

RITCH

M U E L L E R

COVID-19 Temporary Exemptions to Banking Liquidity Requirements

In the midst of the COVID-19 health emergency and related economic downturn, the Banking Liquidity Regulation Committee, comprised of representatives of the Ministry of Finance (*Secretaría de Hacienda y Crédito Público*), the National Banking and Securities Commission (*Comisión Nacional Bancaria y de Valores* or CNBV), and the Mexican Central Bank (*Banco de México*), approved on April 8, certain exemptions to the General Rules on Banking Liquidity Requirements (*Disposiciones de Carácter General sobre los Requerimientos de Liquidez para las Instituciones de Banca Múltiple* or the “Rules”). Such exemptions are summarized below.

- **Exemptions on Statutory Liquidity Coverage Ratios.**

Mexican banks (*Instituciones de Banca Múltiple*) may register liquid assets considered as eligible liquid assets (*activos líquidos elegibles*) under the Rules, up to February 28, 2020, so as to be compliant with liquidity coverage ratios (“LCR”).

For purposes of their respective LCR calculations, such exemption will allow Mexican banks to account for liquid assets that may have no longer qualified as eligible liquid assets under the Rules due to their decrease in value from the beginning of March, as result of the current health emergency.

- **Exemptions on Calculations of Liquidity Reserves.**

Mexican banks may exclude their March 2020 information from calculations in respect of statutory liquidity reserves associated with potential margin calls or fluctuations in derivatives portfolio values.

- **Exemptions on Corrective Measures.**

Temporary exemptions to certain corrective measures associated with the failure by a Mexican bank to keep its LCR on or above 100%, as required by the Rules, have come in effect along with extraordinary classifications for Mexican banks in different scenarios depending on their LCR levels. Also, a Mexican bank will not be deemed to be in breach of LCR requirements if, based on its LCR report, it falls into liquidity levels III, IV or V of Article 12 of the Rules.

By adopting the aforementioned exemptions, the Banking Liquidity Regulation Committee seeks to address the important challenges that the financial system is facing as a result of the current health emergency and economic downturn, in particular by i) keeping credit availability for businesses, households and other sectors of the economy; ii) maintaining adequate liquidity conditions in both national and foreign currencies; iii) fostering adequate conditions for the operation of foreign exchange and fixed income markets; iv) enabling intermediaries to adequately manage market and credit risks; and v) maintaining the functioning of payment systems in order.

RITCH M U E L L E R

The aforementioned exemptions will be in effect for six months starting on February 28, 2020, and may be extended for an additional period of six months, if the Mexican Central Bank and the CNBV deem it necessary.

Should you require further information, our team of professionals is available to answer any questions. We encourage you to reach out to your ordinary Ritch Mueller contacts if you require advice in respect of this or any other matter.

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

We wish that you and your families are safe and remain healthy during these challenging times.

**Torre Virreyes, Av. Pedregal No. 24, 10th floor
Molino del Rey, 11040 Mexico City
+52 55 9178 7000
contacto@ritch.com.mx / www.ritch.com.mx**