



## **The SBP sets standards for risk concentration limits to economic groups and related parties**

The Board of Directors of the Superintendency of Banks of Panama approved Agreement No. 6-2009 dated June 24, 2009, “whereby the standards are stipulated for risk concentration limits to economic groups and related parties”.

Pursuant to this standard, the Bank must have policies, procedures and internal controls that mitigate the material exposure risk that may derive in losses that affect the main business of the bank or its banking group in an important or significant manner.

For this purpose, they must at all times comply with the quantitative concentration limits set by Articles 95 and 96 of the Banking Law. Similarly, they must develop a healthy banking management conducive to monitoring the concentration risk, including specific exposures in economic sectors; industries; geographic regions; and in products or services.

For the purposes of this Agreement, material exposure refers to that credit facility whose balance exceeds ten percent (10%) of the capital stock of the entities to which this standard refers.

According to the standard, the concentration limit on a single person, individually or jointly, is twenty-five percent (25%) of the capital stock stipulated by Article 95 of the Banking Law. The measurement of the limit set will be based on the consolidated capital stock.

Similarly, measures are applied to the concentration limit on related parties, on subsidiaries of banking or financial nature, and on assumed related parties.

This Agreement applies to owners of stocks of banks of which the Superintendency of Banks of Panama is home country supervisor, official banks, and all banks of which the Superintendency is the home country supervisor.

On the other hand, all banks of which the Superintendency of Banks is the host country supervisor will apply the risk concentration limits that their home country jurisdiction stipulates for that effect.