Banking Supervision (BCBS) regarding securitizations³⁹. A standardized approach was introduced for calculation of weighting factors to be applied to securitization positions. In addition, criteria were included for identification of simple, transparent and comparable (STC) securitizations —i.e. traditional securitizations not constituting asset-backed commercial papers

³² Communication “A” [6364](#).

³³ Communication “A” [6418](#).

³⁴ Communication “A” [6474](#) and [Press Release](#) of 03/22/18.

³⁵ Communication “A” [6419](#).

³⁶ Communication “A” [6378](#) and [Press Release](#) of 11/23/17.

³⁷ Communication “A” [6443](#) and [Press Release](#) of 01/25/18.

³⁸ Communication “A” [6397](#).

³⁹ Communication “A” [6433](#).

ABCPs and involving a real transfer of assets—, which under the standardized approach will receive preferential treatment.

Following the recommendations of the Basel Committee on Banking Supervision, in February 2018, taking into account the assessment of economic capital adequacy by virtue of the risk profile (“Internal Capital Adequacy Assessment Process,” ICAAP), it was established that relatively smaller institutions may apply internal models or a simplified methodology, upon compliance with certain parameters⁴⁰.

In the context of application of International Financial Reporting Standards (IFRS), in early 2018, it was determined that, as from 2020, financial institutions may distribute profits without the BCRA’s prior authorization, to the extent they comply with Basel III buffers and certain liquidity and solvency minimum requirements⁴¹. Thus, such procedure is much more simple and agile, in line with procedures in place in Basel Committee member countries.

In December 2017, regulations on minimum capital requirements were amended⁴², by adding other comprehensive income (OCI) (100% of income recorded in “Revaluation of property, plant and equipment and intangible assets”, “Gains or losses for financial instruments at fair value with changes in OCI” and the debtor balance of other items recorded in OCI) as a computable concept within Common Equity Tier 1 capital.

In early 2018, the BCRA approved regulations on “Leverage ratio”⁴³, which supplement the minimum capital requirement deriving from the regulations on “Minimum capital requirements for financial institutions”. The leverage ratio is intended to limit the leverage of financial institutions, in order to avoid the adverse consequences of an abrupt reduction of leverage in credit supply and economy at large, and to reinforce the minimum capital requirement as a simple and not risk-based minimum capital requirement. It was defined as the ratio of the institution’s tier 1 capital to the addition of exposures on the asset, by derivatives, by securities financing transactions (SFTs) and off-balance, and it may not be below 3%.

Other regulatory adjustments

In March 2018, the BCRA established that financial institutions be classified into two groups (“A” and “B”) taking into account their assets, instead of their deposits⁴⁴. This change is mainly due to the fact that the assets variable is much more representative to reflect the size of institutions, given the growth of the financial system that would lead to development of funding alternatives in the capital market. Group “A” consists of institutions in which the amount of assets is above or equal to total assets of the system, whereas Group “B” consists of the remaining institutions⁴⁵. Group “A” institutions must comply with the requirement of separate executive and administrative functions, among other regulatory differences between both groups⁴⁶.

⁴⁰ Communication “A” [6459](#).

⁴¹ Communication “A” [6464](#).

⁴² Communication “A” [6396](#).

⁴³ Communication “A” [6431](#).

⁴⁴ Communication “A” [6475](#).

⁴⁵ This regulation is considered on an individual basis, except for controlling financial institutions subject to consolidated supervision, in which case it will be calculated on the monthly consolidated basis.

⁴⁶ For further detail, see regulations on [“Liquidity coverage ratio”](#), [“Net stable funding ratio”](#), [“Minimum capital requirements for financial institutions”](#) and [“Risk management guidelines for financial institutions”](#).