

RITCH

M U E L L E R

COVID-19 - CNBV issues recommendation regarding the payment of dividends, repurchase of shares and other benefits of stockholders of banking institutions

With the purpose of strengthening banking institutions in Mexico, on March 31, 2020, the National Banking and Securities Commission (Comisión Nacional Bancaria y de Valores) ("CNBV"), issued a recommendation so that such institutions abstain from paying dividends, repurchasing shares and granting other benefits to its stockholders. The purpose is to enhance the financial position of banking institutions vis a vis potential losses due to the COVID-19 disease and to have more resources to support the economy.

The CNBV establishes that these measures are consistent with the measures adopted by the European Central Bank and the central banks and oversight authorities of Sweden, Italy, Russia, Argentina, Canada, Great Britain, Belgium, Austria, Denmark and Japan, among others, that have established several recommendations for financial institutions to abstain from paying dividends, repurchasing stock or increasing variable compensation of their employees.

In general terms, the recommendation establishes that banking institutions shall refrain from: (i) paying dividends to their stockholders, as well as from implementing any other mechanism that implicates a transfer of economic benefits to the stockholders or assuming the irrevocable commitment to pay them with respect the fiscal years of 2019 and 2020, including the distribution of reserves, provided that if the banking institution is part of a financial group, the measure shall include the controlling entity as well as any other affiliates or entities of the group,, and (ii) repurchasing stock or any other mechanism that intends to compensate the stockholders.

It is important to point out that the CNBV has established that any banking institution or financial group that does not intend to follow such recommendation shall notify the reasons in writing to the CNBV within seven business days following the issuance of the recommendation and such brief shall be signed by the CEO of the financial institution. Such decision and the reasons shall be made public.

Should you require further information, our team of professionals is available and remains at your disposal. We encourage you to reach out to your ordinary Ritch Mueller contacts to discuss any such issues so we can assist you in determining the most appropriate course of action.

Otherwise, feel free to reach out to us at contacto@ritch.com.mx so we may direct your query to the appropriate team members.

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