

# Provisional measures published by Banco de México (Banxico or Mexican Central Bank) as a result of the COVID-19 coronavirus pandemic

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On June 2, 2020, the following Rules, related to the provisional measures taken due to the COVID-19 pandemic, were published in the Federal Official Gazette:

- A. **Rule 20/2020, addressed to multiple banking and development banking institutions, concerning the Rules applicable to the provision of resources to credit institutions to channel credit to micro, small and medium companies, as well as to individuals.**

Through this Rule, Banxico regulates one of the additional provisional measures agreed by its Governing Board on April 21, 2020, related to the strengthening of credit granting channels, in order to facilitate credit institutions to fulfill their priority function of providing financing to the economy. Related parties in the corporate structures of such financial institutions may not benefit from loans granted under this exceptional support measure.

Some characteristics to be pointed out from this rule are the following:

- (i) Institutions may obtain financing by withdrawing the amount available from the Monetary Regulation Deposit held at the Mexican Central Bank itself and, once such resources have been exhausted, may enter into repurchase agreements<sup>1</sup> on eligible instruments.
- (ii) Banxico will make public through its website the corresponding calls to obtain the respective resources.
- (iii) Credits may be granted directly or through non-bank financial institutions<sup>2</sup>. For entities<sup>3</sup>, the credits may be up to 50 million pesos individually, while for each individual<sup>4</sup> they may not exceed from \$192,500 Mexican pesos.

<sup>1</sup> Whose period will be between 18 and 24 months or longer, if justified

<sup>2</sup> In any case, the bank must ensure that it obtains from said financial institution the information that must be reported to the Mexican Central Bank.

<sup>3</sup> Special attention will be given to smaller companies.

<sup>4</sup> Through payroll or personal credits.

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(iv) Banks may only restructure or finance loans that they have previously granted under the terms of this Rule, as long as they agree to establish the same or better maturity and rate terms and conditions than those stipulated in the original contracts.

(v) These rules will be in force until September 30, 2020.<sup>5</sup>

**B. Rule 21/2020, addressed to entities subject to the supervision of Banxico.**

Pursuant to this provision, said Mexican Central Bank amends Rule 12/2020<sup>6</sup>, and:

- (i) Considers as non-business days the days between March 23 **and the date that Banxico will make public through a resolution issued subsequently** and, consequently, suspends the calculation of the terms that correspond to the proceedings and actions with respect to the administrative procedures of imposition of sanctions, as well as those related to the requests for information related to the referred procedures, unless otherwise specified in the latter, so that such terms begin to be computed again **on the date determined by Banxico**.
- (ii) Suspends the ordinary inspection visits until **the date made public by Banxico in the aforementioned resolution**. Banxico will notify individually the entities with ongoing supervision procedures, the way they will proceed once the suspension is over.

**C. Rule 22/2020, addressed to financial institutions that issue credit cards, regarding provisional measures on minimum payment amounts applicable to credits, loans or revolving financing associated with these cards, in relation to the COVID-19 pandemic.**

With this provision, the Mexican Central Bank amends Rule 13/2020<sup>7</sup>, so that the corresponding financial entities:

- (i) On an exceptional basis to the applicable regulation, are not required to collect minimum payment amounts for payment periods between April and **September 2020**.
- (ii) They must inform cardholders who have agreed to take advantage of the benefits of the Rule, the terms and conditions under which they will have to make the corresponding payments, once the term of the respective scheme has expired.
- (iii) During the period referred to in the Rule, those cardholders who benefit from the exception scheme may not be charged commissions for failure to pay the minimum amounts or default interest related to such failures.

The three previous Rules entered into force on the day of their publication in the Federal Official Gazette.

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<sup>5</sup> If, on this date, repurchase agreements remain in force, they will remain in force until the date of their settlement.

<sup>6</sup> The changes resulting from the modifications, in relation to the original circular, are outlined herein.

<sup>7</sup> The most relevant changes resulting from the modifications, in relation to the original rule, are outlined herein.

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