

Regulatory Annex¹

This annex covers the most relevant financial system regulation measures taken since the last IEF and as of the closing of this edition (May, 2017 – November, 2017).

System development, efficiency, competition, bancarization, and transparency. Foreign exchange market

Simplification of the foreign exchange market and removal of remaining foreign exchange controls

In May, 2017, the provisions regulating since July, 2017 the operations of the Single and Free Foreign Exchange Market (MULC) were made public². Among the main modifications, it is provided that, while exchange operations continue to be recorded in the BCRA, it is no longer necessary to sign exchange tickets or present affidavits to access this market. Moreover, it was specified that operations can be carried out freely, without distinction of types of operations and/or customer residency, as long as certain overall requirements are met. Also, it was established that transfers from abroad which identify a local recipient account must be credited immediately in said account, without the customer's intervention. Also, the operation for export (tourism and travel) and import of domestic currency notes was regulated. As regards good export operations, the main modification is the removal of the requirement for the exchange operation's proceeds to be credited into an account with the customer's name, and the conditions for financial debts to be guaranteed/repaid directly with goods exports proceeds were made more flexible.

In line with the provisions of the National Securities Commission (CNV)³, certain regulations were adapted in order to reduce from 72 hs to 48 hs the time needed to consider an operation as a spot operation.

Savings Promotion Instruments

In July, 2017, it was provided that financial institutions are able to receive deposits in an "UVA-denominated savings account" registered to minors, as long as certain conditions are met⁴.

In October, 2017, the BCRA established that the special accounts which make up the "Severance fund for construction workers" should be denominated in UVA⁵. The goal of this change in regulation is to enable that the contributions deposited in these accounts to provide benefits to workers commensurate with the variations in the currency's purchasing power.

Financial Inclusion and Bancarization through the Modernization of the Means of Payment

With the goal of continuing to deepen access to financial services, in July, 2017, the BCRA simplified the types of institutions' operating entities⁶ and the mechanisms to open branches in the country⁷. Against this new backdrop, financial institutions will be able to open new branches in the country as long as they give notice to the BCRA beforehand and meet existing security measures.

In July, 2017, the minimum physical security requirements in financial institutions were made more flexible and adapted, in order for them to respond to each service unit's particular risk⁸.

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

² Communication "A" [6244](#).

³ Communication "A" [6331](#).

⁴ Communication "A" [6266](#).

⁵ Communication "A" [6341](#).

⁶ Communication "A" [6271](#).

⁷ Communication "A" [6275](#).

⁸ Communication "A" [6272](#).

Against the backdrop of the new modality for immediate transfers through the Mobile Payment Platform (PPM)⁹, in July, 2017 it was determined that the institutions from which transfers made through the various mechanisms included in the PPM are debited are not allowed to charge fees¹⁰.

In mid-May, 2017, it was established that notifications as regards resolutions adopted in relation to authorizations for financial institutions to grant financing to the non-financial public sector can be made through electronic media¹¹.

In July, 2017, the free opening of special sight accounts for purchases in stores was authorized¹². Withdrawals of funds from these accounts are made exclusively through purchases in accepted stores. Cash withdrawals from these accounts are not allowed. The opening, maintenance, fund movement, and balance checks of these accounts must remain free.

In September, 2017, the BCRA extended the timeline to close savings accounts for the payment of social programs, salary accounts, and social security accounts to 730 days, in order to harmonize said timelines with those established for savings accounts¹³.

After the introduction, in 2016, of the \$500 and \$200 bank notes with images of local fauna, in October, 2017, the BCRA launched a new \$20 note¹⁴, which has strict security measures. Moreover, in late October it was established that by 2018, \$2 notes should be discontinued and replaced by coins¹⁵. Thus, the BCRA continues to strive to improve the quality of money in circulation.

In order to improve and deepen the diagnostics as to the situation of the services and products offered by the financial system, starting in late October, the BCRA launched a series of field studies under the “mystery shopper” modality¹⁶. The tasks of this mystery shopper entail enquiries about the various financial products offered by institutions, their availability, and contracting advice.

Promotion of Systemic Competition and Efficiency

In order to encourage competition in the financial sector and continue to facilitating access to credit, towards the middle of this year, the BCRA modified the regulations as regards complementary activities of financial institutions¹⁷. In particular, it was authorized for banks to have a more active participation in companies devoted to the provision of technology-based financial services and/or electronic payment services, credit and debit card issuance and/or credit provision. Additionally, in October, 2017, the BCRA incorporated the category of “global investment advisory agent” (AAGI) as a complementary activity of banks¹⁸. As regards financial institutions’ participation in complementary service companies, in August 2017, the requirement for prior authorization of activities foreseen in that regulation was removed, as long as the institutions have a minimum capital position which enables them to assume the aforementioned participation¹⁹.

In mid-2017, the BCRA established that interest rates for credit operations in non-bank issuing companies²⁰ shall not go over 25% of the simple average of the system rates for individual open market loan operations²¹ without real guarantees.

⁹ Communication “A” [5982](#) and Communication “A” [6043](#).

¹⁰ Communication “A” [6269](#).

¹¹ Communication “A” [6240](#).

¹² Communication “A” [6265](#).

¹³ Communication “A” [6330](#).

¹⁴ [Press release](#) of 10/3/17.

¹⁵ Communication “A” [6351](#) and [Press release](#) 10/30/17.

¹⁶ [Press release](#) of 10/19/17.

¹⁷ Communication “A” [6277](#).

¹⁸ Communication “A” [6342](#).

¹⁹ Communication “A” [6304](#).

²⁰ Communication “A” [6258](#).

²¹ Individual open market loans are defined as financing granted to customers with no wage/social security accounts in the institution and who do not have other benefits, such as a “Savings account for the payment of social programs” or credit assistance with discount codes.

In August, 2017, the BCRA removed the minimum term for banks to engage in intermediation and purchase of own debt securities or securities issued by other financial institutions, as long as certain conditions are met²². This measure would contribute to provide more liquidity to these instruments, encouraging this type of medium- and long-term funding. Complementarily, the limit established for the acquisition of own issuances was also removed.

In line with the goal of eliminating unnecessary paperwork, reducing waiting times and operational costs, in September, the BCRA reported that users will be able to voluntarily submit their affidavits of national taxes to financial institutions, in order for these to establish their credit risk level and/or prepare their customer profile²³. Moreover, the process for the presentation of affidavits of debtors receiving larger credit assistance was adapted as well²⁴.

In November, 2017, the regulation as regards decentralized activities was adapted, in order to harmonize the criteria for institutions to decentralize or outsource technology services regardless of their location²⁵, while respecting relevant security considerations.

Channeling of Saving towards Productive Activities and Households

In May 2017, the paperwork to access mortgage loans was simplified, extending the range of options banks can resort to value the property to be acquired²⁶. In this context, it was established that valuations can also be made by individuals/legal entities with experience in real estate, or using the effective purchasing price in the deed, or the selling price of real estate projects of new units comparable to the property at hand.

In April and May, 2017, the BCRA expanded the uses acceptable for the lendable capacity of foreign currency deposits. In particular, it authorized the possibility of financing (i) importers of goods or services produced in the country, either directly or through credit lines to foreign banks²⁷ and (ii) residents who have an endorsement from foreign banks²⁸.

In order to keep promoting the development of the credit market, in June, 2017, the BCRA expanded the range of financing collateral²⁹. In particular, the following were accepted as collateral: (i) real estate on which a trust fund property was established; (ii) the sales contract of land, lots, warehouses, stores, offices, parking spaces and houses already built, which cannot be mortgaged on account of their not being registered in the relevant jurisdiction; (iii) rights over real estate developments created through trust funds or building companies, as long as certain requirements are met. Complementarily, in August, 2017, “surface right” was incorporated as collateral for financing³⁰. Additionally, in September, 2017, endorsements and letters of credit issued by multilateral development banks were included into “A” preferred collateral³¹.

In Mid-2017, the “Financing line for production and financial inclusion” (LFPIF) was extended to the second half of the year³². In early September, credits granted by the National Social Security Administration (ANSES) under the “Crédito Argenta” individual loan program were included as LFPIF-eligible credits³³. In November, 2017, it was decided once again to extend the LFPIF to 2018, keeping the same conditions as regards uses, terms, and interest rates as in 2017, with a limit of 16.5% of private sector deposits for January, 2018, with a schedule of monthly reductions of 1.5 pp over the year³⁴.

²² Communication “A” [6301](#).

²³ Communication “B” [11587](#) and [Press release](#) of 09/06/17.

²⁴ Communication “A” [6329](#).

²⁵ Communication “A” [6354](#).

²⁶ Communication “A” [6239](#) and [Press release](#) of 05/11/17.

²⁷ Communication “A” [6231](#) and [Press release](#) of 04/27/17.

²⁸ Communication “A” [6245](#).

²⁹ Communication “A” [6250](#).

³⁰ “Surface right” affects third-parties’ real estate and grants the holder the “power to use and materially and legally dispose of the right to plant, afforest or build, or over what has been planted, afforested, or built on the land, its surface or its subsoil. See [Press release](#) of 08/10/17 and Communication “A” [6297](#).

³¹ Communication “A” [6328](#).

³² Communication “A” [6259](#).

³³ Communication “A” [6317](#).

³⁴ Communication “A” [6352](#).

In October, 2017, penalties for non-compliance of non-financial credit providers' obligation to report to the "Financial system debtor central" were made loosened³⁵. Through this change, it is now easier to reinstate suspended subjects which, within a certain prudential time, meet once again all reporting requirements.

Limits to the Financial System's Exposure to the Public Sector

In August, 2017, new parameters were designed for the acquisition of debt from the provinces and municipalities by financial institutions³⁶. This policy aims at setting more strict limits to the financial system's exposure to the local public sector and to align the parameters of financial sustainability to the law of fiscal responsibility.

Transparency and User Protection of Financial Services

In order to continue contributing to transparency and the development of the financial system, in July, 2017, the BCRA launched an alternative channel to communicate with users of financial services, through a new web site³⁷. Thanks to this new channel, people can access useful information and will be able to direct all types of questions, suggestions, complaints and demands³⁸.

In August, 2017, it was established that financial institutions must publish in their respective web sites the résumé of their authorities³⁹. The idea is to thus offer more transparency to the users of financial services.

Prudential Regulations

Financial Institutions' Foreign Currency Exposure

In order to facilitate hedging operations, in August, 2017, the BCRA removed the restriction as to the value and maturity of term-purchases of foreign currency and securities. Thus, it was authorized for those operations to be contracted with any maturity⁴⁰.

Adjustment to Basel Standards

During mid-2016, External Credit Assessment Institutions (ECAI) were recognized for the weights of certain credit exposures with governments and central banks, with national financial institutions, and foreign financial institutions⁴¹. Against that backdrop, in October, 2017, the BCRA defined the criteria for ECAI eligibility⁴². Additionally, the credit protection given by multilateral development banks was recognized in the cases in which their risk weight is lower than the counterpart's⁴³.

In order to mitigate the risk of eventual stress situations for banks' funding, in late August, 2017, the Net Stable Funding Ratio (NSFR)⁴⁴ was introduced. This ratio—which will go into force starting in 2018—aims at promoting structural changes in the banks' liquidity risk profiles, through a requirement that long-term assets—those which cannot be monetized within a year—must be financed with stable resources (long term capital and liabilities).

³⁵ Communication "A" [6336](#).

³⁶ Communication "A" [6270](#) and [Press release](#) of 07/07/17.

³⁷ Communication "A" [6279](#); www.usuariosfinancieros.gob.ar

³⁸ [Press release](#) of 07/19/17.

³⁹ Communication "A" [6304](#).

⁴⁰ Communication "A" [6305](#).

⁴¹ Communication "A" [6004](#) and Communication "A" [6006](#).

⁴² Communication "A" [6343](#).

⁴³ Communication "A" [6344](#).

⁴⁴ Communication "A" [6306](#).

Other Regulatory Adjustments

In May, 2017, the interest rate applied for transitory illiquidity financial assistance for financial institutions was reduced⁴⁵. It was set at 1.25 times the 7-day swap rate of in force in the working day before the date the financial assistance was requested (it used to be 1.35 the BADLAR rate —private banks— for peso-denominated deposits). In the case of renewals of financial assistance, the interest rate was set at 1.5 the aforementioned swap rate.

In July, 2017, the BCRA established that the minimum cash requirement on securities' term deposits (with the exception of domestic government securities) must be fulfilled in pesos or in domestic government securities with published volatility, if the security captured is denominated in that currency; or in US dollars or national dollar-denominated government securities with published volatility, when the security captured is denominated in foreign currency⁴⁶.

In August, 2017, the BCRA established a quarterly reporting regime, which must be complied with by reciprocal guarantee institutions (SGR) and public guarantee funds⁴⁷.

In order to exert a more strict control of the liquidity levels of the financial system, in late October, 2017, the quarterly computation of bank reserve requirements was removed for the December-February period⁴⁸, establishing that in said months, the computation must be performed monthly. Thus, abrupt movements in the liquidity levels during those months are prevented, providing greater balance, which will contribute to the goals of the monetary program.

Other adjustments for local convergence towards international recommendations

In line with the International Financial Reporting Standards (IFRS), in September, 2017, certain local technical and prudential provisions were adjusted⁴⁹, which will go into force starting in 2018. Among other changes, the regulations on “Valuation of debt securities from the non-financial public sector and monetary regulation of the BCRA” were abandoned, and certain concepts related to minimum capital of financial institutions and profit distribution, among others, were adjusted.

⁴⁵ Communication “A” [6243](#).

⁴⁶ Communication “A” [6288](#).

⁴⁷ Communication “A” [6298](#).

⁴⁸ Communication “A” [6349](#).

⁴⁹ Communication “A” [6327](#).