

# Prudential Regulations

June 2025



BANCO CENTRAL  
DE LA REPÚBLICA ARGENTINA

# Prudential Regulations June 2025

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This publication describes the main features of the financial and foreign exchange regulatory framework in Argentina. Some issues have been simplified for ease of understanding. Please note that nothing contained here shall be construed as replacing any of the regulations issued by the Central Bank of Argentina.  
Latest update to the regulatory framework: Communication A 8264, dated June 26, 2025.

# I. Prudential Regulations

## Minimum Capital Requirements for Financial Institutions

### Minimum capital requirements

Financial institutions shall comply with the minimum capital requirement to be determined as the higher of: (i) the core capital set by the Central Bank of Argentina (BCRA) (see II. Licensing and Expansion of Financial Institutions and Foreign Exchange Traders - Authorization to Open New Financial Institutions) or (ii) the requirement calculated on the basis of credit, market, and operational risk of their daily positions<sup>1</sup>.

These requirements shall apply to institutions both on a solo and a consolidated basis.

#### A. Credit Risk

Minimum capital requirements for credit risk are calculated using the following expression:

$$C_{RC} = (k * 0.08 * cRWA) + INC$$

Where:

- k: Factor linked to the rating assigned to the institution by the SEFyC according to the following scale ('k' factor shall equal 1.03, unless otherwise communicated to the institution):

| CAMELBIG Rating | k Factor |
|-----------------|----------|
| 1               | 1        |
| 2               | 1.03     |
| 3               | 1.08     |
| 4               | 1.13     |
| 5               | 1.19     |

---

<sup>1</sup> Other risks: Financial institutions must manage the interest rate risk of the transactions recorded in their banking books, as well as other risks excluded from the calculation of the capital requirement (concentration, reputational and strategic risk, etc.). Risk management shall be reviewed by the Superintendence of Financial and Foreign Exchange Institutions (SEFyC), which shall have the power to determine whether or not financial institutions need to comply with the regulatory capital in these cases.

cRWA: credit risk weighted assets, calculated as the sum of the results of the following expression:

$$A * w + OBSI * CCF * w + \text{non-DvP} + (\text{DvP} + \text{DCR} + \text{INC}_{(\text{significant investments in companies})}) \times 12.5$$

where:

A: eligible assets/exposures.

OBSI: off-balance sheet items.

CCF: credit conversion factor for off-balance sheet transactions.

w: risk weight, expressed as a decimal.

non-DvP: non-delivery-versus-payment transactions. Amount calculated as the sum of the values obtained after applying the corresponding risk weight (w) to the transactions.

DvP: failed delivery-versus-payment transactions (for the purpose of these regulations, failed payment-versus-payment (PvP) transactions are included). Amount calculated as the sum of the values obtained after multiplying the positive current exposure by the applicable capital requirement.

DCR: counterparty credit risk requirement for OTC derivative transactions.

INC<sub>(significant investments in companies)</sub>: incremental requirement for exceeding the following limits:

- equity interest in each company: 15%
- total equity interest in companies: 60%

Maximum limits shall apply to the institutions' regulatory capital (*responsabilidad patrimonial computable*) on the day prior to that on which it should be complied with.

INC: increase for amounts in excess of the ratio of fixed assets and other items, the limits set forth in the regulations on "Lending to the non-financial public sector" and "Large exposures to credit risk", excluding those that count for determining the INC<sub>(significant investments in companies)</sub>, and the limits on credit financings and derivatives.

For the purposes of calculating minimum capital requirements for credit risk, financial institutions are classified as follows:

- i) Group 1: institutions classified by the BCRA as domestic systemically important (D-SIB) and branches or subsidiaries of foreign banks classified as globally systemically important (G-SIB).
- ii) Group 2: financial institutions not included in section (i).

The weight-based (w) rates for the main headings are as follows:

| Heading   | Interest rate  |
|---|--|
| Liquid Assets.  |  |
| Cash in banks, cash-in-transit (when financial institutions assume the responsibility and the risks associated with transportation), cash in ATMs, cash in current accounts and cash in special accounts at the BCRA, coined gold or "good  | 0%   |
| Receivables in cash, cash transported by cash-in-transit companies and cash in the custody of financial institutions.   | 20%  |
| Exposure to governments and central banks.  |  |
| To the BCRA denominated and funded in pesos.  | 0%   |
| To the national, provincial and municipal governments as well as the government of the City of Buenos Aires in cash.  | 0%   |
| To the non-financial public sector arising from financing granted to social security beneficiaries or public servants (with discount code).   | 0%   |
| To the non-financial public sector and to the BCRA, and to other sovereign states (or their central banks).<br><ul style="list-style-type: none"> <li>- AAA to AA-</li> <li>- A+ to A-</li> <li>- BBB+ to BBB-</li> <li>- BB+ to B-</li> <li>- Below B-</li> <li>- Unrated</li> </ul>   | <ul style="list-style-type: none"> <li>0%</li> <li>20%</li> <li>50%</li> <li>100%</li> <li>150%</li> <li>100%</li> </ul>   |
| Non-financial instrumentalities of other sovereign states classified according to the latter's credit rating.<br><ul style="list-style-type: none"> <li>- AAA to AA-</li> <li>- A+ to A-</li> <li>- BBB+ to BBB-</li> <li>- BB+ to B-</li> <li>- Below B-</li> <li>- Unrated</li> </ul> | <ul style="list-style-type: none"> <li>20%</li> <li>50%</li> <li>100%</li> <li>100%</li> <li>150%</li> <li>100%</li> </ul> |
| To the Bank for International Settlements, the IMF, the European Central Bank, the European Stability Mechanism, and the European Financial Stability Facility.   | 0%   |

| Heading   | Interest  |
|---|---|
| <p>To the non-financial public sector of the provinces, municipalities and/or the City of Buenos Aires arising from the acquisition of sovereign bonds issued in pesos by the central administration, when any of the collateral described in the regulations on “Lending to the non-financial public sector” is missing, pursuant to the credit rating assigned to the respective jurisdiction.</p> <ul style="list-style-type: none"> <li>- AAA to AA-</li> <li>- A+ to A-</li> <li>- BBB+ to BBB-</li> <li>- BB+ to B-</li> <li>- Below B-</li> <li>- Unrated</li> </ul> | <p>20%</p> <p>50%</p> <p>100%</p> <p>150%</p> <p>200%</p> <p>200%</p> |
| Exposures to Multilateral Development Banks (MDBs).   |   |
| Exposure to institutions that, in the opinion of the Basel Committee on Banking Supervision, satisfactorily meet the eligibility criteria established by international standards.   | 0%  |
| Other.  | 50%   |
| Exposure to local financial institutions.   |   |
| <p>Exposure of Group 1 financial institutions to financial institutions (Standardized Credit Risk Assessment Approach, SCRA).</p> <ul style="list-style-type: none"> <li>- Grade A: overall weight</li> <li>- Grade A: short-term exposures weight</li> <li>- Grade B: overall weight</li> <li>- Grade B: short-term exposures weight</li> <li>- Grade C: overall weight</li> <li>- Grade C: short-term exposures weight</li> </ul>   | <p>40%</p> <p>20%</p> <p>75%</p> <p>50%</p> <p>150%</p> <p>150%</p>   |
| <p>Exposure of Group 2 financial institutions to financial institutions.</p> <ul style="list-style-type: none"> <li>- Short-term exposures.</li> <li>- Other.</li> </ul>  | <p>20%</p> <p>100%</p>  |
| <p>Exposures to companies.</p> <ul style="list-style-type: none"> <li>- “Investment grade” companies.</li> <li>- MSMEs that do not meet the criteria set out in paragraph 2.8.3.</li> <li>- Targeted financing aimed at supporting large infrastructure projects. Preoperative stage.</li> <li>- Other.</li> </ul>  | <p>65%</p> <p>85%</p> <p>130%</p> <p>100%</p>                         |
| <p>Retail exposures.</p> <ul style="list-style-type: none"> <li>- Transactional regulatory retail exposures.</li> <li>- Non-transactional regulatory retail exposures.</li> <li>- Non-regulatory retail exposures.</li> </ul>   | <p>45%</p> <p>75%</p> <p>100%</p>                                     |
| Exposures secured by reciprocal guarantee companies or public guarantee funds duly registered with the BCRA.  | 50%   |
| Exposures secured by mortgage loans.  |   |
| <p>Exposures secured by regulatory mortgage loans on residential property.</p> <ul style="list-style-type: none"> <li>- Credit assistance not exceeding 55% of the real property’s price.</li> <li>- The counterparty risk weight will be applied on the amount exceeding 55% of the property’s price.</li> </ul>   | <p>20%</p> <p>*</p>   |

| Heading   | Interest                         |
|---|----------------------------------|
| <p>Exposures secured by regulatory mortgage loans on commercial property.</p> <ul style="list-style-type: none"> <li>- Either a 60% risk weight or the counterparty risk weight, whichever is lower, will be applied on amounts up to 55% of the property's price.</li> <li>- The counterparty risk weight will be applied on amounts exceeding 55% of the property's price.</li> </ul>   | *                                |
| Exposures secured by non-regulatory mortgage loans.   | 150%                             |
| Exposures at default.   |                                  |
| - Exposures secured by regulatory mortgage loans on residential property.   | 100%                             |
| <p>- Exposures or tranches not covered by credit risk hedging under Section 5, and not addressed in the previous paragraph.</p> <ul style="list-style-type: none"> <li>i) With specific provisions of less than 20% of the outstanding balance.</li> <li>ii) With specific provisions equal to or greater than 20% and less than 50% of the outstanding balance.</li> <li>iii) With specific provisions equal to or greater than 50% of the outstanding balance.</li> </ul> | 150%<br>100%<br>50%              |
| - A part of the exposures that include credit risk coverage. The provisions set forth in Section 5 must be considered. (Credit risk coverage.)  |                                  |
| Exposures to instruments.   |                                  |
| <ul style="list-style-type: none"> <li>- Exposures of Group 1 financial institutions to instruments. <ul style="list-style-type: none"> <li>i) Subordinated debt and equity instruments not eligible to be treated as shares.</li> <li>ii) Shares.</li> </ul> </li> <li>- Exposures of Group 2 financial institutions to instruments. <ul style="list-style-type: none"> <li>i) Subordinated debt.</li> <li>ii) Equity interest.</li> </ul> </li> </ul>                     | 150%<br>250%<br><br>150%<br>250% |
| Non-failed spot transactions pending settlement.  | 0%                               |
| Securitization positions, failed DvP transactions, non-DvP transactions, central counterparty (CCP) exposures, and derivative transactions excluded from these exposures.   | **                               |
| Exposures to natural and legal persons arising from purchases on credit cards in installments made until November 25, 2021 of travel tickets abroad and other tourist services abroad (such as accommodation, car rental) whether booked directly with the service provider or through a travel and/or tourism agency or online platform.   | 1250%                            |
| Other assets and/or off-balance sheet items.  | 100%                             |

\* The counterparty weight would be that assigned to an exposure not secured by a mortgage loan. For this purpose, a risk weight of 75% will be applied for exposures to natural persons, 85% for exposures to MSMEs, and the risk weights specified in Section 2.12 for the remaining exposures.

\*\* Subject to special treatment.

For the purpose of calculating capital requirements, collateral, personal guarantees, and credit derivatives that meet certain requirements are admitted.

Transferred credits are included in risk-weighted assets when the transferor institution retains some type of exposure. Exposures to securitization (or re-securitization), whether traditional or synthetic, or to a structure with similar characteristics are referred to as “securitization exposures”. Exposure to securitization risks may be triggered by the following reasons: holding of securities issued under the securitization – i.e., debt securities and/or certificates of participation, such as asset-backed securities (ABSs) and mortgage-backed securities (MBSs), credit enhancements, liquidity facilities, interest rate or currency swaps and credit derivatives, among others.

Off-balance sheet items (including loan commitments and credit lines to foreign correspondent banks, posted collateral, contract of guarantees for deferred payment checks, documentary credits and acceptances, rediscounted negotiable instruments in other financial institutions, and other credit arrangements) must be converted into credit exposure equivalents through the use of credit conversion factors (CCF). The higher the chance of funding an off-balance sheet transaction, the higher the conversion factor will be. The credit equivalent amount is then assigned a risk weight based on counterparty risk.

## **B. Counterparty Credit Risk**

### **B.1. Capital Requirement for Counterparty Credit Risk Exposure to Failed Delivery-versus-Payment (DVP) and Non-DvP Transactions.**

In failed DvP and non-DvP transactions, counterparty credit risk counts from trade date, irrespective of the date of booking or accounting. Financial Institutions shall develop, implement, and improve systems for tracking and monitoring counterparty credit risk exposure, and produce information that may facilitate timely action.

#### **B.1.1. Failed DvP Transactions**

Where the corresponding receivable has not been conveyed within five business days after the settlement date, the capital requirement shall be calculated by multiplying the transaction’s positive current exposure as of the end of the month by the appropriate factor, as shown in the table below:

| Business Days after the Agreed Settlement Date | Applicable Capital Requirement |
|--|--------------------------------|
| 5 to 15  | 8%                             |
| 16 to 30                                       | 50%                            |
| 31 to 45                                       | 75%                            |
| 46 or more                                     | 100%                           |

### B.1.2. Non-DvP Transactions.

The financial institution that has made the payment/delivery shall treat as a loan any risk exposure arising from the counterparty's failure to comply with its obligations by the end of the day, applying the relevant weights.

If receivables have not been collected within five business days after the date agreed, the financial institution that has made the payment/delivery shall apply a 1250% risk weight to the full amount of the value transferred plus a replacement cost, if applicable. This treatment shall apply as long as these transactions entail credit exposure.

### B.2. Capital Requirement for Counterparty Credit Risk in Derivatives and Deferred Settlement Transactions.

The counterparty to a deferred settlement transaction agrees to deliver a security, commodity or foreign currency in exchange for cash, other financial assets or commodities, or vice versa, on a settlement or delivery date that exceeds the usual market maturity term for that type of instrument, and 5 business days from the date of the transaction, whichever is shorter.

The exposure at default (EAD) for counterparty credit risk shall be calculated separately for each netting set (NS) and shall be determined as follows:

$$EAD = \alpha * (RC + PFE)$$

Where:

$\alpha = 1.40$ .

RC: replacement cost calculated pursuant to paragraph 4.2.1.1.

PFE: potential future exposure calculated pursuant to paragraph 4.2.1.2.

The RC and the PFE shall be calculated differently for margined and unmargined netting sets:

- Unmargined transactions: the RC represents the loss that would occur if a counterparty were to default and were closed out of its transactions immediately, the PFE add-on represents a potential conservative increase in exposure over a one-year time horizon from the calculation date.
- Margined transactions: the RC represents the loss that would occur if a counterparty were to default – at the present or at a future time – and the closeout and replacement of transactions occurs instantaneously. Given that there may be a period – the margin period of risk (MPOR) – between the last exchange of collateral before default and replacement, the PFE add-on represents the potential change in value of transactions

during the period.

In both cases, for the purposes of determining the replacement cost, the haircut applicable to noncash collateral shall represent the potential change in the value of the collateral during the appropriate time period – one year, for unmargined transactions; and the margin period of risk, for margined transactions.

### B.3. Capital Requirement for Central Counterparty Credit Risk Exposure.

It includes financial institutions' exposures to central counterparties (CCPs) originating from OTC derivatives or those traded in securities markets and securities financing transactions (SFT), and deferred settlement transactions. This category excludes exposures arising from cash transactions and those involving securities, gold or foreign currency, their capital requirement being calculated pursuant to the provisions set forth in B.1.

## C. Market Risk

Market risk is defined as the possibility of experiencing losses from on- and off-balance sheet securities and derivatives positions due to adverse fluctuations in market prices. The minimum capital requirement applies to risks arising from either instrument positions – securities and derivatives – recorded on the trading portfolio or foreign currency positions recorded on the investment or trading portfolios.

The minimum capital requirement stands for the addition of four risks:

$$\text{Market Risk (MR)} = \text{IRR} + \text{ER} + \text{FXR} + \text{CR} + \text{OR}$$

where:

IRR: Interest Rate Risk

ER: Equity Risk

FXR: Foreign Exchange Risk

CR: Commodity Risk

OR: Option Price Risk

The method that shall be used to calculate the capital requirement is the Standardized Approach, expressed as the sum of the components that separately capture the specific risk and the general market risk of securities positions. In the case of the capital requirement for option price risk, both the simplified method and the delta-plus method can be used.

Even though daily compliance is mandatory, information shall be submitted to the BCRA on a monthly basis.

## D. Operational Risk

Operational risk is defined as the risk of suffering losses due to inadequacy or failures of processes, human resources, and internal systems, or as a result of external events.

For the purpose of calculating minimum capital requirements for operational risk, financial institutions are classified into Group 1 and Group 2.

The capital requirement for operational risk for Group 1 institutions is calculated on a monthly basis as follows:

$$ORC = BIC \times ILM$$

Where:

ORC: Operational Risk Capital Requirement.

BIC: a component of the business indicator, which is the product of the business indicator (BI) multiplied by a series of marginal coefficients ( $\alpha_i$ ).

ILM: internal loss multiplier equals 1.

The capital requirement for Group 2 institutions' operational risk is calculated on a monthly basis as follows:

$$ORC = \frac{\sum_{t=1}^n \alpha \times GI_t}{n}$$

where:

$ORC$ : Operational Risk Capital Requirement

$\alpha$ : 15%

$n$ : number of 12-month successive periods with positive Gross Income (GI) based on the last 36 months preceding the month of calculation. The maximum value of  $n$  is 3.

$GI_t$ : gross income from 12-month successive periods – provided that it is a positive figure – based on the last 36 months preceding the month of calculation, expressed in the constant currency of the month prior to the month in which the calculation is made. GI is defined as the sum of:

- (a) financial and service income net of financial and service expenses;
- (b) sundry gains net of sundry losses; and
- (c) total monetary income (loss).

These items exclude charges for provisions; income (loss) from interest in financial institutions and other companies; and income (loss) from the sale of securities reported at cost plus the return on the investment.

## Regulatory Capital (RC)<sup>2</sup>

The regulatory capital of financial institutions is calculated as follows:

$$RC = T1 + T2$$

where:

RC: Regulatory Capital

T1: Tier 1 Capital

$$T1 = CET1 - dCET1 + AT1 - dAT1$$

where:

CET1: Common Equity Tier 1

dCET1: Deductions from Common Equity Tier 1

AT1: Additional Tier 1 Capital

dAT1: Deductions from Additional Tier 1 Capital

T2: Tier 2 Capital

Common Equity Tier 1 includes equity (preferred shares excluded), non-capitalized contributions (share premiums excluded) and net worth adjustments, retained earnings (the special reserve for debt instruments excluded), unappropriated retained earnings, other income (loss) (100% of income (loss) recorded up to the last quarterly Statement of Financial Position with an auditor's report; 100% of income (loss) for the current fiscal year as of the closing of the last quarterly Statement of Financial Position with an auditor's report; 50% of income or 100% of losses as from the last quarterly or annual Statement of Financial Position with an auditor's report; 100% of losses informed by the auditor but not recorded in the Statement of Financial Position), other comprehensive income (loss) ((i) 100% of income (loss) recorded using the following entries: revaluation of property, plant and equipment, intangible assets, and profits or losses from

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<sup>2</sup> Locally referred to as "Responsabilidad Patrimonial Computable (RPC)"

financial instruments measured at fair value with changes in other comprehensive income (loss); and (ii) 100% of the debit balance of each of the items recorded under other comprehensive income (loss) not mentioned in section (i)), share premiums resulting from instruments included in CET1 and, in the event of consolidation, common equity shares issued by subsidiaries and held by third parties.

Additional Tier 1 Capital includes instruments issued by the financial institution which are not included in Common Equity Tier 1 and meet certain requirements (for instance, they shall be subscribed and paid in full, subordinated to depositors, unsecured creditors, and subordinated debt of the financial institution; they shall not be secured or covered by a guarantee of the issuer or related entity; the financial institution may redeem them after a minimum of five years has elapsed since their issue under certain conditions, among other requirements), share premiums resulting from instruments included in Additional Tier 1 Capital and, in the event of consolidation, equivalent instruments issued by subsidiaries and held by third parties.

Tier 2 Capital comprises subordinated instruments issued by the financial institution with a minimum maturity of 5 years other than Tier 1 Capital, share premiums resulting from these instruments and loan loss provisions on loan portfolios classified as “performing” and on loans with preferred “A” collateral up to 1.25% of credit-risk weighted assets. In the event of consolidation, it also includes equivalent instruments issued by subsidiaries and held by third parties.

Some of the items to be deducted from Common Equity Tier 1 are as follows: the positive difference between the amount calculated under the regulatory provision – as set out in the regulations on “Minimum Loan Loss Provisions” or as reported in the balance sheet for November 30, 2019 (whichever is greater), – and that under the accounting provision – as set out in paragraph 5.5. “Impairment” of IFRS 9; credit balances resulting from the minimum notional income tax in excess of 10% of the previous month’s Tier 1 Capital and credit balances resulting from deferred tax assets; credit balances in certain correspondent accounts; negotiable instruments which are not physically deposited with the institution – except when their registration or custody is under the responsibility of custodians authorized by the BCRA; certain instruments issued by foreign countries; debt instruments which are subordinated to any other liabilities issued by other financial institutions; shareholders’ debt; unregistered real estate; intangible assets net of accumulated amortization (goodwill included); gain on sale of securitization transactions and, on a solo basis, investments in the capital of institutions subject to consolidated supervision; interest in companies whose corporate purpose is to provide financial aid through finance leases of capital goods – durable goods and real property – acquired by means of leasing or factoring; the temporary acquisition of shares in companies to facilitate their development in order to subsequently sell such holdings; the issuance of credit cards, debit cards and the like; and/or the granting of loans.

Investments in instruments eligible as regulatory capital of financial institutions and of companies rendering supplementary services to financial activities – which are outside the scope of consolidated supervision – and of insurance companies are deducted from the level of

capital they belong to, when:

- the institution owns up to 10% of issuers' common capital stock, and these holdings, in aggregate, exceed 10% of the financial institution's CET1. In this case, the amount in excess is deducted.
- the institution owns more than 10% of the issuer's common capital stock or when the issuer is a subsidiary of the financial institution.

Moreover, the following floors must be met:

CET1: 4.5% of RWAs.

T1: 6% of RWAs.

RC: 8% of RWAs.

Risk Weighted Assets (RWAs) are calculated as follows:

$$RWA = {}_cRWA + [(MR+OR) \times 12.5]$$

where:

RWA: risk weighted assets.

$_cRWA$ : credit risk weighted assets, calculated pursuant to paragraph 3.1.

MR: market risk requirement, calculated pursuant to Section 6.

OR: operational risk requirement, calculated pursuant to Section 7.

Notwithstanding the compliance with minimum capital requirements on a solo basis, the controlling financial institutions (including their branches in Argentina and abroad) that are subject to consolidated supervision shall be required to satisfy these requirements monthly and, additionally and independently, on a quarterly consolidated basis.

In accordance with the regulations on "Authorities of Financial Institutions", Group A financial institutions – whose parent company is a "holding company" (not a financial institution) – shall comply with minimum capital requirements on quarterly consolidated basis. This applies to the holding company and all subsidiaries of that "holding company" or of the financial institution as under the provisions set out in 5.2.2. of the regulations on "Consolidated Supervision".

## Credit Management

Financial institutions must keep a file for each debtor in their portfolios, which shall contain identification data and any necessary information that may help to properly assess their net worth, cash flows, and the profitability of the business or the project to be financed.

Under the regulation on Debtor Classification, the repayment capacity of a debtor with preferred "A" collateral requires no assessment. Therefore, the requirement to keep the debtor's file updated with cash flows and statements of financial position, among any other information, is not mandatory.

Nevertheless, financial institutions are only required to include identifiable data about the customer when:

- i) low amount loans are granted to natural persons other than those related to the financial institution for up to an amount equal to 8 times the minimum wage (\*) per customer.
- ii) loans are granted to natural and legal persons other than those related to the financial institution. In the case of natural persons, the installment-to-income ratio shall not exceed 50%; while in the case of MSMEs and legal persons, principal amounts owed shall in no case exceed, as a whole, the maximum value determined for total annual sales (within the "micro" category in the "business" sector) by the enforcement authority set out in Law 24,467 (\*\*) based on specific assessment methods, such as screening or credit scoring.

There are also especial conditions for granting and monitoring:

- i) loans to micro-entrepreneurs (includes financing to low-income natural persons who are expected to meet productive activity or commercial and service needs; and loans intended to refurbish family dwellings) for up to an amount equal to 50 times the minimum wage (\*).
- ii) loans to duly-approved microfinance institutions, which are required to prepare statements of financial position in accordance with applicable regulations.

(\*) Established by the Argentine Council for Employment, Productivity and Minimum Wage (*Consejo Nacional del Empleo, la Productividad y el Salario Mínimo, Vital y Móvil*) for monthly paid employees with statutory normal working hours (ARS 313,400.00).  
(\*\*) ARS 1,371,080,000.

Those loans (except for inter-bank transactions) that exceed 2.5% of the lending financial institution's RC must be approved by the institution's Board or comparable authority under the recommendation of the senior management.

## Large Exposures to Credit Risk and Credit Limits

Regulations are intended to limit credit risk in terms of the financial institution's tier 1 capital (CET1) or the borrower's capital.

### A. Regulations on Borrower's Capital Requirements – Credit Limits

The basic margin requirement is 100% of the customer's equity. There is an additional margin of 200%, and 300% in the case of Reciprocal Guarantee Companies and Public Guarantee Funds registered with the BCRA, as long as it does not exceed 2.5% and 10%, respectively, of the financial institution's RC, and the loan is approved by the Board or comparable authority.

Equity interest in companies providing no supplementary services to financial activities cannot exceed 12.5% of their capital stock or 12.5% of voting rights. There are no limits on equity interest in companies that provide supplementary services (administration of mutual investment funds and financial trusts, negotiation agents, settlement and clearing agents, dealers and/or brokers, exploitation and administration of ATM networks, issuance of credit cards, debit cards and the like, and/or the granting of loans, management of savings pools, financial aid through leases of capital goods – durable goods and real property – acquired by means of leasing or factoring, utility bill collection management, payroll services, and other activities expressly permitted by the BCRA).

### B. Regulations on Financial Institution's Tier 1 Capital

#### B.1. Limits on Lines of Credit

Maximum individual limits for non-related customers, as a percentage of the financial institution's tier 1 capital (CET1), are as follows:

#### Funding the Non-Financial Private Sector in Argentina and the Non-Financial Sector Abroad

| Loans  | Maximum Limit |
|--|---------------|
| i) To each borrower  |               |
| a) Unsecured loans   | 15%           |
| b) Total loans (secured or unsecured) and/or collateral included in loans secured by third parties | 25%           |
| ii) To each Reciprocal Guarantee Company (even related parties) or public guarantee fund           | 25% (*)       |

(\*) This limit is increased by 50% in the case of Group "B" and "C" financial institutions, provided that it does not exceed the basic margin set forth in the regulations on "Credit Limits".

## Funding the Financial Sector in Argentina

| Loans   | Lender          | Borrower        |              |
|---|-----------------|-----------------|--------------|
|   |                 | Rated 1, 2 or 3 | Rated 4 or 5 |
| Loans granted by lending institutions other than wholesale commercial banks | Rated 1, 2 or 3 | 25% *           | 25%          |
|   | Rated 4 or 5    | 25%             | 0%           |
| Loans granted by lending institutions that are wholesale commercial banks   | Rated 1, 2 or 3 | 100%            |              |
|   | Rated 4 or 5    | 100%            | 0%           |

\* This limit can be increased by 25% in both tranches (with collateral and without collateral) under certain requirements.

## Funding the Financial Sector Abroad

| Loans to each bank abroad      | Maximum Limit |
|--------------------------------|---------------|
| i) Investment grade banks      | 25%           |
| ii) Non-investment grade banks | 5%            |

The margin for counterparty credit risk exposure in derivative contracts is determined on the basis of risk-sensitive measures and the specific features of each transaction (type of contract, mark to market frequency, asset volatility). Transactions to be included are forward contracts, stock futures contracts, sovereign bonds futures contracts, and BCRA debt instruments for which volatility has been published, purchase and sale options on such assets, and swaps.

### B.2. Risk Concentration

An institution's risk concentration involves (related or non-related) counterparty exposures representing 10% or more of its tier 1 capital, which shall not exceed:

- 3 times its tier 1 capital, excluding exposures to local financial institutions,
- 5 times its tier 1 capital for all exposures, and
- 10 times the tier 1 capital of wholesale commercial banks when risk concentration includes transactions with other financial institutions.

### B.3. Group of Connected Counterparties

Two or more natural or legal persons and/or entities shall be deemed as a group of connected counterparties if, at least, one of the following criteria is satisfied:

- Control relationship: one of the counterparties has control, either directly or indirectly, over the others.
- Economic interdependence: if one of the counterparties experiences financial problems – in particular, such counterparty is not able to obtain funding or to make repayments, – the others are also likely to encounter funding or repayment problems.

For the purposes of applicable limits, any group of connected counterparties shall be treated as a single counterparty.

### **C. Related Customer Transactions**

The regulation imposes limits on any risk exposure for lending to natural or legal persons related to a financial institution.

1. The concept of “relatedness” is based on the decision-making power of the institution, as measured by equity interest, number of Board members in common or participation in governance bodies.
2. Control over an institution is considered to exist when:
  - a. a natural or legal person owns, either directly or indirectly, 25% or more of total voting stock;
  - b. a natural or legal person owns, either directly or indirectly, 50% or more of the voting stock in shareholders’ meetings where Board members or similar positions are elected;
  - c. a natural or legal person has decision-making powers – even holding less than 25% of voting rights – over other institutions that can, in turn, influence the decision-making process of the institution in question;
  - d. the BCRA, through the SEFyC, so determines.
3. Lending limits for related customers are determined in terms of the financial institution’s RC and CAMELBIG rating, as follows:
  - a. Institutions with CAMELBIG rating 1 to 3:
    - 1) Loans granted to related customers from the non-financial private sector:
      - a) Loans with and without eligible collateral: 10% of the RC
      - b) Loans without eligible collateral: 5% of the RC

Economic sectors or groups are regarded as a single customer for the sake of setting limits.

- 2) In the case of financial institutions or companies rendering supplementary services to the financial industry, limit setting depends on the rating of the lending institution and the borrower, and whether the former is subject to consolidation.
- 3) Foreign investment grade bank: 10% of the RC.

b. Institutions with CAMELBIG rating 4 or 5:

They are not allowed to channel loans to related customers, except for subsidiaries and companies subject to consolidation that render supplementary services. In such case, 5% and 10% limits on the RC apply. Neither shall they grant loans to their directors and managers to meet personal and family needs for amounts over 30 times the minimum wage (\*).

4. All related customers, except for financial institutions or companies rendering supplementary services and subject to consolidation: 20% of the RC.
5. Lending financial institutions from the public sector rated 1 to 3 by the SEFyC may grant financial aid to their related customers up to the daily stock of debt recorded a year prior to the date on which they become related customers or 50 times the minimum wage (\*), whichever is higher. In the case of the daily stock of debt, it shall be adjusted by the Reference Stabilization Coefficient as from the date on which the related customer takes office up to the date of signing each financial aid agreement.

(\*) Established by the Argentine Council for Employment, Productivity and Minimum Wage (*Consejo Nacional del Empleo, la Productividad y el Salario Mínimo, Vital y Móvil*) for monthly paid employees with statutory normal working hours (ARS 313,400.00).

Financial institutions shall monthly post on their websites the total amount of financial aid they have granted – irrespective of their type – to all related persons and to all natural and legal persons indirectly related to them, as well as the share in their tier 1 capital.

## Lending to the Non-Financial Public Sector

The maximum financial aid granted by a financial institution to its customers from the non-financial public sector shall be calculated on its RC or, where appropriate, on the RC of its controlling institution as recorded on the last day of the month/quarter prior to the date of the aid.

| Loans   | Maximum limit (*) |
|---|-------------------|
| a) To the national public sector                                  | 50%               |
| b) To each provincial jurisdiction or to the City of Buenos Aires | 25%               |
| c) To each municipal jurisdiction                                 | 3%                |

(\*) It shall be increased by 15 percentage points when financial aid is granted to trusts or fiduciary funds, provided that they comply with certain requirements to finance the public sector or to take public debt instruments.

Globally, lending to the public sector cannot exceed 75% of the institution’s RC. The unused portion of this global basic limit may be reallocated to the national and/or provincial non-financial public sector (including the City of Buenos Aires). In particular, lending to the latter shall not exceed the 25% global basic limit. As from July 2007, monthly financial aid to the public sector cannot exceed 35% of the institution’s assets.

## Debtor Classification and Collateral

### A. Debtor Classification

Regulations establish guidelines for financial institutions to classify debtors depending on their credit quality and compliance with their commitments, according to the rating assigned by the financial institution and by other parties that also have to comply with these regulations.

1. The guidelines vary depending on whether loans are for commercial, consumer or housing purposes. Financial institutions can group commercial loans not exceeding two times the benchmark with consumption or housing loans (\*). If that is the case, they shall be treated like consumption or housing loans.
2. Customers are classified according to their debts in one of the six categories or cases set forth in the regulation. They are listed below in decreasing order of credit quality:

| Commercial Portfolio               | Consumption or Housing Portfolio | Period of Time in Arrears |
|------------------------------------|----------------------------------|---------------------------|
| 1. Performing (*)                  | up to 31 days                    |                           |
| 2. Special follow-up required (**) | 2. Low risk                      | up to 90 days             |
| 3. Non-performing                  | 3. Moderate risk                 | up to 180 days            |
| 4. High insolvency risk (***)      | 4. High risk                     | up to 1 year              |
| 5. Bad debt (****)                 |                                  | more than 1 year          |

(\*) In the case of consumption or housing portfolios, current account overdrafts are classified as performing when they are reimbursed within 61 days from the date of their granting.

(\*\*) In the case of commercial portfolios, this category is divided into: a) under observation: delinquent debtors (up to 90 days past due) facing problems which, if not timely corrected, could compromise their repayment capacity, and b) delinquent debtors subject to a negotiation process or with refinancing arrangements, including those willing to refinance their debts no later than 60 days after due date.

For one time only, those debtors who have agreed to refinancing for the first time within the calendar year, and have paid the first installment of such refinancing may be classified in the “special treatment” category (2.c. for the commercial portfolio, and 2.b. for the consumption or housing portfolio).

(\*\*\*) This category includes delinquent debtors that have filed for insolvency proceedings or out-of-court reorganization agreements, or else are undergoing court processes. In the case of consumption portfolios, delinquent debtors that have filed for insolvency proceedings or out-of-court reorganization agreements are allowed to be in arrears for up to 540 days.

(\*\*\*\*) This category includes delinquent customers in arrears for more than 180 days where creditors are, namely: institutions that have been wound up or have had their licenses revoked by the BCRA; residual institutions from privatized banks; or trusts where SEDESA is the beneficiary.

3. The basic assessment criterion relies on debtors’ capacity to repay debts or commitments guaranteed by financial institutions. In the case of the commercial portfolio, the

assessment is made on the basis of the debtor's repayment capacity and cash flows; while the consumption and housing portfolios are assessed based on the debtor's legal status or payments. Indicators used for assessing commercial loans include liquidity, financing structure, debt payment, management and administration quality, IT systems, perspective of the customer's business activities, positioning within the sector, legal status, and debt refinancing or debt reduction. The assessment criterion for consumer and housing portfolios is purely objective – the debtor's payments and legal status.

4. When loans are fully guaranteed by preferred class A collateral, the assessment of the repayment capacity is not required.
5. Minimum classification frequency. As a general rule, classification shall be made on an annual basis. However, it should also be made in the following cases:
  - During the course of each quarter for customers whose debts are equal to 5% or more of the institution's RC.
  - During the course of each half-year term in the case of customers whose debts range from 1% (or the equivalent to the benchmark amount (\*), whichever is lower) to less than 5% of the institution's RC.

Moreover, the institution shall reassess a debtor's case when any of the following circumstances take place:

- a) Where debtors whose debts in another institution amount to 10% or more of the total reported to the Financial System's Central Credit Database, thus lowering their classification on such database;
- b) Where there are changes to any of the objective classification criteria (debt in arrears or legal status);
- c) Where there are more than one-level discrepancies between the classification used by the financial institution and at least two other institutions, provided that certain requirements have been met.

(\*) The maximum value determined for total annual sales (within the "micro" category in the "business" sector) by the enforcement authority set out in Law 24,467 (as amended) amounts to ARS 1,371,080,000.

Portfolios shall be promptly reassessed where customers' debts total 1% or more of the financial institution's RC or the equivalent amount determined by the enforcement authority, whichever is lower.

Only a one-level discrepancy is allowed in relation to the information submitted by financial institutions to the Financial System's Central Credit Database. If there is a major difference between the classification assigned by the financial institution and the lowest one awarded by, at least, two other institutions whose total credits account for 40% or more of the total informed, the financial institution shall be required to reclassify the debtor in, at least, the category immediately above that showing the highest level of indebtedness to the other institutions.

## B. Collateral

Collateral received by financial institutions to secure their credits are divided into two types:

- i. **“A” Preferred Collateral:** They consist of bonds or securities which are assigned or pledged by solvent third parties or traded in the secondary market to secure full repayment; and also cash; gold; the institution’s own CDs; automatic export reimbursements; certain securities (national sovereign bonds or BCRA’s monetary policy instruments, or financial institutions’ own CDs of national sovereign bonds or BCRA’s monetary policy instruments, and securities issued by listing companies that are rated “A” or higher); guarantees and letters of credit issued by foreign banks or multilateral development banks rated “A” or higher; certain warrants; the assignment of certain collection rights such as those derived from public utility bills for consumers (electricity, gas, telephone, water, etc.); credit card receipts; fees and charges for public works contracts; discount on negotiable instruments (deferred payment checks, promissory notes, bills of exchange, and credit invoices) where liability is imposed on the assignor, as long as certain conditions regarding risk diversification and credit quality of the issuer are met; guarantees granted by mutual guarantee companies registered with the BCRA registry, provided that any outstanding debt is effectively paid back within 30 calendar days after its due date; certain types of commercial credit insurance (for local purposes) and export credit insurance, when the policy stipulates that outstanding debts can be effectively paid within 180 calendar days of their due date; and the guarantees delivered by the national, provincial and/or municipal governments or the government of the City of Buenos Aires to producers falling under the provisions of the Agricultural Emergency Law until December 31, 2017, and to the extent that they involve the assignment of rights over their resources arising from federal and/or provincial co-participation in terms of taxes, royalties and/or similar funds and/or the collection of their own taxes.
- ii. **“B” Preferred Collateral:** They consist of real rights on third parties’ assets and liabilities, such as first mortgages or surface rights; fixed pledge (whether first registered or non-possessory security interest); registered floating pledge on motor vehicles and agricultural, road building and industrial machinery; cattle; other credit insurance; guarantees granted by mutual guarantee companies registered with the BCRA; financial leasing for real estate; motor vehicles and agricultural, road building and industrial machinery; certain guarantee trusts set up to secure the payment of loans granted for the construction of real estate; the pledge or assignment of rights to secure bills of sale on certain real estate, rights on real estate developments and functional units to be built or already under construction; as well as naval mortgage or first registered pledge on vessels or naval equipment.

## Minimum cash requirements

Requirements are determined on the basis of averaged daily stocks of sight and time deposits, and other financial institutions' liabilities (in pesos and foreign currency), government and private securities, and BCRA monetary policy instruments recorded at the end of each calendar day.

The following liabilities are excluded: payments to the BCRA, to local financial institutions, and to banks located abroad for foreign trade credit lines, and forward and unsettled spot purchases and sales; sight liabilities for transfers from abroad; liabilities to foreign correspondent banks; liabilities to stores for sales on credit, debit, prepaid or purchase cards, and liabilities for securities borrowing collateral in pesos.

Minimum cash requirements shall be calculated by applying the rates shown in the following chart to: i) institutions belonging to Group "A", and branches or subsidiaries of foreign banks rated as global systemically important banks (G-SIB) not included in that group; and ii) the remaining financial institutions.

Requirement coefficients vary depending on the residual term of liabilities (the time left until the transaction falls due):

| Transactions  | Pesos  |                        | Foreign Currency |
|---|--|------------------------|------------------|
|   | Group "A" Institutions and G-SIBs not Included in This Group | Remaining Institutions |                  |
| Current account deposits and sight deposit accounts in credit unions.   | 45%  | 20%                    | --               |
| Deposits in savings accounts, salary accounts, and special accounts, other deposits and eligible sight liabilities. | 45%  | 20%                    | 25%              |
| Unused balances of current account overdrafts.  | 45%  | 20%                    | --               |
| Non-bank financial institutions' current account deposits.  | 100%   | 100%                   | --               |

| Transactions   | Pesos  |                        | Foreign Currency |
|--|--|------------------------|------------------|
|  | Group "A" Institutions and G-SIBs not Included in This Group | Remaining Institutions |                  |
| Time deposits, "acceptance" liabilities, reverse repos and stock exchange reverse repos, regular deposit investments and other investments, debt securities (including corporate bonds), according to their residual term. |  |                        |                  |
| i. Up to 29 days   | 25%  | 11%                    | 23%              |
| ii. 30 to 59 days  | 14%  | 7%                     | 17%              |
| iii. 60 to 89 days   | 4%   | 2%                     | 11%              |
| iv. From 90 to 179 days  | 0%   | 0%                     | 5%               |
| v. From 180 to 365 days  | ---  | ---                    | 2%               |
| vi. More than 365 days   |  |                        | 0%               |
| Liabilities arising from foreign credit lines.<br>It does not include those liabilities recorded as time deposits made by residents abroad linked to the institution.  |  |                        | 0%               |
| i. Up to 29 days   |  |                        | 23%              |
| ii. 30 to 59 days  | --   | --                     | 17%              |
| iii. 60 to 89 days   |  |                        | 11%              |
| iv. From 90 to 179 days  |  |                        | 5%               |
| v. 180 or more   |  |                        | 2%               |
| vi. More than 365 days   |  |                        | 0%               |
| Court-ordered sight and time deposits, and their frozen balances.  |  |                        | 15%              |
| i. Up to 29 days   | 22%  | 10%                    |                  |
| ii. 30 to 59 days  | 14%  | 7%                     |                  |
| iii. 60 to 89 days   | 4%   | 2%                     |                  |
| iv. 90 days or more  | 0%   | 0%                     |                  |
| Time deposits and investments made on behalf of minors where funds are received for free.  | 0%   | 0%                     | 0%               |

| Transactions   | Pesos  |                        | Foreign Currency |
|--|--|------------------------|------------------|
|  | Group "A" Institutions and G-SIBs not Included in This Group | Remaining Institutions |                  |
| Sight deposits in pesos and time deposits and investments with an early withdrawal option from the date the option can be exercised, provided that they have been recorded as credit in money market mutual investment funds.                            | 20%  | 20%                    | 0%               |
| Time deposit investments in non-transferrable nominative certificates in pesos of public sector holders with right to early withdrawal within less than 30 days from the date of deposit.  | 25%  | 11%                    | --               |
| Time deposits and investments, including savings accounts and debt securities (including corporate bonds) expressed in units of purchasing power ( <i>Unidades de Valor Adquisitivo, UVAs</i> ) and housing units ( <i>Unidades de Vivienda, UVIs</i> ). |  |                        |                  |
| i. Up to 29 days   | 7%   | 7%                     | --               |
| ii. 30 to 59 days  | 5%   | 5%                     | --               |
| iii. 60 to 89 days   | 3%   | 3%                     | --               |
| iv. 90 days or more  | 0%   | 0%                     | --               |
| Construction Workers' Unemployment Fund expressed in UVAs.   | 7%   | 7%                     | --               |
| Deposits in pesos in the accounts of Payment Service Providers (PSPs) offering payment accounts in which the funds of their customers are deposited.   | 100%   | 100%                   |                  |
| Deposits in special accounts:  |  |                        |                  |
| -In pesos ("special accounts for holders involved in agricultural activities" and "special accounts for exporters").   | 0  | 0                      | 0                |
| -In US dollars ("special accounts for crediting exports financing").   | 0  | 0                      | 0                |

| Transactions                     | Pesos  |                        | Foreign Currency |
|----------------------------------|--|------------------------|------------------|
|                                  | Group "A" Institutions and G-SIBs not Included in This Group | Remaining Institutions |                  |
| Securities borrowing collateral: |  |                        |                  |
| - up to a 29-day residual term:  | 20%  | 20%                    |                  |
| - from a 30-day residual term:   | 15%  | 15%                    |                  |

In addition, institutions' minimum daily balance shall be equal to 25% of the prior month's requirement (50% is required in case of shortfall).

**Reduction of the average requirement in pesos:**

1. The requirement is reduced making allowances for the share of loans to MSMEs in pesos in total loans to the non-financial private sector in the same currency, according to the following table:

| Share of Loans to MSMEs in Total Loans to the Non-Financial Private Sector (%) | Deduction (from Total Items in Pesos) Expressed as a Percentage | Share of Loans to MSMEs in Total Loans to the Non-Financial Private Sector (%) | Deduction (from Total Items in Pesos) Expressed as a Percentage |
|--|---|--|---|
| Less than 4  | 0.00  | Between 18 and less than 20  | 1.38  |
| Between 4 and less than 6  | 0.50  | Between 20 and less than 22  | 1.50  |
| Between 6 and less than 8  | 0.63  | Between 22 and less than 24  | 1.63  |
| Between 8 and less than 10   | 0.75  | Between 24 and less than 26  | 1.75  |
| Between 10 and less than 12  | 0.88  | 26 or more   | 1.88  |
| Between 12 and less than 14  | 1.00  |  |   |
| Between 14 and less than 16  | 1.13  |  |   |
| Between 16 and less than 18  | 1.25  |  |   |

Loans to MSMEs include MSME Electronic Credit Invoices purchased by companies, as well as holdings of unit shares of mutual funds subject to the "Special Regime for the Creation of SME Mutual Funds".

2. The requirement shall be reduced by 50% of loans in pesos granted from October 1, 2020 to January 31, 2022; and by 40% of loans in pesos granted as from February 1, 2022 as under the "AHORA 12" program, either directly or through a credit card issuing non-financial company, at a maximum interest rate of 17%.

Financial institutions participating in the “*CUOTA SIMPLE*” program shall comply with the minimum cash requirement reduced by 30% of the loans in pesos they may grant until March 21, 2024, and by 15% of the loans in pesos granted until May 23, 2024.

Deductions shall not be higher than 8% of the average items in pesos subject to the requirement of the month preceding the date of calculation.

3. The BCRA reduced the minimum cash requirement in pesos in terms of cash withdrawals made through ATMs in municipalities belonging to categories III through VI, in line with the regulations on “Categories of Municipalities for Financial Institutions”.
4. In terms of the balances of loans subject to regulations that were disbursed until September 30, 2022:
  - The requirement of institutions belonging to Group “A”, and branches or subsidiaries of foreign banks rated as global systemically important banks (G-SIB) not included in Group “A” shall be reduced by 30% of all previously agreed loans in pesos to MSMEs (either directly or indirectly through other financial institutions) at a maximum fixed 40% annual nominal rate through February 16, 2020 (which may be calculated until paid up in full) and a fixed 35% annual nominal rate as from February 17, 2020.
  - The requirement shall be reduced by 40% of all previously agreed loans in pesos (either directly or indirectly through other institutions) at a maximum annual nominal interest rate of 24% for MSMEs that allocate at least 50% to their working capital.
  - The requirement shall be lowered by 60% of the sum of “zero interest rate credits”, “subsidized interest rate credits for companies” and “zero interest rate credits for culture” previously agreed in the health emergency context, and disbursed until November 5, 2020; and by 24% of the “subsidized interest rate credits for companies” disbursed as from November 6, 2020 at an annual nominal rate of 27%.
  - The requirement shall be lowered by 60% of the sum of “2021 zero interest rate credits” previously agreed under Executive Order 512/21.
5. The requirement shall be reduced by 40% of the loans set forth in paragraph 4.1. of the “Credit Line for Productive Investment for MSMEs” provided that they had been disbursed until March 31, 2024 and agreed at an annual nominal interest rate not exceeding the one set forth in paragraph 5.1.1. of that regulation, calculated as a monthly average of the daily stock of the previous month.
6. Financial institutions offering a Universal Free Account (*Cuenta Gratuita Universal*, CGU) remotely and in person shall comply with the minimum cash requirement reduced by 50% of the loans they may grant in pesos as from March 1, 2024 to natural persons and MSMEs not reported by financial institutions to the Financial System’s Central Credit Database as of June 2024.

Additional requirement: The institutions that fail to comply with the regulations on lending capacity in foreign currency are bound by an additional minimum cash requirement for the same amount and in the same currency.

**Increase of the requirement:**

**Compliance with minimum cash requirements:**

Payments shall be made in the same currency of the requirements through the following channels:

- financial institutions' current accounts in pesos opened at the BCRA;
- financial institutions' minimum cash requirement accounts opened at the BCRA in US dollars or in another foreign currency, subject to remuneration;
- special accounts for guaranteeing financial institutions' transactions involving electronic clearing houses, credit cards, ATMs, and instant fund transfers;
- non-banking financial institutions' current accounts;
- special current accounts opened at the BCRA for funds allocated by the Argentine Social Security Administration to make social security payments;
- Sub-Account 60 for Minimum Cash Requirements opened at the Center for Registration and Settlement of Public Debt Instruments, Monetary Policy Instruments, and Financial Trusts (*Central de Registro y Liquidación de Instrumentos de Deuda Pública, Regulación Monetaria y Fideicomisos Financieros, CRYL*) for marked-to-market sovereign bonds and BCRA monetary policy instruments;
- financial institutions may draw on certain national sovereign bonds in pesos, LELIQs in pesos, NOBACs in pesos, and LeFis in pesos to comply with these requirements, depending on the type of institution involved.

The requirement that has not been satisfied may be carried forward to the next period. This procedure may be repeated up to six times.

The failure to meet minimum cash requirements in pesos, foreign currency, securities and monetary policy instruments, and daily minimum cash requirements in pesos shall be charged with a penalty of 1.5 times the total Argentina's Wholesale Rate (Tasa Mayorista de Argentina, TAMAR) of banks, as published on the last business day of the period or, if no such rate exists, the latest one available.

(\*) "AHORA 12" program; Resolutions 671/2014 and 267/2014 issued by the ex-Ministry of Economy and Public Finance and by the ex-Ministry of Industry.

## BCRA's Financial Aid for Temporary Liquidity Strains

Overdrafts and rediscounts in pesos granted to financial institutions for addressing temporary liquidity strains – Section 17 (c) and (b) of BCRA's Charter – must comply with the following requirements:

The BCRA may grant these types of financial aids when the requesting institution has previously used the eligible assets with the highest order of priority for repo transactions with the BCRA as well as for the “liquidity window” and other alternatives in terms of financial aid policies in force.

Financial institutions shall be eligible to apply for aid where their liquidity ratio is less than 20% during 3 business days prior to the date of request. To determine the type of financial aid to be requested, institutions must comply with the following order of priority:

1. Overdraft secured by listed securities or other assets and/or securities.
2. Overdraft secured by first mortgages on the institution's own assets and/or rediscount corresponding to loans granted to performing debtors from the non-financial private sector.

These kinds of financial aid may be requested simultaneously. However, the aggregate indebtedness cannot be higher than the total equity of the institution corresponding to the last audited quarterly balance sheet. In addition, the maximum amount of the financial aid shall be the value determined as follows, whichever is lower:

1. the amount requested by the financial institution;
2. the amount of financial aid that raises the liquidity ratio to 30%; or
3. the decrease in funding sources – in pesos and in foreign currency – calculated on an aggregate basis, namely: deposits; time deposit investments; net interbank borrowing positions; foreign credit lines; corporate bonds, and liquid assets posted as collateral to secure foreign credit lines or reverse repos.

The amount of financial aid granted by the BCRA in the given period shall be deducted from the resulting decrease.

The liquidity ratio is the quotient of the following numbers:

- a) Numerator: liquid assets in pesos and in foreign currency (cash, current account at the BCRA and other eligible accounts for minimum cash requirements), holdings of BCRA monetary policy instruments; government securities and secured loans from the National Government; and interbank loans granted.
- b) Denominator: sight deposits (savings account, current accounts and other sight deposits, including any liability that has an early termination clause for the benefit of creditors) plus

time deposits and investments – except deposits in foreign currency –, interbank loans received, foreign credit lines and corporate bonds.

The financial aid has a term of 180 calendar days, renewable for equal terms, with interest payments every 30 calendar days.

## **Fixed Assets and Other Items**

Fixed assets shall not exceed 100% of a financial institution's RC. This limit may be increased by 50 percentage points if fixed assets are sovereign bonds customarily listed on the local stock exchange for significant amounts, and/or BCRA's monetary policy instruments held by financial institutions posted as guarantee in favor of the BCRA as required by regulations.

Fixed assets and other items involve:

- a) shares in local companies,
- b) sundry credits (including collateralized assets),
- c) assets for the institutions' own use,
- d) sundry assets,
- e) receivables on portfolios of any of the assets mentioned above arising from, for e.g., unit shares, debt securities, and certificates of participation, which shall be calculated in terms of the total asset portfolio,
- f) loans to related customers.

Assets pledged to secure (foreign currency and securities) reverse repos, futures, options and other derivative products transactions, among others, are exempted from calculation.

## **Foreign Currency Net Global Position**

Assets and liabilities from financial intermediation and securities in foreign currency are included in the net global position as well as forward transactions conducted on local self-regulated markets under master agreements, the payment system being cash settlement without delivery of the underlying asset. Deductible assets for RC calculation, eligible items recorded by financial institutions in their branches abroad, national sovereign bonds in pesos with dual currency yields, balances of "special accounts for holders involved in agricultural activities" and "special accounts for exporters", BCRA non-transferable bills in pesos payable at the benchmark exchange rate as stated in Communication A 3500 (LEDIV) at a zero-interest rate, and sovereign and corporate bonds in pesos adjusted by the exchange rate (not exceeding the net amount resulting from the aforementioned special deposit accounts and LEDIVs) are excluded.

The net negative global position in foreign currency shall be 30% of the RC, as a maximum.

In turn, the daily positive net global position in foreign currency shall not be over 5% of the RC. All changes in this position arising from securities transactions in foreign currency as established by the National Executive shall only be covered as provided for in Section 2 of the Regulations on "Credit Policy" or by Forwards in foreign currency to be settled in pesos.

In addition, the positive net global position has a cash sublimit which may not exceed the corresponding previous month's RC.

The excesses of these ratios shall be charged with a penalty of 1.5 times the total TAMAR of banks. The failure to pay the charges when due shall be subject to the rate established for excesses increased by 50%.

## **Use of Funds in Foreign Currency**

Lending capacity from foreign currency deposits must be used in the same currency that the deposit was made to cover among other things, the:

- a) Pre-financing and financing of exports to be made directly or through principals, consignees or other intermediaries acting on behalf of the owner of the merchandise, as well as transactions intended to finance direct export service providers.
- b) Financing to exporters with future income flow in foreign currency showing during the year prior to the granting of the loan that their billing in foreign currency is in reasonable keeping with the loan granted.
- c) Financing to manufacturers, processors or stockpilers of goods, provided that they have binding sale agreements with fixed or to-be-fixed prices, in foreign currency, of consumables quoted in foreign currency, according to customary practices in local or foreign markets, or their main activity is the manufacturing, processing and/or stockpiling of consumables quoted in foreign currency, according to customary practices in foreign markets. In addition, they shall show during the year prior to the granting of the financing that their total billing for such consumables is in reasonable keeping with their activity and the loan granted.
- d) Financing of investment projects, working capital and/or purchase of any kind of goods that increase, or are related to, the production of goods to be exported.
- e) Financing to manufacturers of goods for export, whether as final products or as part of other goods, by third party purchasers, provided that they have binding sale agreements and/or have obtained a guarantee or collateral in foreign currency for the whole lending from third party purchasers and/or binding sale agreements in foreign currency and/or for exportable goods.
- f) Financing to suppliers of goods and/or services rendered along the productive process of consumables quoted in foreign currency, according to customary practices in local or foreign markets, and such information is widely known and easily available to the public,

provided that they have binding sale agreements for such goods and/or services in foreign currency and/or for such consumables.

- g) Financing to customers of the commercial portfolio or the commercial portfolio treated as consumption portfolio for importing capital goods that help to increase consumables production for the local market.
- h) Debt securities or financial trust participation certificates in foreign currency whose underlying assets are the loans granted by financial institutions or instruments in foreign currency bought by the trustee for providing financing, as detailed above.
- i) Financing for purposes other than those set forth in 2.1.1. to 2.1.4. and the first paragraph of 2.1.6. included in the credit program mentioned in "IDB Loan 1192/OC-AR", without exceeding 10% of the institutions' lending capacity.
- j) Interbank loans.
- k) LEBACs and NOBACs in US dollars.
- l) Foreign direct investments made by Argentine resident companies involved in the production of non-financial goods and/or services, either through capital contributions and/or equity interest in companies that are incorporated in any of the countries or territories considered as cooperators for the purposes of fiscal transparency in accordance with the provisions set forth in Section 1 of Executive Order 589/13, as amended. Financing of investment projects, including working capital, that allow for increasing production in the energy sector, with binding sale agreements and/or guarantee or collateral in foreign currency.
- m) Debt instruments in foreign currency issued by the National Treasury for up to one third of all allocations made according to their intended use.
- n) Financing of investment projects aimed at cattle rearing, including working capital, up to 5% of the institution's deposits in foreign currency.
- o) Financing to foreign importers for the acquisition of goods and/or services produced in Argentina, either directly or through credit lines to foreign banks.
- p) Financing to Argentine residents secured by stand-by letters of credit issued by foreign banks or multilateral development banks in compliance with the provisions of paragraph 3.1. of the Regulations on "Credit Assessments". To this effect an international investment grade risk rating, insofar as the letters of credit are unrestricted and funds are immediately credited upon request to the beneficiary institution.

Financial institutions must check customers' sufficient repayment capacity, determined when considering at least two scenarios for a time period up to one year with considerable foreign exchange rate variations.

Lending capacity in excess of the abovementioned uses generates an additional foreign currency minimum cash requirement, that must be held in US dollars in cash, or deposited with the BCRA.

## Credit Policy. Loans to “Large Exporting Companies”

Large exporting companies are non-financial private sector customers that concurrently meet the following requirements:

- at least 75% of their sales in the previous 12 calendar months involve exports of goods and services. This amount excludes their aggregate sales to related customers other than distribution companies for trade in the local market – as set forth in the regulations on “Large Exposures to Credit Risk”, paragraph 1.2.2 –; and industrial exports included in international supplementary agreements to which Argentina is a party; and
- they have arranged financing in the ensemble of banks for more than ARS 30,000,000,000 – and/or its equivalent in foreign currency –; and/or repos; and/or securities borrowing collateral in pesos, irrespective of the amount involved over the past 90 calendar days.

Financial institutions may only agree upon and disburse new loans in pesos to clients who are “Large Exporting Companies” with prior approval from the BCRA.

## Dividend Distribution

Financial institutions may distribute dividends, on condition that: (i) they fall outside the scope of Sections 34 “Regularization and Stabilization” and 35 bis “Financial Restructure to Safeguard Loans and Bank Deposits” of the Law on Financial Institutions (*Ley de Entidades Financieras*, LEF; 21,526); (ii) they have requested from the BCRA no financial aid for liquidity strains; (iii) they are neither in arrears nor do they fail to comply with the BCRA’s reporting scheme; and (iv) they record no shortfall in minimum capital requirements or cash requirements.

Hence, financial institutions may distribute dividends subject to the BCRA’s authorization, up to the positive amount obtained after deducting the legal reserves and the items listed below from the retained earnings account:

1. 100% of the debit balance of each item recorded under “other comprehensive income (loss)”;
2. income (loss) arising from the revaluation of property, plant and equipment, intangible assets, and investment properties;
3. net positive amount arising from the difference between the amortized cost and the fair market value recorded by the financial institution with respect to public debt instruments and/or monetary policy instruments of the BCRA valued at amortized cost; adjustments to asset valuations notified by the SEFYC – whether or not accepted by the institution – and/or required by external auditing and, in both cases, pending accounting registration,

4. special asset valuation determined by the SEFyC on a case-by-case basis, including adjustments for failure to implement agreed adequacy plans.

Without prejudice to the foregoing paragraph, dividend distribution shall be denied, if:

- compliance with the minimum cash requirement is on average – in pesos, foreign currency, or sovereign bonds – less than the last requirement or the one projected, considering the effect of dividend distribution; and/or
- the financial institution has failed to comply with the applicable additional capital buffer required.

Until December 31, 2025, the financial institutions that have already been authorized by the BCRA to distribute dividends may do so in ten equal, monthly and consecutive installments (starting from June 30, 2025 and no earlier than the penultimate business day of the following months) for up to 60% of the amount allowed.

## **Guidelines on Corporate Governance in Financial Institutions**

Financial institutions must have a corporate governance code that outlines the responsibilities of the Board, Senior Management, and auditors – both internal and external –, as well as applicable standards on independence, committees, strategic objectives, organizational values and lines of responsibility, along with policies on internal control, economic incentives to personnel, risk management, transparency, and “know your organizational structure”. Guidelines and recommendations should be assessed in terms of the risk profile, and the importance and complexity of each institution, in agreement with current legislation and the institution’s specific nature.

The corporate governance code regulates the way the Board and Senior Management lead the institution’s activities and business, which influences, among other things, the way in which corporate objectives are set, daily operations are performed, risks are defined, responsibilities to shareholders are assumed, and third parties’ interests are considered. The code seeks to protect depositors’ interests, ensuring that the activities of the institution meet appropriate safety and solvency standards, and are done in line with current laws and regulations.

In this sense, most of the Board members of the Audit Committee should be independent – to ensure sound practice – and at least one of them should have extensive experience in accounting and financial matters. It is also a good practice for financial institutions to adopt a gender parity approach at supervisory level.

The policy of economic incentives to personnel is intended to align these practices with the creation of long-term value, thus avoiding excessive risk-taking. The Board is responsible for approving, overseeing, and reviewing the design and operation of the economic incentives’ mechanism for all personnel in accordance with current legislation. It is also considered to be

sound practice for the incentive payment schedule to be sensitive to the risks' time horizon. Any economic incentive falling beyond the legal provisions and/or conventions and/or contracts governing the relationships between financial institutions and their personnel must conform to certain guidelines (i.e., a substantial portion of incentives must vary depending on personnel's performance and risk, and be payable on a deferred basis). The amount to be deferred shall increase considerably based on the responsibility and hierarchy of the member of personnel concerned.

In case of termination of a labor relation, financial institutions are only required to pay a legal compensation as set forth by the legal system. Should a financial institution decide to pay higher amounts, such payment shall not be made in advance, and it shall depend on the creation of long-term value, prudent risk-taking practices, and performance.

Furthermore, financial institutions should ensure appropriate communication with the general public, using public sites (such as the Internet) for transparency. The purpose of the transparency policy for corporate governance is to make financial institutions provide relevant information so that any interested third party can assess the effectiveness of the Board and Senior Management administration. The disclosure of corporate governance aspects enables market participants and other interested parties to monitor the institution's soundness and solvency. The "know your organizational structure" policy establishes that the Board and Senior Management must be familiar with the operating structure of the institution and ensure the enforcement of policies and procedures intended to avoid, for example, activities channeled through corporate structures or jurisdictions that hinder transparency. These policies should provide for the disclosure of general information on financial aid granted to related persons as set forth in 5.1.3 of the regulations on "Large Exposures to Credit Risk".

Lastly, institutions must adopt strategies, policies, practices and risk management procedures in line with BCRA's Guidelines on Risk Management in Financial Institutions.

## **Guidelines on Risk Management in Financial Institutions**

Financial institutions shall have a comprehensive process for managing risks according to their size and economic importance, and the nature and complexity of their business, following the guidelines established by the BCRA.

The process for managing risks shall be adequate, well established, duly documented, and periodically reviewed based on the changes in the institution's risk profile and in the market. Financial institutions shall have an internal, integrated, and global process to assess the adequacy of their economic capital in terms of their risk profile (Internal Capital Adequacy Assessment Process, ICAAP), and a strategy for maintaining their capital levels over time. The economic capital of financial institutions is the capital they need to cover unexpected losses from credit, operational, and market risks, and any other risks that the financial institution may be exposed to. When reviewing compliance with the regulations of the BCRA, the SEFYC shall analyze

the economic capital adequacy internal assessment process. If after completing the analysis, the SEFyC considers that the results of the ICAAP are not satisfactory or that regulatory conditions and requirements are not met, it may adopt a wide range of actions, such as demanding capital levels above the minimum required amount.

The guidelines outline aspects related to the management of credit risk (and the specific aspects relative to counterparty credit risk, residual risk, and country risk), liquidity risk, market risk, interest rate risk in the banking book, operational risk, securitization risk, concentration risk, reputational risk, and strategic risk.

The Board shall be responsible for commissioning a suitable framework for risk management and that the Senior Management properly implements such framework and the strategy for managing significant risks.

Financial institutions shall regularly disclose information that enables market participants to assess the robustness of their management, including qualitative information for market participants to know the way different risks are managed.

Furthermore, stress testing, which comes to the fore supplementing all other management tools, aims: to provide a prospective risk assessment while allowing to overcome limitations arising from models and historical data; to improve internal and external communication; to promote capital and liquidity planning procedures while setting risk tolerance levels; and to streamline the development of risk mitigation and contingency plans across a range of potential stress scenarios. They shall be applied on a proportionate basis, depending on the size of the institutions, the nature and complexity of their business, their exposure to risk and systemic importance.

## **Deposit Insurance Scheme**

Law 24,485 created the Deposit Insurance Scheme, a system implemented for valuable consideration on a limited and compulsory basis in order to provide bank deposits with coverage in addition, and ancillary, to the preferences and coverage provided by the LEF, drawing on the resources of neither the BCRA nor the National Treasury. A private company, SEDESA, manages the Deposit Insurance Fund ("*Fondo de Garantía de los Depósitos*", FGD) to which the ensemble of banks is required to contribute. The FGD is made up of monthly contributions calculated on the basis of a fixed percentage – 0.015% – of deposits, and another variable percentage based on the risk that each institution entails.

This system is expected to mitigate moral hazard of both depositors (limited coverage) and institutions (through a risk-based premium). Deposit insurance covers up to ARS 25,000,000 per person (principal plus accrued interest). In the case of accounts and time deposits in the name of two or more persons, the limit remains unchanged, all holders being protected on a proportional basis. Coverage excludes deposits for which ownership has been transferred by

endorsement; sight deposits with interest rates higher than the benchmark rate; time deposits and investments exceeding by 1.3 times such rate or the benchmark rate plus 5% (whichever is higher); among others – except time deposits in pesos agreed at the minimum annual nominal rate published by this BCRA, and deposits made by persons related to the financial institution. To determine the variable contribution, the institution's risk is measured in terms of its portfolio quality, type of assets, the excess regulatory capital compliance/minimum capital requirement ratio, and the CAMELBIG rating.

## **Financial Consumer Protection**

The term “financial consumer” means final user, i.e., any natural and legal person that uses the services rendered by reporting parties (financial institutions, foreign exchange traders, credit and purchasing card issuers, trustees from trusts that are creditors of loans assigned by financial institutions, other non-financial credit providers – excluding mutual associations and cooperatives, and payment service providers offering payment accounts, as well as those fulfilling initiation functions and providing digital wallet services). Consumers have the right to:

- get their safety and security ensured and economic interest protected;
- receive accurate, sufficient, true, easily available and clear information about the services and/or products hired, including their terms and conditions, as well as copies of the instruments they may sign;
- choose; and receive equitable and fair treatment.

Reporting parties shall take any necessary measures to ensure that these rights be asserted and to resolve any claims filed by consumers. All inquiries or claims must be solved within ten (10) business days, except otherwise provided by regulation or where there are duly justified reasons beyond the control of the reporting parties. The BCRA supervises reporting parties' activities and may impose penalties on institutions for failing to fulfill consumer protection regulations.

Financial institutions must comply with the regulations on the protection of visually impaired consumers and adopt any measure against discrimination. Then, users under these provisions should receive priority attention, should have the option to receive documentation written in Braille and should access online banking and mobile banking under equal conditions.

Financial agreements shall be written in plain language and comply with minimum font size requirements for ease of reading. They must contain a “revocation clause” giving consumers the right to revoke any product or service within ten business days after the date of receipt of the agreement or availability of the product or service, whichever occurs last. Agreements may be either terminated or revoked online.

Reporting parties shall submit to consumers, before signing an agreement, a summary of the terms and scope of the main issues governing the products and/or services hired so that they may fully understand the nature of the hiring, as well as the associated costs and risks involved.

All fees and charges – excluding interest rates – shall stem from a real, direct and verifiable cost, and may only be claimed for the actual provision of services requested or authorized by a consumer. Charges for third-party services (mailing, insurance, notary public and ownership registry fees) may be charged to the consumer for an amount that does not exceed the fees charged by the third-party to its own customers. Fees are charged for services rendered by reporting parties, and may include an amount in excess of their cost. In the case of credit lines, the unused portion of the funds allocated and early repayments may be charged with fees, except when loans are reimbursed in full after a quarter of the original term or 180 days, whichever is longer. No charges or fees may be imposed for transactions that natural or legal persons conduct in cash and in pesos at the bank’s counter – even in branches other than the one where the account has been opened –, namely: cash deposits in pesos to the accounts of natural or legal persons acting as MSMEs; hiring and/or managing insurance policies; issuing or e-mailing of account statements; or assessing, granting, or managing of credit lines. Neither may institutions impose charges or fees on appraisal costs or notarial fees incurred upon the granting or settlement of a loan – as in the case of mortgages or pledges. Moreover, no life insurance charges may be applied to debit balances when hired along with financial products, such as credit cards and loans. As from the date consumers request revocation, no charges or fees can be imposed on the product or service they are requesting cancellation. The interest rates, fees and/or charges that reporting parties may collect by mistake shall be reimbursed to the consumers along with any applicable interest and recovery expenses.

Reporting parties must post the information that the BCRA determines to be relevant for financial consumers (such as financial consumers’ rights, instructions to submit inquiries and claims) not only on their institutional websites, but also in their points of sale. In addition, financial institutions, credit card issuers, and other non-financial credit providers must post on their websites the templates of their standard-form agreements for the products and/or services they offer together with the corresponding fees and charges, interest rates and total financial costs as well as the highest interest rates applicable as provided for by legal and/or regulatory provisions in force. In the case of products or services whose conditions vary depending on certain parameters (such as age, term, amount, employment/retirement status, collecting or not their wages/pension through the reporting party), information must be segmented into categories standing for each parameter.

In addition, reporting parties shall provide customer service to manage and solve inquiries and claims within the framework of current legal regulations on financial consumer protection in an attempt to avoid any type of recurrence. They must also appoint an officer responsible for monitoring the overall functioning of the customer service structure. The officers responsible for customer service shall make the following information available to the BCRA at their place of work: the records containing all inquiries and claims (as well as all supporting documentation of proceedings); the records of amounts reimbursed and complaints filed before the relevant consumer protection judicial and/or administrative instances; the procedure handbook; the comprehensive internal audit annual reports; the reports prepared by the financial consumer services accountable officer – at least on a quarterly basis –; and the assessment by the Board or comparable authority.

Finally, financial institutions, credit card issuing non-financial companies and other non-financial credit providers must appoint a member of the Board or comparable authority as a Financial Consumer Protection Accountable Officer who shall be mainly in charge of overseeing compliance with these regulations. If the size of the institution so warrants, such task shall be undertaken by a Committee, one of whose members, at least, must be in the Board.

When advertising products or services, reporting parties must avoid practices and actions that may reflect or promote gender stereotyped and hierarchical views, androcentrism, sexist language, media and/or symbolic violence against women and lesbian, gay, bisexual, transgender, intersex and queer (LGBTIQ+) persons.

## II. Licensing and Expansion of Financial Institutions and Foreign Exchange Traders

### A. Financial Institutions

Financial institutions are entirely free to enter and exit the market, as well as to pursue mergers or takeovers. Argentine legislation imposes restrictions neither on the investors' nationality nor on the type of businesses in which they may participate. There is equal treatment for both local and foreign capital.

#### Authorization to Open New Financial Institutions

The opening of new financial institutions requires licensing by the BCRA, according to Section 7 of the LEF.

Institutions can be set up as commercial banks, investment banks, mortgage banks, finance companies, savings and loan associations or credit unions. Commercial banks are classified, according to the transactions they perform, into: retail and wholesale banking institutions.

The minimum capital requirement is determined on the basis of the type of financial institution concerned. The minimum capital requirement amounts to ARS 5,000,000,000 for banks, and to ARS 2,500,000,000 for the remaining institutions – except for credit unions, whose minimum capital requirement is calculated on the basis of the jurisdiction where they operate, ranging from ARS 6,000,000 to ARS 1,000,000.

The opening of foreign financial institutions' branches is subject to the provisions and conditions for the opening of new institutions, and the requirement that the country of origin conducts consolidated supervision. Applications from the so-called "shell banks" shall not be considered.

No one included in the following cases may act as promoter or founder of a financial institution: persons who have been disqualified as set forth by the relevant legal provisions; anyone falling under the scope of terrorist financing resolutions reported by the Financial Intelligence Unit (*Unidad de Información Financiera*, UIF); and those appointed by the Security Committee of the United Nations Organization.

Nor shall any person be allowed to act as such where they hold the position of executive officers having a direct or indirect interest – through a related person as per the regulations on "Large Exposures to Credit Risk", paragraph 1.2.2. – of 5% or more and/or voting rights in the capital stock of gambling and betting companies.

Furthermore, any person earning, whether directly or indirectly, more than 75% of their income from concession or procurement agreements entered into with the national, provincial or

municipal governments or the government of the City of Buenos Aires may not be permitted to act as promoter or funder. The same applies to anyone directly or indirectly exercising control of the institution in terms of the regulations on “Large Exposures to Credit Risk”, paragraph 1.2.2.1 (a)(ii).

### **Merger, Takeover and Transfer of Goodwill**

The merger, takeover or transfer of goodwill may be arranged between institutions of the same or different type, and require prior approval from the BCRA.

The merged institution, or the one taking over or acquiring the goodwill of another institution must submit a financial and economic structure profile to the BCRA for authorization.

### **Transformation of Financial Institutions**

Financial institutions may transform into another corporate type subject to the approval of the BCRA.

For a transformation to be authorized, institutions must comply with minimum capital requirements as well as other prudential regulations, and evidence no liquidity, solvency, risk or profitability problems.

Credit unions cannot transfer their goodwill to institutions of a different legal nature nor can they transform into commercial institutions.

### **Changes in Shareholding Structure**

According to Section 15 of the LEF, institutions shall promptly report any share trading that may change the structure of shareholding groups. The BCRA must examine the convenience and timeliness of these changes, and can deny approval or revoke any authorization granted when the basic conditions originally taken into account have been significantly modified.

In addition, any changes to equity composition shall be reported whenever one of the shareholders – either directly or through a legal person – reaches any of the thresholds set forth in the UIF’s regulations, in which case the final beneficiary shall be identified. The arrival of new shareholders shall also be reported, irrespective of the percentage involved.

This regulation further applies to any conversion of irrevocable contributions into shares for an amount that is not proportional to the capital held by each shareholder; to any other actions that may change the shareholding structure – such as the exercise of a purchase option, the subscription of new share issues, their transfer through inheritance or donation, or voting trust.

No foreign financial institution shall be permitted to become a shareholder if it is identified as a “shell bank”.

Institutions must also report to the SEFyC any substantial changes introduced in the shareholding structure of legal persons domiciled abroad where they control, directly or indirectly, a financial institution in Argentina.

### **Executive Officers and Managers**

Financial institutions are required to submit to the consideration of the BCRA the credentials of the persons appointed for positions of administrative (Board of Directors or Administrative Board) and supervisory (Comptrollership or Surveillance Committee) bodies – unless in case of renewal of previous mandates –, and of the general manager or deputy general manager acting as the highest management authority of the financial institution's branch abroad.

Persons disqualified by applicable law cannot be appointed to hold these positions. Neither shall they be eligible where they fall under the scope of terrorist financing resolutions reported by the UIF and/or are listed by the United Nations Security Council Committee; notwithstanding all other measures that may be adopted under the applicable legislation (laws and regulatory executive orders) and related resolutions issued by the UIF.

They may neither hold executive positions nor have any direct or indirect interest – through a related person as per the regulations on “Large Exposures to Credit Risk”, paragraph 1.2.2. – in gambling and betting companies.

Background evaluation is required for:

- Promoters and Founders: They are required to hold at least 25% of the capital stock and voting rights of the institution, and prove to have expertise and experience in the financial field, in accordance with the criteria described for members of the Board or advisors.
- Members of the Board or Advisors: They shall be qualified for the position to be held, which shall be assessed based on i) their performance in the financial field; and/or ii) their professional skills and experience in the public or private sector in subjects or areas that are relevant to the institution's commercial activities. At least two thirds of the members of the Board shall prove to have held the position of manager or executive director, or any other high-rank positions in the financial field, either in the public or private sector, whether in Argentina or abroad. In the case of credit unions, advisors shall have the skills required for the position, while the members of the Executive Management Committee shall also demonstrate experience in the financial field.

When a financial institution's rating according to the assessment of SEFyC is other than 1, 2 or 3, at least 25% of the members of the Board or members of the Administrative Board must demonstrate that they have held the position of executive officer, manager or else have experience in financial institutions.

- General Managers or Deputy General Managers in Charge of Financial Decision-Making Processes: They shall have the credentials required for the position and, preferably, proven experience.

Members of the Board and comptrollers of public banks (or those banks in which the National State is a stakeholder) whose appointments are subject to the approval of the National Executive, and general managers – or those acting as such – may take office while their appointments are under the consideration of the BCRA. Their appointments shall be considered “ad referendum” and shall not affect the validity of their acts during that period.

In the absence of a new assessment, financial institutions must certify – on an annual basis – that the officers involved continue complying with the requirements as to their legal capacity, expertise, skills, experience in the financial field and eligibility to perform their duties. The members of administrative bodies (members of the Board, advisors or equivalent authorities) and supervisory bodies (comptrollers and members of the surveillance committee or their equivalent), the general manager (and the deputy general manager appointed to act in his/her stead), and the top authority of a financial institution’s branch abroad shall be relieved from the background assessment requirement, provided that they meet the following conditions:

- They must have worked for a financial institution acting as an authority subject to prior assessment by the BCRA.
- Time elapsed from the cease of activities in the old position to the date of the proposal or appointment by the corporate governance body shall not exceed 3 years.
- The duties to be performed in a financial institution shall be of the same or lower category than that in which the officer has held office – in accordance with the provisions of Section 2 of the LEF – and of the same or lower Group, as provided for in Part 4 of the regulations on “Authorities of Financial Institutions”.

### **Authorization to Open Service Units**

As far as the expansion of financial services is concerned, regulations in force aim at extending the geographical reach of the system and promoting a widespread access to financial services by consumers, in accordance with the provisions of Section 16 of the LEF, and Section 14 (g) of the BCRA’s Charter. To this end, the requirements for opening branches and other service units have been relaxed. Applications can now be filed online, thus streamlining administrative processes.

Within this framework, a general authorization was granted for institutions to open new service units in Argentina, provided that they report their opening in advance and comply with the regulations on “Minimum Safety and Security Measures in Financial Institutions”. In turn, for setting up ATMs, self-service terminals and automated units, financial institutions must also meet specific minimum requirements on risk management, implementation and control in

relation to computer technology, information systems and any related resources by evidencing proper risk management inherent to their activity.

The opening of branches abroad requires financial institutions to comply with prudential rules on minimum capital requirements, and liquidity, as well as ratings – not only for the institution, but also for the work carried out by their internal and external auditors, and for their systems and IT performance – evidencing proper management of their activity-inherent risks. Moreover, the applying institution shall neither be subject to any corrective measure imposed by the SEFyC nor have requested financial aid to the BCRA for liquidity strains.

They shall also have the prior consent of the foreign country and the authorization of the BCRA's Board of Directors, which shall take into account the characteristics of each project and analyze the request on the grounds of convenience and timeliness.

Likewise, following good corporate governance practices, financial services expansion shall be consistent with the intent expressed by each financial institution in its Business Plan, Projections and Capital Self-Assessment.

Both applications and notifications of acceptance/validation of procedure compliance shall be channeled through electronic means – becoming as fully automated as possible – using the latest technological resources available. Likewise, financial institutions shall have at all times online information available on their reported service units and ongoing procedures in order to endow transactions with transparency.

Financial institutions can also provide services to the public through the following facilities:

- (Full-service) branches, which perform global operating activities.
- (Limited activity) branches, which only carry out those activities established by each institution, pursuant to the regulations in force, and according to the characteristic features of the licensed establishment.
- Mobile branches, which provide services in a place where transactions are controlled by a full-service branch.
- Automated bureaus, through which users can carry out those transactions available through ATMs (except front-loading ATMs), self-service terminals – if necessary, with the assistance of the institution's personnel (cash withdrawals and cash deposits, check deposits, transfers, balance and transaction inquiries, payment of services – either in cash or debited from the account –, and prequalified loans credited to the account). They may not offer cashier services to the public. However, they may provide advice, as well as deliver and receive requests for the different services and products they offer – such as applying for loans, and operating current accounts and savings accounts, debit and/or credit card transactions, and those made on self-

service terminals, telephone banking, and online banking – and complete the hiring and revocation/termination processes requested by customers. They can offer additional services, such as meeting rooms, and other goods and/or services rendered by third parties, and even allow customers to use data communications networks (e.g., WIFI) and mobile communication devices.

- Permanent promotion stands intended to provide advice, as well as deliver and receive requests for the different services they offer without handling money or other valuables.

- ATMs and self-service terminals. They may be located either inside or outside branches, and are equipped to conduct all such operations or financial transactions as are permitted, depending on the characteristics of the unit itself. These operations or transactions are not supported by members of personnel. In addition, financial institutions shall have a certain number of ATMs, which shall be equipped with accessibility features for the visually impaired.

- Financial services ancillary agencies. Financial institutions subject to the BCRA's authorization may commission these agencies to render services to customers as well as to the general public within Argentina by drawing on their own human and/or technical resources. The following services involving transactions in pesos may be delegated: deposits and cash withdrawals; payment and collection; payment of, and services related to, social security benefits (pensions, retirement pay, unemployment insurance, and social aid) along with other related services.

### **Authorization to Open Representative Offices Abroad**

According to Section 17 of the LEF, the setup of representative offices abroad is subject to the approval of the BCRA, and to requirements that are similar to those in force for the setup of branches in Argentina. Representative offices are further required to obtain the consent from the foreign country, and may only perform non-operating activities.

### **Equity Interest in Financial Institutions Abroad**

Local financial institutions' interest in foreign financial institutions – over 5% of the equity or voting rights in the foreign institution – is subject to prior approval by the SEFyC.

Local institutions shall be eligible once they comply with the minimum capital requirement and other prudential rules on liquidity, solvency, risk and profitability.

Local institutions are liable up to the capital contribution established in the authorizing resolution, and may not take on additional commitments for transactions or activities performed by the foreign institution.

They may not have interest in foreign financial institutions whose financial statements must be consolidated with those of the local institution, unless the SEFyC receives all the necessary information to analyze the consolidated statements.

## **Representative Offices of Foreign Financial Institutions Not Licensed to Operate in Argentina**

Section 13 of the LEF establishes that foreign financial institutions may open representative offices in Argentina, subject to the BCRA's authorization, which in turn, depends on the analysis and assessment of the representative office project by the SEFyC. In this sense, applications shall only be considered when filed by financial institutions incorporated abroad – except in countries identified as tax havens – and authorized in their home country to take deposits there.

Applying financial institutions must comply with internationally accepted principles, standards or regulations on anti-money laundering and the combat against the financing of terrorism; and must abide by consolidated supervisory rules. The supervisory authority of the home country has to adhere to the “Core Principles for Effective Banking Supervision” issued by the Basel Committee on Banking Supervision.

The role of representatives shall only be performed by natural persons and, at least, one alternate representative shall be appointed.

## **B. Foreign Exchange Traders**

### **Authorization to Open New Foreign Exchange Institutions**

The BCRA is the regulatory and enforcement authority responsible for ensuring compliance with Law 18,924.

In this regard, any legal person applying for trading in the Free Foreign Exchange Market on a regular or permanent basis must be previously authorized and recorded in BCRA's Registry of Foreign Exchange Traders. Upon receipt of authorization, the applicant shall be licensed to trade in the forex market.

On September 1, 2019, the Registry of Foreign Exchange Traders was suspended.

The minimum capital required is ARS 140,000,000 for foreign exchange houses, and ARS 70,000,000 for foreign exchange agencies.

Foreign exchange houses and agencies are also authorized to carry out activities related to tourism and to the sale of travel tickets. Besides, they must comply with any applicable regulation on “Foreign Trade and Exchange”. In particular, their turnover may not fall below the minimum amount established by the applicable regulations.

## **Changes in Shareholding Structure**

Foreign exchange traders must report – through the corresponding application – any changes that affect natural persons' holdings within 15 business days of occurrence when they involve at least 10% of the legal person's capital stock and/or voting rights, or when they exercise ultimate control over the latter, whether directly or indirectly (through the main members of the governance body).

Where changes affect, either directly or indirectly, the control structure of the company, the members of the governance, and administrative and supervisory bodies of foreign exchange traders – whatever their corporate form –, must report such circumstance to the to the SEFyC together with the name of the buyers and the sellers of shares, ownership interests or shares of capital stock of foreign exchange houses and agencies within 15 business days as from the date of occurrence. These changes shall be subject to the approval of the BCRA.

A similar requirement applies to changes to the capital stock where the holdings of one of the shareholders – either directly or indirectly – reach or exceed 25% of the capital stock or of the total number of votes or of any instrument with voting rights (in a single transaction or accumulated over a 6- month period), although in the opinion of the trader they do not alter the control structure of the company. These changes shall be subject to the approval of the SEFyC.

The following actions are subject to the authorization of the BCRA or the SEFyC, as appropriate: (i) payment of the balance of the price; (ii) delivery of the shares to the acquirers or their representatives; (iii) registration of the transfer or voting trust in the foreign exchange trader's record of shareholders; (iv) capitalization of irrevocable contributions to subscribe future capital increases; (v) registration in the relevant Public Registry, where appropriate.

In no case shall the deposit or down payment exceed 20% of the price.

Once the transaction has been approved (either by the BCRA or the SEFyC) and completed, the foreign exchange house or agency must upload to the "Registry of Foreign Exchange Traders" (ROC) within 15 business days the information on the "main members of the governance body" together with the corresponding criminal record certificates.

## **Authorization to Open Branches in Argentina**

Foreign exchange houses and agencies must inform the BCRA of their decision to open or close a branch 10 business days in advance. Any change of address will be reported likewise.

### III. Prevention of Money Laundering, Terrorist Financing and Other Illegal Activities

The [International Financial Action Task Force \(FATF\)](#) is an inter-governmental organization that sets international standards and promotes the effective implementation of policies and legal, regulatory and operational measures to prevent and combat money laundering, terrorist financing, the financing of proliferation of weapons of mass destruction (AML/CTF/CPF) and other threats to the integrity of the international financial system, safety, and global peace. The FATF currently has 39 members, and Argentina has been a full member since 2000.

The FATF has developed a series of recommendations that are internationally endorsed standards against money laundering, terrorist financing, and the financing of proliferation of weapons of mass destruction (AML/CTF/CPF). They are aimed at increasing transparency and enabling countries to successfully take action to prevent illicit use of their financial system. The FATF has further set out the assessment methodology for reviewing the level of compliance with, and effectiveness of, the country's AML/CTF/CPF systems.

Recommendations essentially aim at steering the financial system and other stakeholders towards the adoption of a risk-based approach to ensure that the measures taken to prevent or mitigate money laundering, terrorist financing, and the financing of proliferation of weapons of mass destruction are commensurate with the risks identified. This approach should be the guiding principle for an efficient allocation of resources. However, recommendations allow the implementation of simplified measures commensurate with those risks.

These recommendations follow the basic international principle “know your customer” as an essential requirement for beginning or continuing any commercial or contractual relationship, and introduce specific customer due diligence (CDD) procedures for financial and foreign exchange institutions.

Law 26,683 (Official Gazette dated June 21, 2011) introduced important changes to Law 25,246:

- New protected legal right: “Crimes against the economic and financial order” were included in Title XIII of the Argentine Criminal Code.
- Money laundering is regarded as a separate crime: Money laundering is a type of crime separate from both the commission and the result of a previous crime.
- Legal persons’ criminal liability: Legal persons benefiting from money laundering may be criminally punished, notwithstanding the liability imposed upon decision-making and control bodies.
- Seizure in advance: Once the illicit origin or the material fact to which money launders are associated is confirmed, the proceeds from money laundering may be definitely confiscated even in the absence of a previous criminal conviction.

- Lifting of the duty of tax secrecy: When a suspicious activity report is under analysis, the reporting parties listed in Section 20 may not invoke the duty of banking, tax, stock exchange or professional secrecy, nor any other legal or contractual confidentiality obligation.
- Statute of limitations: The prescription period for penalties and fines is 5 (five) years.
- Blackmail, tax crimes, social security crimes, and human trafficking were incorporated in Law 25,246, as amended.
- The UIF's authority to establish supervisory, monitoring and in situ inspection proceedings for the compliance with the obligations set forth in Section 21 of the law and its resolutions – approved by Executive Order 1936, dated December 2010 – was endorsed.
- The UIF shall continue issuing guidelines and instructions for reporting parties, prior to consulting with the specific control authorities, which may issue supplementary regulations, but may neither amend nor extend their scope.

Executive Order 146/2016 (Official Gazette dated January 12, 2016) entrusted the Ministry of Justice and Human Rights with powers to act in Representation of Argentina before the Financial Action Task Force (FATF/GAFI), the Financial Action Task Force of Latin America (GAFILAT) and the Inter-American Drug Abuse Control Commission Group of Experts of the Organization of American States (LAVEX-CICAD-OAS). It also established that the UIF shall continue participating in the abovementioned forums, and may agree with the Ministry of Justice and Human Rights to conduct alternate representation.

Executive Order 360/2016 (Official Gazette dated February 17, 2016) modified Section 3 of Executive Order 1936/10, creating the "National Coordination Program for Combating Money Laundering and Terrorist Financing" within the scope of the Ministry of Justice and Human Rights.

It also established that the Ministry of Justice and Human Rights is central to coordinate inter-institutional functions among all organizations and institutions from the public and private sectors with competence in Money Laundering and Terrorist Financing. The UIF retains powers to do operational coordination activities at the national, provincial and municipal levels.

By Executive Order 331/2019 (Official Gazette dated May 6, 2019), the National Executive created the Coordinating Committee charged with the Prevention and Combat of Money Laundering, Terrorist Financing and the Financing of Proliferation of Weapons of Mass Destruction under the scope of the Ministry of Justice.

During 2022, the Committee developed and unanimously agreed on the country's first National Money Laundering Risk Assessment and the update on the National Terrorist Financing and the Financing of Proliferation of Weapons of Mass Destruction Risk Assessment (approved by Executive Orders 653/2022 and 652/2022, respectively).

These assessments are the first comprehensive diagnostic tools at the national level that measure the effectiveness of the system used to prevent and combat money laundering, terrorist

financing and the financing of proliferation of weapons of mass destruction in Argentina. They analyze threats, vulnerabilities, and current level of risk in the Argentine financial and non-financial systems.

In September 2022, the Committee approved the first National Strategy for the Prevention and Combat of Money Laundering, Terrorist Financing and the Financing of Proliferation of Weapons of Mass Destruction. It is an action plan organized into 10 general objectives, 28 specific objectives and 125 actions that seek to respond to the main threats and vulnerabilities that Argentina identified in the previously mentioned National Risk Assessments.

Both the National Risk Assessments and the National Strategy approved by the Committee are fundamental tools not only for public sector agencies at a national and provincial level, but also for the private sector, which today represents about 80,000 reporting parties.

Law 26,739 (Official Gazette dated March 28, 2012), amending BCRA's Charter, vested the BCRA with powers to regulate, within its authority, all payment systems, clearing and settlement houses, money remittance institutions and cash-in-transit companies. The parties carrying out these activities, as detailed in Section 20 of Law 25,246, as amended, are regarded as reporting parties accountable to the UIF.

Finally, Law 27,739 (Official Gazette dated March 15, 2024) has amended Law 25,246, focusing on five key areas:

- Amendment to the Argentine Criminal Code:
  - Section 303 includes the verb "acquire" and the term "other assets" in the legal definition of money laundering. Moreover, it adjusts the threshold for objective criminal liability (to one hundred and fifty (150) minimum wages), and changes the penalty for mitigated criminal offenses by replacing imprisonment with a fine ranging from five (5) to twenty (20) times the amount of the transaction.
  - Section 306 includes the term "other assets" in the legal definition of terrorist financing, thereby addressing foreign terrorist fighters, and including financing for travel, logistics, and training. Additionally, it introduces a new criminal offense targeting the proliferation of weapons of mass destruction.
  - Section 41 *quinquies* includes criminal offenses categorized as terrorism, as defined by international conventions that are currently in force in Argentina.
- Amendment of Law 25,246:
  - The UIF is vested with functional, administrative, and economic autonomy and self-regulatory capacity.

- New powers are granted to the UIF, enabling it to enter into agreements to exchange information with other national, provincial or municipal bodies or public authorities. Additionally, the UIF is empowered to analyze, process, and share information to prevent and combat ML/TF/PF crimes.
- New reporting parties are included, such as issuers, traders and collection and/or payment service providers, virtual asset service providers, non-financial credit providers, natural or legal persons that custody or manage cash or liquid assets on behalf of third parties, as well as attorneys, public accountants and notaries public when conducting transactions on behalf of their customers.
- Reporting parties such as non-profit organizations, the National Court for the Defense of Competition, as well as insurance and reinsurance intermediaries, including insurance adjusters, insurance liquidators, and insurance brokers involved in the marketing of life insurance without savings and property insurance are excluded.
- However, there are certain non-profit organizations determined by Financial Information Unit regulations that perform terrorism financing prevention roles. This is because certain subsectors of non-profit organizations may be exploited for terrorist financing.
- An effective, proportional, and deterrent sanctions regime is imposed. Sanctions range from warnings to disqualification and may include license and/or professional credentials revocation from the relevant regulatory bodies, registries, and/or professional organizations.
- The Centralized Public Registry of Final Beneficiaries is created under the scope of the Customs Control and Collection Agency (*Agencia de Recaudación y Control Aduanero, ARCA*), the enforcement authority.
- The Virtual Asset Service Providers Registry is created under the scope of the National Securities Commission (*Comisión Nacional de Valores, CNV*), the enforcement authority.
- The Standing Joint Committee is created for the Legislative Branch to gain insight into the System for the Oversight, Prevention, Investigation, and Criminal Prosecution of Money Laundering, Terrorist Financing, and the Financing of Proliferation of Weapons of Mass Destruction.

## Prevention of Money Laundering

### UIF Regulations for Banks and Foreign Exchange Institutions

In December 2024, the UIF approved Resolution 199/2024 (effective as from 30 days following the date of publication in the Official Gazette) that amended UIF Resolution 14/2023. It modifies the current regulatory framework for financial and foreign exchange institutions so that reporting parties' obligations in terms of management and mitigation of ML/TF/PF risks are in line with international standards, best practices and guidelines, and FATF recommendations.

UIF Resolution 199/2024 is in line with the regulations issued regarding financial and foreign exchange institutions. The purpose of this is to establish and/or tailor their duties concerned with the management and mitigation of ML/TF/PF risks, in accordance with international standards, best practices, guidelines, directives, and FATF recommendations, thus deepening the scope of the Risk-Based Approach.

This includes extending the minimum requirements for identification, assessment, monitoring, management, and mitigation of risks to the Financing of the Proliferation of Weapons of Mass Destruction.

In June 2025, this resolution was amended by UIF Resolution 78/2025. The changes addressed the provisions of Section 2 of Executive Order 353/2025 involving an adjustment to the regulations and an increase to the thresholds established for monitoring different transactions.

Updates for financial institutions include, among others, the increase of the threshold of bank deposits in cash without identification of the depositor to 40 minimum wages, equal to about USD 10,000.

In May 2023, through UIF Resolution 72-2023, the UIF approved the "Regulation on the duty to cooperate with specific control authorities". Control authorities include, among others, the Central Bank of Argentina, the National Securities Commission, the Superintendence of Insurance of Argentina, and the National Institute for Associations and Social Economy. These authorities enforce supervisory procedures established by the UIF against the reporting parties subject to their control.

In addition, the UIF approved a regulation applicable to the Working Meetings held between the UIF and the specific control authorities for cooperating and coordinating supervisory procedures in complex cases where the adoption of new criteria or consensus is needed from a risk-based approach.

Also, the Final Technical Report template that specific control authorities must use as reference for the preparation of the Final Technical Reports addressed to the UIF as part of the duty of collaboration on supervisory issues was updated.

Under UIF Resolution 96/2024, the creation of working groups involving the private sector was authorized as provided for in Section 20 of Law 25,246 as amended. The purpose of these groups is to facilitate communication and cooperation in addressing the implementation of necessary regulatory modifications in AML/CTF/CPF matters, and to ensure their efficient application.

Furthermore, the UIF amended, through Resolution 192/2024 dated December 2024, the regulatory framework regarding Politically Exposed Persons (PEPs). This was done in line with international standards, best practices, guidelines, and directives. The amendment provides clarity to the system by specifically establishing which individuals hold “prominent public functions” and are therefore covered by the PEP regime.

It should be noted that “Domestic PEPs” are individuals who hold, or have held, prominent public functions in Argentina, such as heads of state or government, high-level government or judicial officials and politicians, high-ranking military officers, and senior executives of state-owned companies, or officials of major political parties. “Foreign PEPs” refers to public officials from foreign countries who perform, or have performed, functions similar to those of domestic PEPs.

Furthermore, the Resolution states that the status of PEPs shall be maintained while in office, and for up to TWO (2) years after leaving office. The same applies to PEPs by proximity or kinship.

UIF Resolution 56, dated March 26, 2024, changed the deadlines for reporting parties to submit Suspicious Activity Reports related to ML activities. They are now required to file reports within 90 calendar days of the suspicious activity or attempted activity.

### **UIF Regulations for Service Payment Providers and Non-Financial Credit Providers**

UIF Resolution 200, dated December 2024, sets forth that issuers, traders and collection and/or payment service providers, as well as non-financial credit providers must comply with certain obligations in order to manage and mitigate ML/TF/PF risks in accordance with international standards, best practices, guidelines, and directives, and FATF recommendations.

These reporting parties must implement and/or adjust their policies and procedures in accordance with the new requirements by May 1, 2025 at the latest.

## **Prevention of Terrorist Financing**

Law 26,734 dated December 2011 introduced a new definition of terrorism in the Argentine Criminal Code, increasing penalties when a criminal act is done in furtherance of spreading fear among the population or coercing national public authorities, foreign governments or agents from international organizations into taking some action, or refraining from doing so. This is not applicable if the act in question implies the exercise of a constitutional right.

In addition, Title XIII “Crimes against the economic and financial order” of the Argentine Criminal Code was amended to include penalties for the financing of terrorism, which is understood as the action by which someone directly or indirectly collects or provides assets or money, knowingly that they shall be used, whether in whole or in part, to finance a crime intended to spread fear among the population or coerce national or foreign authorities into taking some action, or refraining from doing so.

Thus, the UIF has the power to order and coordinate the analysis of actions, activities and transactions that, according to the law, may involve terrorist financing.

Executive Order 918/2012 sets out the administrative procedure for freezing assets linked to terrorist activities or terrorist financing.

By virtue of Executive Order 489/2019, a public, electronic, safe, single, and specific registry is created—the PUBLIC REGISTRY OF PERSONS OR INSTITUTIONS LINKED TO TERRORIST ACTS AND THEIR FINANCING. It is intended for public access and for ensuring that information is shared with competent agencies and with third countries, thus strengthening cooperation between local and international organizations.

In addition, any background and procedural acts related to criminal proceedings in which natural or legal persons are investigated for acts of terrorism or their financing may now be recorded in the registry.

The BCRA has also issued supplementary regulations requiring financial and foreign exchange institutions to:

1. Carefully verify, before engaging in a commercial or contractual relationship, that potential customers are not on the lists of terrorist persons and/or organizations issued by the United Nations Security Council Resolutions. If a potential customer is actually included, institutions shall observe the terms of the relevant Resolutions issued by the Ministry of Foreign Relations and International Trade according to the guidelines established by the UIF through Resolution 29/13 (Official Gazette dated February 15, 2013) – repealing UIF Resolutions 125/9 and 28/12. Similar measures shall be adopted throughout the commercial or contractual relationship with current customers, retaining documentation of the control actions taken.

Comply with currently in effect regulations on AML/CTF matters (consolidated text of the regulations on “Anti-Money Laundering, Terrorist Financing and Other Illegal Activities”) along with executive orders concerning decisions adopted by the United Nations Security Council to fight against terrorism, the resolutions issued by the Ministry of Foreign Affairs and Worship and UIF related regulations.

UIF Resolution 56/2024, dated March 26, 2024, changed the deadline for reporting parties to submit TF and PF reports. They are now required to file reports within 24 hours of the activity or attempted activity.

## **Other Related Regulations - Consolidated Text**

Financial and Foreign Exchange Institutions, and representative offices of foreign financial institutions not licensed to operate in Argentina must comply with applicable laws and regulatory executive orders on AML/CTF/CPF, related regulations issued by the Financial Information Unit (*Unidad de Información Financiera*, UIF) and the regulations issued by the BCRA.

They must also comply with executive orders concerning decisions adopted by the United Nations Security Council to fight against terrorism, and the resolutions (with their respective Annexes) issued by the Ministry of Foreign Affairs and Worship.

The Manual of Procedures for Anti-Money Laundering and Terrorist Financing shall describe in detail the procedures for starting and ending relations with customers as established by current regulations.

When an institution puts an end to its relation with a customer, it shall comply with the procedures and time limits set forth by the provisions of the BCRA applicable to the product(s) acquired by the customer.

The written records of the procedure used each time an institution ends a relation with a customer must be kept for a period of 10 years. Such records must include a copy of the notification(s) sent to the customer requesting further information and/or documentation, the relevant notice(s) of receipt, and the registry(ies) identifying the officials involved in the decision-making process, pursuant to the relevant manual of procedure. When an institution ends a relation with a financial consumer, the Financial Consumer Services Accountable Officer shall be informed of such a decision and the underlying reasons.

Financial and foreign exchange institutions must keep supporting documents of these types of transactions for the term and in compliance with the conditions established in the regulations on "Execution, Retention and Reproduction of Documents". The records must allow the full reconstruction of the transactions carried out and must be available upon the request of the competent authorities.

Financial and foreign exchange institutions must keep available and provide, upon BCRA's request, the supporting documents for the appointments of their regular and alternate Compliance Officers reporting to the UIF. Notwithstanding the above, the BCRA shall be notified about these appointments as under the relevant reporting scheme. In turn, the representative offices of foreign financial institutions not licensed to operate in Argentina must send a certified

copy of the appointments to the UIF Compliance Reporting Senior Management Office at the BCRA.

Regular or deferred payment checks for amounts in excess of ARS 50,000 may not be paid at the bank's counter. The same restriction is in place for sight or time bills of exchange drawn on accounts opened in credit unions for amounts in excess of ARS 25,000, although certain specific exceptions apply.

Furthermore, loan disbursements made by financial institutions for amounts in excess of ARS 50,000 must be deposited in the borrower's current or savings account.

Financial institutions, foreign exchange houses and foreign exchange agencies shall submit before the BCRA the Report of High Amount Cash Transactions (*Reporte de Transacciones en Efectivo de Alto Monto*, RTE) on the last day of the month following the reported period. Financial institutions, however, shall also submit the report validated before the UIF each calendar month, in a single presentation. As regards data to be reported to the UIF, the transactions carried out in August 2018 shall be submitted in the first place.

On a quarterly basis, financial institutions shall submit statistical information on the suspicious transaction reports sent to the UIF during the reporting period, grouped according to the pertinent special instructions.

On an annual basis, financial institutions and foreign exchange houses and agencies shall submit the technical report on ML/TF risk self-assessment and the methodology; the risk tolerance statement; and the report of the Independent External Reviewer (IER), all of them approved by the institution's administration body or highest authority.

The BCRA assesses – within the scope of its authority – the final resolutions informed by the UIF concerning the penalties imposed on the parties under its regulation. It shall also take into account the penalties informed by foreign supervisory bodies with comparable powers on anti-money laundering and counter terrorist financing.

In addition, repeated offenses – according to UIF regulations – and recurring penalties – when penalties apply to different offenses that do not entail a repeated offense – shall be considered.

It is worth mentioning that the BCRA has adopted measures to achieve greater financial inclusion by encouraging an increased access to the banking system as well as social inclusion, and streamlining identification requirements of due diligence to the mere submission of the ID, among other specific requirements for each product.

Within the framework of cooperation between Argentina and other countries on tax issues, financial institutions shall adopt any necessary measure so as to identify account holders falling under the scope of both the new standard on exchange of information about financial accounts

– issued by the Organization for Economic Cooperation and Development (OECD) – and the provisions of the Foreign Account Tax Compliance Act (FATCA).