Report on Banks

June 2021

BANCO CENTRAL
DE LA REPÚBLICA ARGENTINA

Table of Contents

About the use of inclusive language in the Spanish version of this report

The Central Bank of Argentina is committed to encouraging the use of a non-discriminatory language that promotes the acceptance of all gender identities. It should be noted that all those who have contributed to this report acknowledge that language influences on ideas, feelings, ways of thinking, as well as principles and core values.

Published on August 26, 2021.
The data reported are provisional and subject to changes. Information corresponds to end-of-month data.
Data of charts and Latest Regulations of this issue. Statistics Annexes for the financial system and the ensemble of financial institutions. Glossary of abbreviations and acronyms.

Electronic subscription | Opinion Poll | Previous issues.
For comments and inquiries: analisis.financiero@bcra.gob.ar

Executive Summary

- In June, there was an increase in the financial intermediation activity in pesos of the institutions with the private sector. In this context, the financial system continued operating with sizable coverage margins in terms of liquidity, solvency and provisions.

- In June, the stock of loans to private sector in pesos went up 0.4% in real terms (+3.6% in nominal terms), mainly evidenced by the figures recorded in commercial lines and pledge-backed loans. This monthly performance was due, in part, to the Credit Line for Productive Investment (LFIP) of micro, small and medium-sized enterprises (MSMEs), under which around $796.85 billion had already been disbursed by the end of July.

- In order to continue supporting the productive recovery process, the National Executive Branch, together with the BCRA, has recently implemented the so-called "2021 Zero Interest Rate Credit Line", intended for workers under the Simplified Tax Regime for Small Taxpayers. Under this program, a 100% subsidized loan in terms of total financial cost is made available to these workers (similar to the "2020 Zero Interest Rate Credit Line). Likewise, the BCRA continues supporting the measures aimed at strengthening consumption and domestic production, such as the extension of the "Ahora 12" program, which includes financing in 24 and 30 installments for the purchase of some products.

- In line with the economic reactivation, the BCRA has focused its relief measures on the population that has been hardest hit by the pandemic. In June, the BCRA ended with the temporary scheme that enabled to extend the delinquency terms in order to classify debtors under situations 1, 2 and 3 (60 days until March 31, 2021 and 30 days until May 31, 2021), and returned to the criteria used until March 19, 2020. So far, the BCRA has kept the financial aid provided to debtors that are employers benefitted by the Productive Recovery Program II (REPRO II), which allows them to defer the unpaid installments of the aid received to the end of the lifetime of the loan. In this context, the non-performing ratio of loans to the private sector for the aggregate financial system stood at 4.8% over the month, up 0.6 percentage points (p.p.) against May (but standing slightly below in a year-on-year comparison).

- The stock of loans to private sector in pesos went up 3.9% in real terms in June (+7.2% in nominal terms), owing to a higher relative momentum in private financial institutions. Sight accounts grew 7.3% in real terms (+10.7% in nominal terms), due to the effect of the payment of the semiannual complementary wage and the higher income of the population because of the adjustments based on the collective bargaining agreements. In addition, time deposits in pesos increased 0.6% in real terms over the period (+3.8% in nominal terms), with a strong momentum of the UVA segment (+10% in real terms against May).

- So far in 2021, the electronic means of payment have gained ground in the transactions made by both households and companies. In July, online transfers in pesos expanded again, and accumulate a rise of 25.6% year-on-year (y.o.y.) in amount in real terms and have more than doubled in terms of the number of transactions. Mobile banking continues to be the most dynamic channel in instant transfers. In addition, the amount of payments made by transfers (within the framework of the "3.0 transfers" initiative launched in December 2020 by the BCRA) grew 27.2% in real terms in July against June. On the other hand, also remarkable has been the growth of clearing of electronic checks (ECHEQs), an instrument that has gained share in recent months and has accounted for 18.2% of all cleared checks and of 41.8% in terms of transacted amounts.

- Starting from levels that have exceeded the average of the last 10 years, the broad liquidity ratio for the financial system dropped slightly in June. This ratio stood at 66.4% of deposits over the period (62.8% for the segment in pesos and 82.5% for the items in foreign currency), down 0.3 p.p. against May and up 0.6 p.p. against the level of June 2020.

- The sector's solvency indicators ended the first half of the year at sizable levels. The Regulatory Capital (RC) at aggregate level stood at 25.5% of risk-weighted assets (RWAs) in June, up 2.7 p.p. against the level of mid-2020. Over the month, the capital position (RC minus the regulatory requirement) of the financial system totaled 214% of the capital requirement (+47 p.p. y.o.y.) and 31.6% of the credit to the private sector net of provisions (+7.4 p.p. y.o.y.).

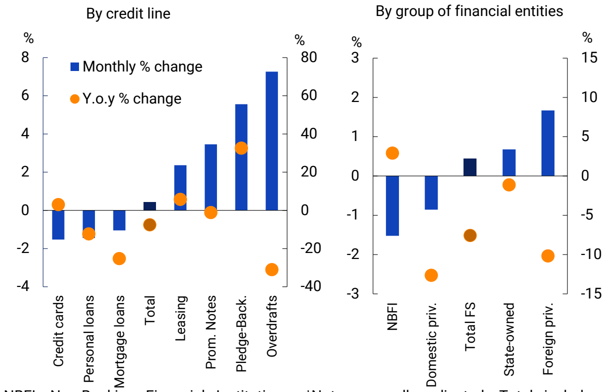
- In the first half of 2021, the total comprehensive income in homogeneous currency accrued by the financial system was equivalent to 0.8% of assets (ROA) and to 5% of equity (ROE). The current levels of profitability are lower than those recorded all year long in 2020.

I. Financial Intermediation Activity

In June, there was an increase of the financial system's intermediation activity in pesos with the private sector, within an operational context that continued to be impacted by the COVID-19 pandemic. Taking into account the main changes in the aggregate balance sheet of the ensemble of financial institutions —in homogeneous currency—,[1] in June, the stock of private sector deposits increased, while broad liquidity shrank. Conversely, there was an increase in the stock of loans provided to the public and private sectors, as well as a decrease in public sector deposits. In turn, in the segment of items in foreign currency —expressed in currency of origin—, there was a rise in private sector deposits and a contraction of lending to such sector, and these resources were mainly used to increase liquidity.

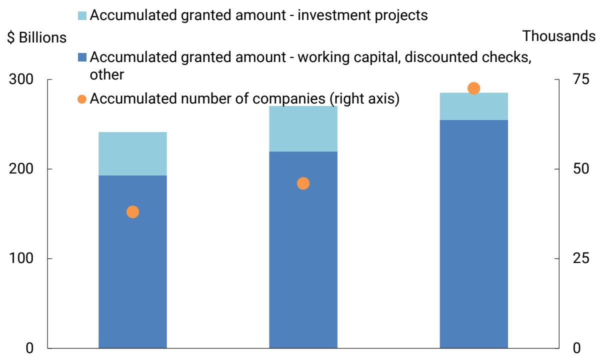
In June, the stock of loans to private sector in pesos went up 0.4% against May (+3.6% in nominal terms),[2] mainly due to the performance of foreign private financial institutions and state-owned institutions (see Chart 1). A breakdown by segments shows that there was a monthly increase in the commercial credit lines (overdrafts, promissory notes and loans backed with assets under financial lease) and in pledge-backed loans, while the remaining financing lines posted slight reductions. In a year-on-year comparison, the stock of loans to private sector in pesos went down 7.6% in real terms, in a context where the various credit lines showed a mixed performance.[3]

Chart 1 | Stock of loans to private sector in pesos
In real terms*



NBFI: Non-Banking Financial Institutions. *Not seasonally adjusted. Total includes adjustments of principal and interest accrued. Source: BCRA

Chart 2 | Credit Line for Productive Investment (LFIP) of MSMEs – By group of financial institutions



Note: Accumulated granted since the beginning of LFIP. Data subject to correction.
Source: BCRA

The monthly rise of the lending in pesos to the private sector was driven, in part, by the Credit Line for Productive Investment (LFIP) of MSMEs.[4] From its implementation by mid-October 2020 to late July 2021—latest information available—, a total amount of around $796.85 billion has been granted to 156,577 companies (see Chart 2). Domestic private financial institutions accounted for nearly

1 Differences of the balance sheet stock expressed in homogeneous currency. Information taken from the Monthly Accounting Reporting System (June 2021, latest information available at the time of publication of this Report).
2 Including capital adjustments and accrued interest.
3 Throughout this Report, whenever reference is made to ensembles of private (domestic and/or foreign) and state-owned financial institutions, such reference is to banks. Non-banking financial institutions shall be referred to as "EFNBs".
4 For further detail, see the Consolidated Text on "Credit Line for Productive Investment of MSMEs".

36% of the total amount disbursed, followed by state-owned institutions (34%) and foreign private institutions (30%). It is estimated that 84% of these resources were devoted to covering working capital needs and deferred payment checks, among other uses.

In turn, under the credit line at subsidized interest rates for companies registered with the "Emergency Assistance Program for Work and Production" (ATP),[5] a total amount of $14.2 billion was provided by means of 20,939 loans until the end of July.

Likewise, the BCRA has continued supporting measures intended to strengthen people's consumption and boost domestic production, such as the extension of the "Ahora 12" program which now includes 24 and 30 installments for the purchase of specific products.[6] In particular, with reference to the franchise for compliance with Regulatory Liquidity requirements (EM) for the institutions, equivalent to 50% of new loans granted under the "Ahora 12"[7] program, it was decided by late July that such decrease will have an 8% ceiling of the concepts subject to such compliance —in pesos—, up 2 p.p. against the maximum value which was in force before.[8]

Lastly, regarding credit lines for persons under the Simplified Tax Regime and/or self-employed workers launched in 2020, around $66.5 billion had been granted until the end of July under the "Zero Interest Rate Credit Line"[9] and around $311 million via the "Culture Zero Interest Rate Credit Line.[10] In this respect, it should be noted that, under Executive Order No. 512/21, the BCRA implemented the "2021 Zero Interest Rate Credit Line", intended for workers under the Simplified Tax Regime for Small Taxpayers (RS), for the purpose of supporting the productive recovery process observed this year.[11] Under this program, 100% subsidized loan in terms of total financial cost is made available to these workers, with similar characteristics to the "2020 Zero Interest Rate Credit Line". The debtor will have a 6-month grace period as from the disbursement of the loan to pay back the financing received. After this 6-month period, the loan will be paid back in at least 12 monthly and consecutive installments of the same amount. The financial institutions may reduce their compliance with the regulatory liquidity requirement in pesos by an amount equivalent to 60% of the total loans granted under this program.

On the other hand, in order to promote the financing of projects related to some strategic sectors for the country and continue with the federalization process of the capital markets, the BCRA has authorized financial institutions to acquire unit shares of Open-End Mutual Funds authorized to operate by the National Securities Commission (CNV), subject to the "Special Regime for the Creation of Open-End Mutual Funds for Financing Infrastructure and the Real Economy". In line with the prudential measures adopted by the BCRA, the investment of a financial institution in each one

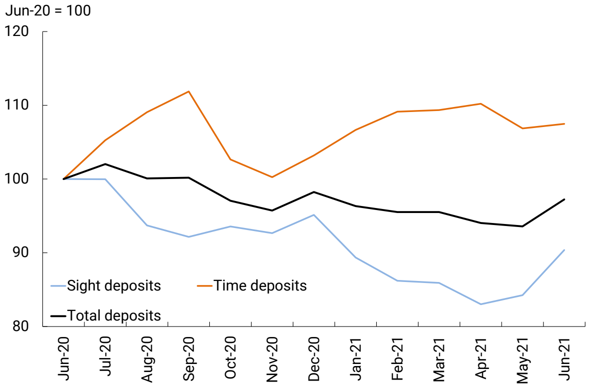
5 See Communication "A" 7082 and Communication "A" 7102.
6 For further detail, see Resolution 754/21 of the Ministry of Productive Development.
7 Communication "A" 7114.
8 Communication "A" 7334.
9 See Communication "A" 6993.
10 See Communication "A" 7082.
11 See Communication "A" 7342.

of these funds may be up to 15% of the total amount of the issue and up to 2% of the Regulatory Capital (RC) of the institution in this type of assets.[12]

In June, the stock of loans in foreign currency to private sector shrank 0.9% —in currency of origin— in the aggregate financial system. As a result, the total stock of loans (in domestic and foreign currency) to private sector did not post significant changes against May (-0.1% in real terms or +3.1% in nominal terms), down 11.1% in real terms against the value recorded one year ago. The year-on-year evolution was mainly due to the performance of private financial institutions and to the momentum of loans to companies.

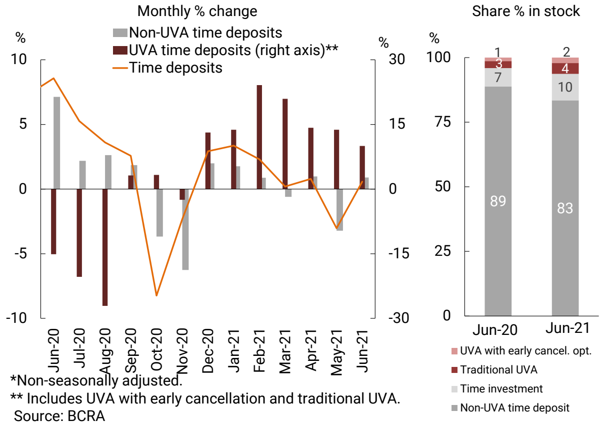
With regard to the financial system's funding, the stock of private sector deposits in domestic currency went up 3.9% in real terms in June (+7.2% in nominal terms) (see Chart 3), in a context where private financial institutions exhibited a higher relative momentum. Within this segment, sight accounts grew 7.3% in real terms (+10.7% in nominal terms), due in part to the effect of the payment of the semiannual complementary wage and the higher income of the population because of the salary adjustments based on the collective bargaining agreements in some sectors. In turn, time deposits in pesos increased 0.6% in real terms over the period (+3.8% in nominal terms), mainly driven by the performance of domestic financial private institutions. In particular, UVA time deposits continued to post a positive change rate for the seventh consecutive month, growing 10% in real terms against May (see Chart 4). A breakdown by type of UVA deposits shows that deposits with early cancellation option went up 14.9% in real terms, while traditional UVA deposits increased 7.7%.

Chart 3 | Stock of private sector deposits in pesos
In real terms*



* Not seasonally adjusted. Fuente: BCRA

Chart 4 | Stock of private sector time deposits in pesos
– In real terms *



*Non-seasonally adjusted.
** Includes UVA with early cancellation and traditional UVA.
Source: BCRA

Considering the items in foreign currency, the stock of private sector deposits increased 0.4% —in currency of origin—, mainly driven by the performance of state-owned financial institutions. Thus, the total stock of private sector deposits (including domestic and foreign currency) rose 2.8% in real terms against May (+6.1% in nominal terms).

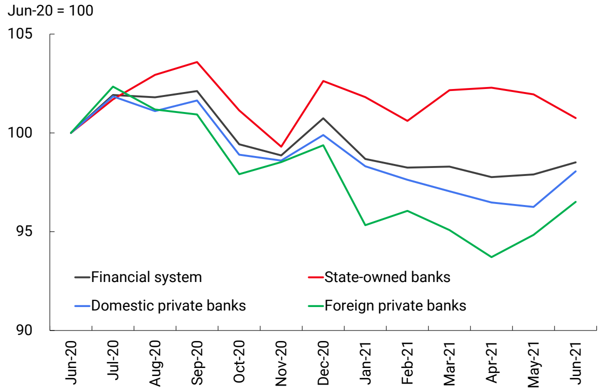
12 See Communication "A" 7341.

In the last 12 months, the stock of private sector deposits in pesos accumulated a drop of 2.8% in real terms (+46% y.o.y. in nominal terms). The year-on-year performance was driven by sight accounts, which contracted 9.6% y.o.y. in real terms (+35.7% y.o.y. in nominal terms). In turn, private sector time deposits in pesos accumulated a rise of 7.5% y.o.y. in real terms (+61.4% y.o.y. in nominal terms). The stock of public sector deposits in domestic currency went up 16.7% y.o.y. (+75.4% y.o.y. in nominal terms). In this context, total deposits in pesos (including both the private and the public sectors) grew 0.8% y.o.y. in real terms (+51.4% y.o.y. in nominal terms). Lastly, the total stock of deposits (all sectors and currencies) shrank 1.6% y.o.y. in real terms (+47.8% y.o.y. in nominal terms).

II. Aggregate Balance Sheet Composition

The stock of the aggregate financial system's total assets went up 0.6% in real terms in June, mainly due to the performance of private financial institutions (see Chart 5). In a year-on-year comparison, total assets dropped 1.5% in real terms at systemic level.

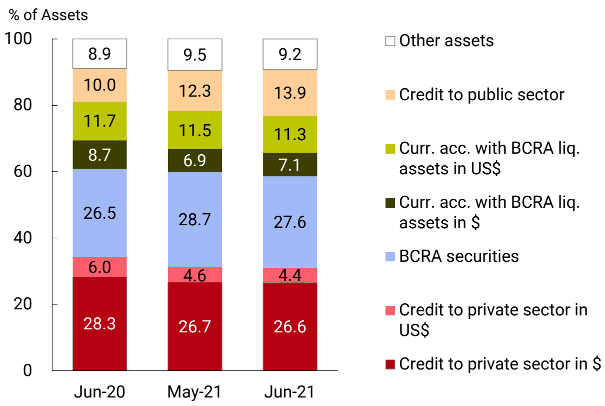
Chart 5 | Stock of total assets
In real terms



Source: BCRA

Regarding the components of the ensemble of financial institutions' total assets, there was a slight increase in the relative share of loans to public sector in June (due, in part, to the possibility of using new sovereign bonds to satisfy compliance with the regulatory liquidity requirement —for further details, see Section IV—) and in the balances of current accounts held by banks at the BCRA in pesos (see Chart 6). Conversely, there was a decrease in the share of the remaining items of the sector's assets over the period.

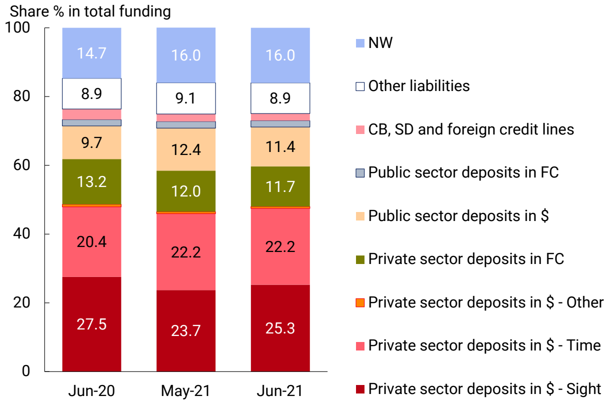
Chart 6 | Composition of total assets
Financial System - Share %



Source: BCRA

In relation to the composition of the system's total funding, there was an increase in the share of the private sector sight accounts in pesos, accompanied by a decrease in the share of public sector deposits in the same currency and of private sector deposits in foreign currency in June (see Chart 7). The remaining items that make up banks' funding did not exhibit significant changes over the month at aggregate level.

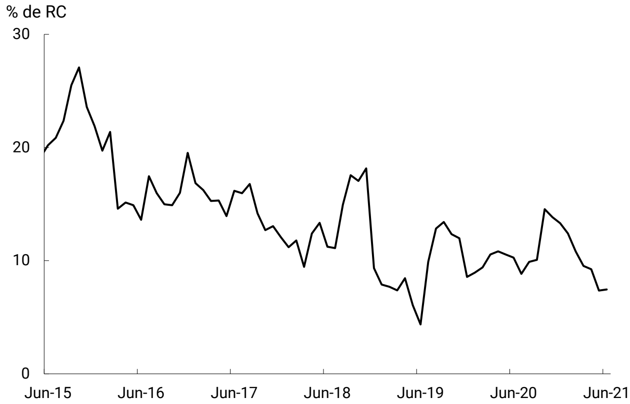
Chart 7 | Composition of the system total funding
In % of total funding (liabilities + net worth)



FC: Foreign currency. Source: BCRA

In June, the assets in foreign currency of the ensemble of financial institutions accounted for 18.1% of total assets, down 0.5 p.p. and 1.8 p.p. against May and against the same month of 2020, respectively. In turn, liabilities in the same currency accounted for 16.6% of total funding (liabilities plus net worth) over the month, down 0.4 p.p. against May (-2.1 p.p. y.o.y.). Also taking into consideration the purchase and sale forward transactions made by the ensemble of financial institutions in foreign currency —classified as off-balance—, in June, the spread of the financial system's assets and liabilities in foreign currency accounted for 7.5% of the regulatory capital, without significant changes against May (+0.1 p.p.) and down 2.8 p.p. against June 2020 (see Chart 8).

Chart 8 | Foreign currency assets – Foreign currency liabilities + Foreign currency forward position (Financial System)

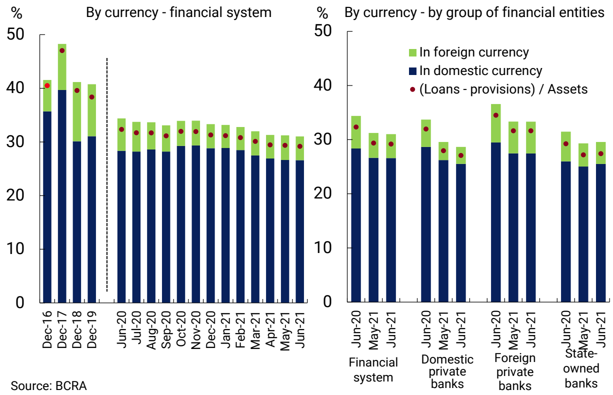


Sorce: BCRA

III. Portfolio Quality

In June, the gross exposure of the financial system to the private sector (in both domestic and foreign currency) stood at 31% of total assets,[13] 0.2 p.p. below the value recorded in May (-3.3 p.p. y.o.y.). There was a mixed performance as evidenced by each group of financial institutions (an increase in state-owned institutions and the non-banking financial institutions —ENFBs— and a decrease in the rest). When considering lending in pesos, the ratio stood at 26.6%, slightly below the value of May (-1.7 p.p. y.o.y.) (see Chart 9). In terms of total assets, the share of loans to private sector in foreign currency shrank 0.2 p.p. on a monthly basis, down to 4.4% over the period (-1.6 p.p. y.o.y).

Chart 9 | Stock of loans to private sector / Assets

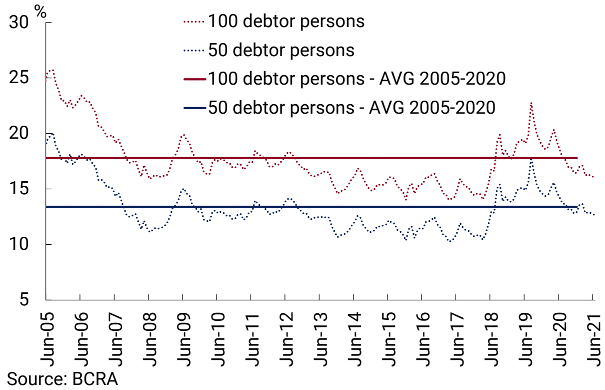


Source: BCRA

13 This ratio reached 29.2% if credit to the private sector is netted from the stock of accounting provisions.

The share of the main debtors (both natural and legal persons) in the total portfolio of the financial system's loans has continued to lose ground so far in 2021. In particular, the top 100 and 50 debtors of the private sector[14] accounted for 16.1% and 12.7% of the total stock of lending in the aggregate financial system in June (see Chart 10), down 2.4 p.p. and 1.5 p.p. against June 2020, respectively. The current levels for these indicators stood below the average of the last 16 years and reflect a moderate concentration of private sector debtors in the financial system.[15]

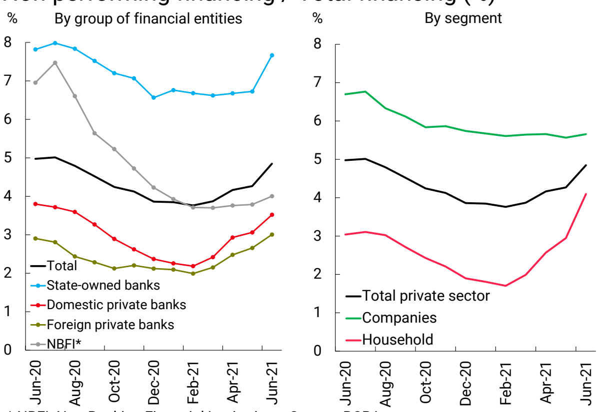
Chart 10 | Share of main debtors in the total stock of loans to the private sector



Source: BCRA

Chart 11 | Non-performing loans to private sector

Non-performing financing / Total financing (%)



* NBFI: Non-Banking Financial Institutions. Source: BCRA

In June, the BCRA ended with the temporary scheme that enabled to extend the delinquency terms in order to classify debtors under situations 1, 2 and 3 (60 days until March 31, 2021 and 30 days until May 31, 2021), and returned to the criteria used until March 19, 2020.[16] So far, the BCRA has kept the financial aid provided to debtors that are employers benefitted by the Productive Recovery Program II (REPRO II), which allows them to defer the unpaid installments of the aid received to the end of the lifetime of the loan. In this context, the non-performing ratio of loans to private sector for the aggregate financial system stood at 4.8% over the month, up 0.6 percentage points (p.p.) against May (but standing slightly below in a year-on-year comparison), and this performance was widespread across all groups of financial institutions (with a sharp increase in state-owned financial institutions, see Chart 11).

In June, the non-performing ratio of loans to households stood at 4.1% (see Chart 12), up 1.2 p.p. against the level of May (+1.1 p.p. y.o.y.). The monthly performance was mainly related to the increase in the delinquency rate of loans for consumption (personal loans and credit cards). In

14 Considering their debt in aggregate in the financial system; they are not necessarily the main debtors of each one of the financial institutions.

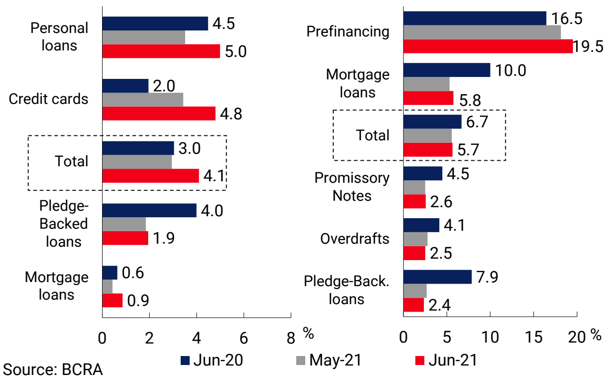
15 It is worth noting that the current regulations impose some limits to large exposures to credit risk, which entails lower concentrations (see https://www.bcra.gob.ar/Pdfs/Texord/t-gerc.pdf).

16 See Communication "A" 6938, Communication "A" 7107, Communication "A" 7181, Communication "A" 7245 and Item 2.1.1. of the Consolidated Text on "Financial Services in the framework of the Health Emergency provided for by Executive Order No. 260/2020 CORONAVIRUS (COVID-19)".

turn, the delinquency ratio of loans to companies stood at 5.7% over the period, slightly above the record of May (-1 p.p. y.o.y.).

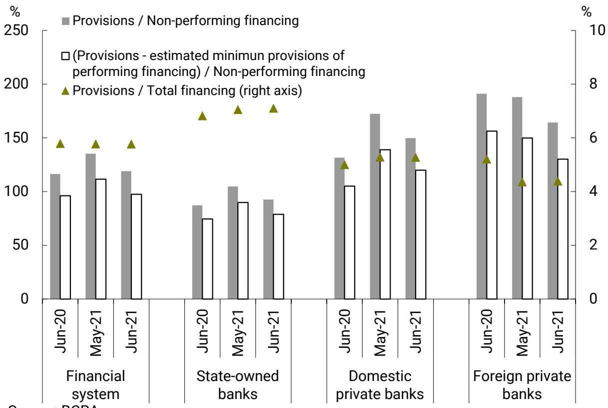
By mid-2021, total provisions of the aggregate financial system accounted for 5.8% of total loans to private sector, in line with the figure recorded in May and with the value recorded in June 2020 (see Chart 13). Total provisions relative to the non-performing portfolio of loans stood at 119% over the month at systemic level (-16.3 p.p. m.o.m and +2.7 p.p. y.o.y.). In turn, the stock of regulatory provisions attributable to the non-performing portfolio (according to the criteria set by the rules on regulatory minimum provisions for loan loss exposure) accounted for 97.4% of such portfolio for the ensemble of financial institutions.

Chart 12 | Non-performing loans to private sector
Non-performing financing / Total financing (%)



Source: BCRA

Chart 13 | Loans to private sector and provisions
By group of institutions

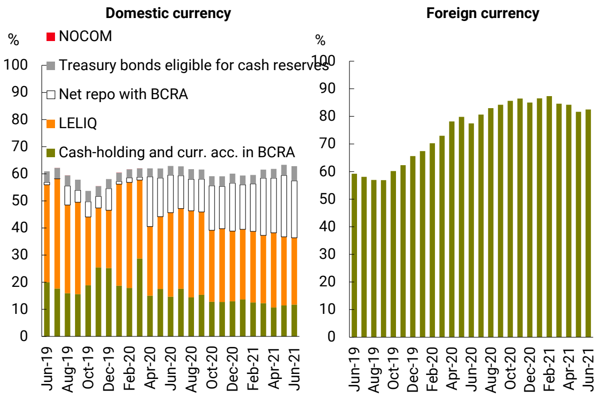


Source: BCRA

IV. Liquidity and Solvency

Starting from high levels if compared to the average of the last 10 years, the liquidity indicators of the financial system shrank slightly in June. Over the month, the broad liquidity ratio[17] totaled 66.4% of deposits (62.8% considering items in pesos and 82.5% for the segment in foreign currency, see Chart 14), down 0.3 p.p. against May (-0.5 p.p. for the segment in pesos and +0.9 p.p. for the items in foreign currency). Regarding the composition of liquid assets in pesos, in June, there was a decrease in the share of net repos with the BCRA and LELIQ holdings, accompanied by an increase in the share of the current accounts held by the financial institutions

Chart 14 | Financial system liquidity
In % of deposits



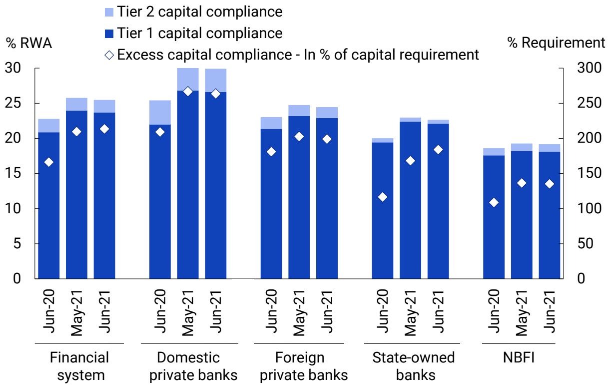
Source: BCRA

17 Liquid assets, compliance with regulatory liquidity requirements, and BCRA instruments, in domestic currency and in foreign currency.

at the BCRA and of the domestic sovereign bonds admitted for compliance with the regulatory liquidity requirement —in line with the regulatory measure adopted by the BCRA in order to contribute to the development of the domestic capital market.[18] In year-on-year terms, the broad liquidity went up 0.6 p.p. of total deposits at systemic level.

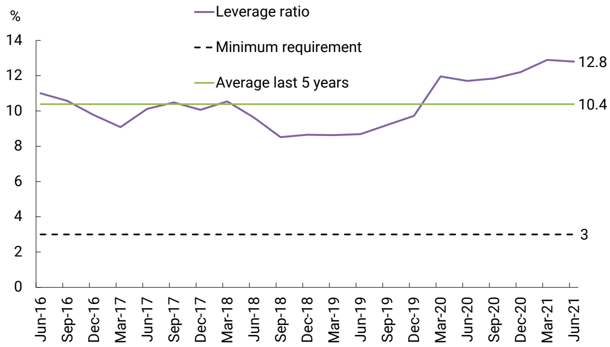
The solvency indicators of the aggregate financial system closed the first half of the year standing at sizable levels. In June, the Regulatory Capital (RC) of the ensemble of financial institutions accounted for 25.5% of risk-weighted assets (RWAs) (see Chart 15). Even though this level was slightly lower than the level of May, it exceeded by 2.7 p.p. the figure recorded by mid-2020. Tier 1 capital —with more capacity to absorb potential losses— totaled 93.1% of the regulatory capital as of June. In turn, the capital position RC minus the regulatory capital requirement) stood at 214% of the regulatory requirement over the month for the financial system as whole, standing at sizable levels in all groups of institutions.

Chart 15 | Compliance with regulatory capital
By group of financial institutions



NBFI: Non-Banking Financial Institutions Source: BCRA

Chart 16 | Leverage ratio of the financial system (according to Basel) *



*Ratio of the highest quality regulatory capital and a broad measure of exposures. Source: BCRA

The leverage ratio[19] of the ensemble of financial institutions stood at 12.8% in June, above the minimum threshold of 3% (see Chart 16). In the last 12 months, this ratio increased 1.1 p.p., exceeding the average of the last 5 years.

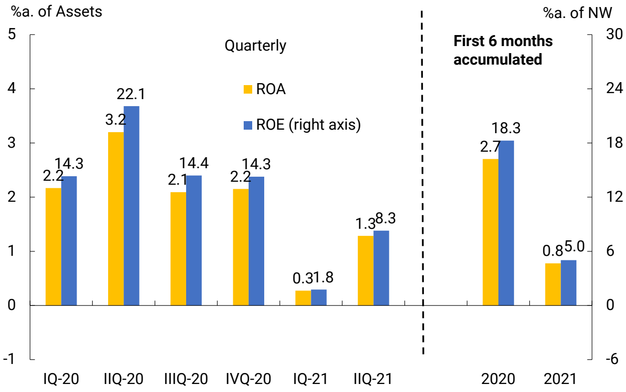
The ratio between the capital surplus position and the credit to the private sector, net of provisions, allows for anticipating the sector's capital adequacy in view of any eventual situation of credit risk materialization of an extreme nature and very unlikely to occur. In June, this ratio stood at 31.6%, up 7.4 p.p. against June 2020 (and exceeding the 13.6% average of the last 10 years).

18 In June, a new regulation by the BCRA allows financial institutions to satisfy with domestic sovereign bonds in pesos (excluding dollar-pegged bonds), purchased via a primary underwriting and with a residual term of at least 180 days and not exceeding 450 days, the portion of the regulatory liquidity requirement that can be complied with LELIQs (for further detail, see Communication "A" 7290). It is worth mentioning that, since 2018, the financial institutions were authorized to satisfy part of the abovementioned requirements with "National Treasury Bonds in pesos at a fixed rate" (due in 2020 / 2022).
19 Defined according to the guidelines of Basel Committee (ratio between the highest quality regulatory capital and a broad measure of exposures).

Regarding the sector's internal capital generation, the profitability indicators of the financial system recorded a slight increase in the second quarter of 2021 if compared to those of the previous quarter, standing at lower levels than in 2020. The total comprehensive income in homogeneous currency accrued between April and June totaled 1.3% annualized (a.) of assets (ROA) and 8.3%a. of equity (ROE).

Considering the aggregate of the year, the ensemble of financial institutions have accrued a ROA equivalent to 0.8%a. and a ROE of 5%a. (see Chart 17), standing at levels lower than those of the same period of 2020 (-1.9 p.p. and -13.2 p.p. of assets and equity, respectively). This decrease is due, among other factors, to the effect of higher monetary losses, the rise in the cost of funding for deposits in pesos, lower income from interest in pesos and a higher weight of tax burdens. These effects were mitigated by a higher income from both premiums for repo transactions and for securities, as well as by a lower income tax accrued, a reduction of loan loss provisions and a lower relative weight of administrative expenses, among other factors.

Chart 17 | Total comprehensive income in homogeneous currency of the financial system



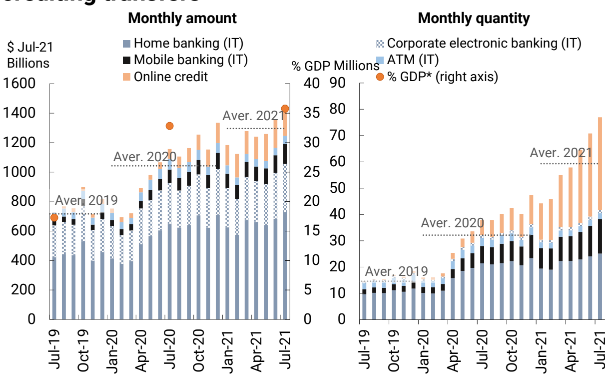
Source: BCRA.

V. Payment System

In the first half of the year, the electronic means of payment continued to gain ground in the transactions made by households and companies, in a context where the BCRA has not ceased to promote electronic means of payment, but without disregarding the security of transactions.

In July, online transfers in pesos, made up by instant transfers and online crediting transfers,[20] went up against June by 8.6% in number and 6.6% in amount in real terms (see Chart 18). This positive evolution was evident in both types of transfers mentioned above. Within instant transfers, the momentum of the

Chart 18 | Online transfers: instant transfers and online crediting transfers



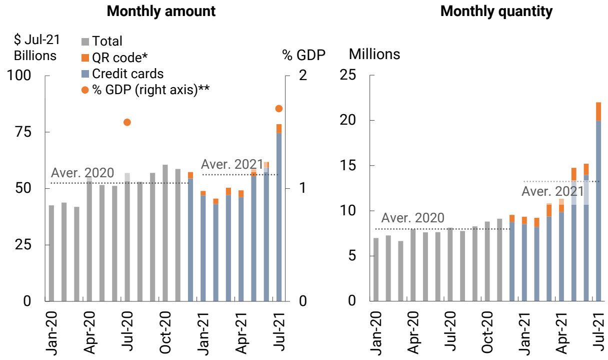
Source: BCRA. IT: immediate transfers. Note: IT are made through Link and Banelco. The online transfers of credit associated to transfers with a CVU (Clave virtual Uniforme) are made through COELSA. *Three-month moving average annualized in terms of nominal GDP estimated for the same period, Not-seasonally adjusted.

20 The online crediting is a transfer with immediate crediting associated with transactions having uniform virtual codes (CVU) and managed by the Electronic Clearing House (COELSA). In the case of instant transfers, the transactions are managed by Link and Banelco networks.

transactions performed via mobile banking was especially remarkable during the month (+12% in number and +14.2% in amount in real terms). In turn, transactions via online crediting transfers went up 11.2% in number and 4.8% in amount in real terms against June. Regarding the same month of 2020, the number of online transfers in pesos more than doubled, while the increase in amount in real terms reached 25.6%. This year-on-year evolution was mainly due to the performance of online crediting transactions (+517% y.o.y. in number and 156% y.o.y. in amount in real terms) and of instant transfers (+29.6% y.o.y. in number and +14.2% y.o.y. in amount in real terms).

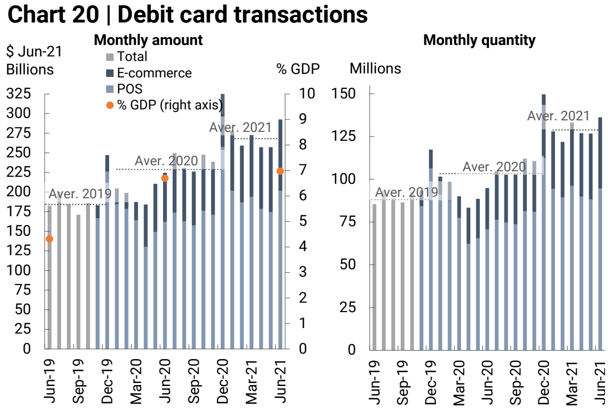
In July, payments by transfers —with immediate crediting for stores and without commission fees for end users[21]—, recorded a marked rise against June (44.6% in number and 27.2% in amount in real terms, see Chart 19). Within this group, payments made via QR code showed a relatively higher momentum than payments made with cards, even though the use of the QR still accounts for a reduced portion of payments (9.3% in the number of transactions made in July and 5.1% in amount, while the share of cards amounted to 90.7% and 94.9%, respectively). Regarding payments made via QR code, the BCRA has recently established that financial institutions and payment service providers (PSPs) must generate a QR code for the identification of their commercial clients' accounts[22] in a 60-day term. At present, stores may offer the QR system to receive payments via the payment acceptors or processors offering the service. The difference between this new QR system and the existing ones lies in that it directly identifies the account of the store, allowing for the immediate crediting via transfer, with the lowest commission fee of the system.[23] Against the same month of 2020, payments by transfer increased in both number (170.7%) and in amount in real terms (38%).

Chart 19 | Payments by transfer
Initiation methods



Source: BCRA. Note: operations of payment started with debit cards and qr code. Information consolidation with PEI program. *Information available since Dec-20. ** Three-month moving average annualized in terms of nominal GDP estimated for the same period, Not-seasonally adjusted.

Chart 20 | Debit card transactions

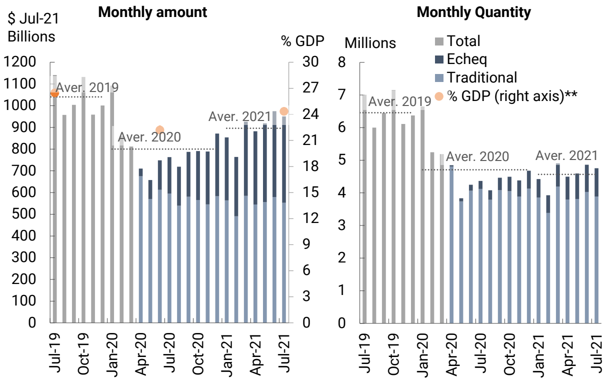


Source: BCRA. ** Three-month moving average annualized in terms of nominal GDP estimated for the same period, Not-seasonally adjusted.

21 Payments by transfer represent a group of transactions other than online transfers. They refer to payments made with debit card credentials and with open QR codes, and at the same time they consolidate information previously submitted such at the Immediate Electronic Payment (PEI). For further detail about this new type of transaction, see for example "Payments by transfer start to operate".
22 So far, the identification codes were a CBU/CVU number and an alias.
23 For further detail, see "A new QR code has been created to simplify payments by transfer ".

In June (latest information available), there was an increase in debit card transactions against the immediately preceding month (+7.5% in number and 10.4% in amount in real terms). This performance was noticeable in both electronic transactions and onsite transactions[24] (see Chart 20). In a year-on-year comparison, debit card transactions grew in number (43.6%) and in amount in real terms (26.5%), mainly due to the momentum of electronic transactions (+72.1% in number and +45.3% in amount, in real terms). Consequently, electronic transactions have gained share in total transactions, standing at 30.6% in number and 31.1% in amount, in June.

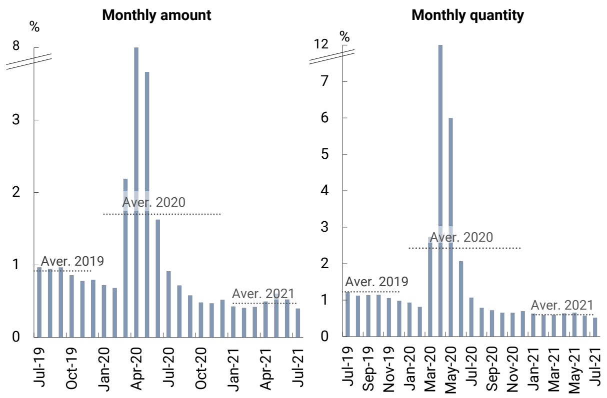
Chart 21 | Cleared checks



Source: BCRA. * Three-month moving average annualized in terms of nominal GDP estimated for the same period, Not-seasonally adjusted.

The total clearing of checks went down in July against June (2.3% in number and 2.5% in amount, see Chart 21), even though it stood at levels higher than the average of 2021. Transactions with electronic checks (ECHEQs) rose over the month (3% in number and 0.6% in amount in real terms), while transactions with the physical instrument went down (3.4% in number and 4.6% in amount). Against the same month of 2020, total transactions in terms of clearing of checks increased in number (9%) and in amount in real terms (24.6%), with a remarkable rise in the use of ECHEQs (253.3% in number and 137.2% in amount in real terms). The share of transactions with ECHEQs increased up to a total of 18.2% (+12.6 p.p. y.o.y,) in number and 41.8% (+19.9 p.p. y.o.y.) in amount during July. Driven by the momentum of ECHEQs, the total cleared value (measured in real terms) increased over the year if compared to the average of 2020, thus reversing the trend observed in recent years. The main advantages of ECHEQs include: (i) simplified operation in terms of issue, endorsement, trading and circulation in general, through digital channels: (ii) limitless endorsements; (iii) reduction of operating costs if compared to the traditional checks; (iv) increased security and effectiveness since it is possible to know their traceability for certain; (v) reduction in the reasons for bouncing. In addition to facilitating the operations and reducing costs for all players of the system, ECHEQs have an especially favorable incidence for MSMEs throughout the country. The electronic check is a relevant source of financing for micro and small-sized enterprises because it facilitates its trading that can be performed electronically and remotely, thus reducing the cost of operations, movement and verification of documents.

Chart 22 | Bounced checks for insufficient funds



Source: BCRA. Note: Including bouncing of traditional checks and Echeqs

24 Onsite purchases occurred in a context of some easing in the restrictions related to the pandemic.

The ratio of bouncing of checks for insufficient funds relative to total cleared checks contracted in July against June, in both number (-0.06 p.p., to 0.52%) and amount (-0.13 p.p., to 0.4%). The current levels of this ratio are moderate and stand below the average of 2021 (see Chart 22).