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CNBV issues special accounting treatment for banks

On March 25, 2020, in an effort to mitigate the economic effects of the COVID-19 health contingency and in response to requests made by financial institutions in Mexico, the National Banking and Securities Commission (Comisión Nacional Bancaria y de Valores) (“CNBV”), issued special accounting criteria which will temporarily apply to credit institutions, in respect of consumer, housing and commercial loans. The measures adopted are intended to allow credit institutions to avoid classifying as non-performing loans those loans that receive the benefits of differed payment support associated with the health contingency.

In general terms, the temporary measures allow (i) the partial or total deferral for a period of four months of principal and interest payments in respect of existing loans, with the possibility of extending such period for two additional months, and (ii) the freezing of balances in respect of existing loans, without interest charges, so long as such loans were in place as of February 28, 2020. The measures provide that loans receiving the benefits would not be considered as non-performing loans and thus credit institutions would not be required to constitute reserves or be subject to penalties or regulation that would otherwise be applicable to non-performing loans.

The above measures may apply to mortgage-backed housing loans, revolving and non-revolving loans granted to individuals such as automotive loans, personal loans, payroll loans, credit card, microcredit, as well as commercial loans granted to legal entities or individuals with business activities, including agricultural loans.

The CNBV has issued similar accounting criteria for other sectors of the financial system, such as Sociedades Financieras Populares, Sociedades Cooperativas de Ahorro y Préstamo, and Credit Unions.

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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