

MINISTRY OF FINANCE PRESENTS NEW COVID 19 CREDIT RESTRUCTURING PROGRAM



The regulatory ease intends to promote loan restructuring so that financial institutions can adjust payment schedules to the new economic reality of the borrowers and their families, for which payments shall invariably be reduced by at least 25%, which will imply extending the remaining term by up to 50% from the original maturity, as well as lowering interest rates and waiving principal payments.

Therefore, financial authorities, through the National Banking and Securities Commission, decided to implement four new measures to encourage and enable banks and other financial intermediaries to restructure client loans upon request.

The measures included in this package are:

- 1.- Computing a lower amount of specific reserves when restructuring is agreed with the client.
- 2.- Recognition of the specific reserves released by the loan restructuring as additional reserves.
- 3.- They may recognize a higher regulatory capital when considering the additional reserves as part of the supplementary capital.
- 4.- Prudently reduce capital requirements for credit risk.

In addition, to encourage financial inclusion and new lending, the following three measures will be taken in connection with banks:

- The use of the capital buffer is extended until December 31, 2021.
- Liquidity requirements are extended until March 2021, allowing banks to temporarily reduce their liquidity buffers below 100% of their needs.
- The regulation that allows the opening of accounts and contracting of credits without the need of the client to be present at the bank is extended to legal entities.

Furthermore, the limits established for credit contracting and account opening are eliminated, facilitating the opening of simplified identification accounts considered low risk for SOFIPOs (Popular Financial Corporations) and SOCAPs(Savings and Loan Cooperative Corporations).

THE NEW PACKAGE OF MEASURES AIMS TO SUPPORT INDIVIDUALS AND COMPANIES IN MITIGATING ECONOMIC EFFECTS OF THE COVID-19 PANDEMIC, ALLOWING LOAN RESTRUCTURING WITH LOWER INTEREST RATES, EXTENDED PAYMENT TERMS AND LOWER FEES.

THE PACKAGE INCLUDES FOUR REGULATORY MEASURES THAT ENCOURAGE AND ENABLE BANKS AND OTHER FINANCIAL INSTITUTIONS TO RESTRUCTURE CLIENT LOANS.

