

## Regulatory Annex<sup>1</sup>

This annex covers the most relevant financial system regulation measures adopted for the period from July 7, 2022 to December 26, 2022.

### *Financial inclusion, bancarization and use of electronic means*

To consolidate the use of MSME Electronic Credit Invoices (FCEMs) as the instrument for the financing of Micro, Small and Medium-Sized Enterprises (MSMEs), the BCRA implemented in November the ["Database of MSME Electronic Credit Invoices Not Paid Upon Maturity \(CenFIV\)"](#). The launching of the CenFIV helps to consolidate the FCEMs as an instrument for the financing of MSMEs.<sup>2</sup>

### *Policies to encourage savings*

In order to encourage the taking of deposits for longer terms, the BCRA established, by the end of August, that the maximum amount at which financial institutions are obliged to offer the minimum borrowing interest rate for a time deposit in pesos (currently ARS10 million for natural persons) comprises —on a jointly basis— deposits with an early cancellation option denominated in Acquisition Value Units (UVAs) and adjusted by the Reference Stabilization Coefficient ("CER"). Financial institutions must offer the possibility to contract UVA-denominated time deposits with early cancellation option through all their valid banking channels.<sup>3</sup>

Since the publication of the previous Financial Stability Report (IEF), the monetary authority increased on several occasions the percentages applicable to determine the minimum interest rates for time deposits, with the aim of obtaining positive real yields. Against this backdrop, since mid-September —in the case of Group "A" and Group "B" financial institutions and branches or subsidiaries of foreign banks categorized as systemically-important banks (G-SIBs)— the minimum interest rate on 30-day time deposits of natural persons for up to ARS10 million was set at 75% whereas, for other time deposits, the minimum rate was set at 66.5%. In addition, the BCRA raised the ratio applied to establish the fixed interest rate for early payment of time deposits with early cancellation option denominated in Acquisition Value Units ("UVAs").<sup>4</sup>

### *Policies to channel financing towards productive activities and households*

With a view to facilitating the conduction of foreign trade transactions required for the development of Argentine economy, by the end of July, the BCRA established that financial institutions may apply financial credit lines from abroad to foreign trade financing in foreign currency.<sup>5</sup>

In recent months, the fixed interest rates of the de ["Credit Line for Productive Investment of Micro, Small and Medium-Sized Enterprises \(MSMEs\)"](#) (LFIP) have been adjusted and set at 64.5% nominal annual percentage rate (APR) for investment projects and at 74.5% nominal annual percentage rate (APR) for lending related to working capital and special financing.<sup>6</sup> In turn, it was established

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

2 [Press Release](#) of 11/01/2022.

3 Communication "A" [7585](#).

4 Communication "A" [7561](#) and Communication "A" [7605](#).

5 Communication "A" [7550](#).

6 Communication "A" [7561](#), Communication "A" [7577](#) and Communication "A" [7605](#).

that, under the LFIP, any financing allocated to working capital and discount of deferred payment checks and other notes agreed with registered MSMEs involved in agricultural activity shall not be taken into account for calculation, except in the case of micro enterprises. In addition, the BCRA established that the minimum cash requirement applicable to institutions subject to the requirement and eligible under the LFIP shall be reduced by an amount equal to 40% of lending allocated to investment projects.<sup>7</sup>

As from October 2022, a new quota was set for the "[Credit Line for Productive Investment of Micro, Small and Medium-Sized Enterprises \(MSMEs\)](#)" (LFIP) for the 2022/2023 period with characteristics similar to those of previously established quotas. Financial institutions eligible for this new quota shall maintain an amount of loans comprised within the quota equal to 7.5% of their deposits of the financial sector in pesos subject to a fractional reserve scheme, calculated taking into account the monthly average of daily balances of September 2022. In the case of financial institutions which are not Group "A" institutions, the percentage to be applied shall be 25% of the above-stated percentage.<sup>8</sup>

As from October, the Central Bank established that to determine the stock of loans comprised within the 2022/2023 Quota of the "[Credit Line for Productive Investment of Micro, Small and Medium-Sized Enterprises](#)" (LFIP), financial institutions subject to such quota must exclude deposits of clients residing in Argentina that are engaged in agricultural activities and sell goods under the provisions of the "[Export Increase Program](#)" (Executive Order No. 576/22) to any party exporting them directly or as a result of a productive process conducted in Argentina.<sup>9</sup>

### *Liquidity management and monetary regulation*

In July, the BCRA established that financial institutions may apply to national sovereign bonds in pesos with dual currency yields the same regulatory treatment as afforded to instruments issued in pesos. Besides, the minimum term of sovereign bonds admitted for compliance with minimum cash requirements was reduced to 90 calendar days, provided such bonds are acquired through primary market underwriting.<sup>10</sup>

As from late July, financial institutions had to open "Special accounts for holders involved in agricultural activities" in pesos for crediting (up to August 31, 2022) of the amounts of soybean sales by the holder. These accounts received compensation to be credited on a daily basis and linked to dollar evolution. Any account balances may be used to acquire BCRA's non-transferable bills in pesos payable at the Benchmark Exchange Rate (Communication "A" 3500 - LEDIV) at a zero interest rate and instruments in pesos adjustable by exchange rate, among other uses for such resources. The minimum cash requirement on the balance of such deposits shall be 0%. The balances of these accounts, the LEDIVs and the instruments in pesos adjusted by exchange rate shall be excluded from the concept of "[net global position in foreign currency](#)". The stated assets and liabilities shall be excluded from the correlation between funding and appropriation in foreign currency set forth in the regulations on "[Credit Policy](#)".<sup>11</sup>

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7 Communication "A" [7561](#).

8 Communication "A" [7612](#).

9 Communication "A" [7615](#).

10 Communication "A" [7545](#).

11 Communication "A" [7556](#).

In early August, the Central Bank established that Group “A” financial institutions had to open “Special accounts for allocation of financing from exports” in US dollars.<sup>12</sup> In turn, it was also set forth that financial institutions had to open “Special accounts for exporters” in pesos, in which deposits were admitted until the end of November and the balances were remunerated on a daily basis taking into account the evolution of the US dollar.<sup>13</sup>

In September, under the [“Export Increase Program”](#), in order to encourage the generation of real revenues received by the Federal Government and the subsequent settlement of foreign currency, the BCRA adjusted the regulations on [“Deposits in savings, salary and special accounts”](#) and established that clients residing in Argentina that are engaged in agricultural activities and sell goods under the program stated above may deposit the net amount in pesos received for those sales in “Special accounts for holders engaged in agricultural activities”. In order to prove compliance with the conditions set forth, clients must submit a sworn statement to the depository financial institution with respect to each deposit and the documents evidencing the sale.<sup>14</sup>

In September, the monetary authority established that, for a term of 180 calendar days, the compensatory interest nominal annual percentage rate (APR) for lending by financial institutions in pesos to clients engaged in agricultural activities registered with the Agricultural Simplified Information System (SISA) in their capacity as “Producer” (with stockpile of their soybean production) shall be at least 120% of the most recently published Monetary Policy Interest Rate. Clients excluded shall be those whose total lending amount in the financial system, considering the requested loan, does not exceed an amount equal to ARS2 million –in pesos and in foreign currency–, and who prove not to accumulate soybean production above 5% of their annual harvest capacity. In turn, for the purposes of verifying that the client falls within this exception, the financial institutions shall request a sworn statement.<sup>15</sup>

Also in September, the regulations on [“Minimum Cash”](#) were amended to establish that financial institutions may comply with the minimum cash requirement in pesos –requirement for the period and daily requirement– of deposits in pesos in accounts held by payment service providers offering payment accounts (PSPOCP) in which the funds of their clients are deposited, using “National Treasury Bonds in pesos with maturity on May 23, 2027” up to 45 percentage points of the percentage stated in the relevant provisions. Such securities shall be excluded from the limits set forth in the regulations on [“Credit to the Non-Financial Public Sector”](#).<sup>16</sup>

The BCRA extended, in September, the maximum term of sovereign bonds admitted for compliance with the minimum cash requirement to 630 calendar days (and such requirement may be complied with Liquidity Bills (LELIQs) as per the regulations on [“Minimum Cash”](#)), provided that they are acquired through primary market underwriting. The national sovereign bonds with dual currency yields (BONO DUAL) were admitted for compliance with the requirement, and only dollar-linked bonds were excluded. In both cases, the above-stated bonds were excluded from the limits set forth in the regulations on [“Credit to the Non-Financial Public Sector”](#).<sup>17</sup>

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12 Communication “A” [7570](#).

13 Communication “A” [7571](#).

14 Communication “A” [7595](#).

15 Communication “A” [7600](#).

16 Communication “A” [7611](#).

17 Communication “A” [7614](#).

As from mid-November, the minimum cash requirement which may be complied with by financial institutions with “National Treasury Bonds in pesos with maturity on May 23, 2027”, may also be complied, under the same conditions and with the same effects currently in force, with “National Treasury Bonds in pesos with maturity on November 23, 2027”.<sup>18</sup>

The BCRA extended until June 30, 2023 the deduction from the minimum cash requirement deriving from cash withdrawals from ATMs found in locations comprised within categories II to VI.<sup>19</sup>

### *Other prudential adjustments*

As from mid-July, the Central Bank established that both financial institutions and non-financial credit providers cannot finance in installments any purchases made at duty free stores.<sup>20</sup>

Until the end of January 2023, any financial aid amounts allocated to payment of personnel’s wages are excluded from calculation of the limits established for credit risk diversification of the non-financial public sector.<sup>21</sup>

By late July, the Central Bank amended the interest rate applied to the financing of unpaid balances of credit cards (and decided to apply the interest rate regulated by the law on credits cards), to the extent that credit card consumptions are recorded for an amount exceeding USD200 per month.<sup>22</sup>

In recent months, the BCRA has gradually increased the limit to the compensatory interest rate to be applied by financial institutions for financing related to credit cards and, as from the invoicing cycle of October 2022, such interest rate was set at 77%.<sup>23</sup>

In August, the monetary authority established that institutions may only delegate to financial services supplementary agencies the attention of their clients and general public for certain activities in pesos, such as cash deposits and withdrawals, payments and collections, and payment of social security benefits.<sup>24</sup>

In October, the BCRA established that the balances in sight accounts held by financial institutions in banks abroad which, on a provisional and circumstantial basis, exclusively derive from foreign exchange transactions of their clients shall not be subject to the caps set forth in the regulations on “[Large Exposures to Credit Risk](#)”, provided that certain requirements are met.<sup>25</sup>

For 2023, the BCRA reviewed the possibility for financing institutions to distribute dividends, in line with the decisions made in this respect for 2020 and 2021.<sup>26</sup>

Finally, as from 2023, the coverage under the Deposit Insurance Scheme (*Sistema de Seguro de Garantía de los Depósitos*) shall be up to ARS6 million per depositor in each financial institution.<sup>27</sup>

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18 Communication “A” [7637](#).

19 Communication “A” [7661](#).

20 Communication “A” [7540](#).

21 Communication “A” [7549](#).

22 Communication “A” [7559](#).

23 Communication “A” [7561](#), Communication “A” [7577](#) and Communication “A” [7605](#).

24 Communication “A” [7566](#).

25 Communication “A” [7623](#).

26 Communication “A” [7659](#).

27 [Press Release](#) 12/22/2022 and Communication “A” [7661](#).