

TIIE Modifications

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As a follow-up to the press release published by Banco de México ("Banxico") on December 20, 2022, regarding the transition of the Interbank Equilibrium Interest Rates (TIIE), and in consideration to the recommendations of the Financial Stability Board (FSB), the Basel Committee on Banking Supervision (BCBS) and the International Organization of Securities Commissions (IOSCO), on April 13, 2023, Banxico published in the Official Gazette of the Federation the Circulars 3/2023 and 4/2023 which amend Circular 14/2007 (General provisions referred to in article 4 of the Law for the Transparency and Order of Financial Services in Interest Rate) and Circular 3/2012 (Provisions applicable to the operations of credit institutions, regulated multiple purpose financial companies that maintain equity links with credit institutions and the national financial institution for agricultural, rural, forestry and fishing development) (the "Amendments").

The main purpose of the Amendments was to determine the dates as of which the use of the TIIE will be restricted to terms longer than one banking business day. The most relevant amendments include the following:

- The term "Funding TIIE" (TIIE de Fondo) was defined, which is the TIIE at a term of one banking business day and which will be published by Banxico in terms of Circular 3/2012.
- In addition to the reference rates established in Circular 14/2007 (e.g. CETES, CCP, TNF, etc.), credit institutions and regulated SOFOMs (the "Financial Institutions") may only use the "TIIE de Fondo" as a reference rate.
- The concept of " TIIE for Terms Over One Banking Business Day " (TIIE a Plazos Mayores a un Día Hábil Bancario) was introduced, which includes the TIIE at 28, 91 and 182 days, and the method for its calculation was established.

The Amendments will be effective as of January 1, 2025, notwithstanding the foregoing, it is important to take into consideration the following exceptions:

- As of January 1, 2024, Financial Institutions must refrain from using the 91 and 182 day TIE in new credit operations.
- All loans granted prior to January 1, 2024, may continue to use the 91 and 182 day TIE until the expiration of their term.
- As of January 1, 2025, Financial Institutions must refrain from using the 28-day TIE in new credit operations.
- All loans granted prior to January 1, 2025, may continue to use the 28-day TIE until the expiration of their term.

In view of the above, as of January 1, 2025, all credit transactions entered into by Financial Institutions in which the TIE is agreed upon as the reference rate must use the "Funding TIE". In addition, Banxico will publish the "TIE for Terms Over One Banking Business Day", in terms of the Amendments, with the main purpose of ensuring that credit transactions entered into by Financial Institutions prior to January 1, 2024, with respect to credit transactions referenced to the 91 and 182-day TIE, and to January 1, 2025, with respect to credit transactions referenced to the 28-day TIE, will continue to be effective under the terms originally agreed upon until the expiration of such transactions.

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