

April 15, 2020
Circular N° SBP-DR-0124-2020

General Manager

Subject: Dynamic Provision registration

Pursuant to the provisions of Article 5 of Rule 2-2020 dated 16 March 2020, whereby banks are permitted to use up to eighty percent (80%) of the dynamic provision to create specific provisions, the Superintendency deems it prudent to share an accounting guide for the use of the dynamic provision.

In this regard, please find enclosed some illustrative examples to be used when doing the accounting registration of the dynamic provision.

The guide or examples cover three scenarios described as follows:

1. Regulatory (specific) provision greater than the International Financial Reporting Standards (IFRS) provision
2. International Financial Reporting Standards (IFRS) provision greater than the regulatory (specific) provision.
3. The regulatory (specific) provision and the International Financial Reporting Standards (IFRS) provision are equal.

We would greatly appreciate your dissemination of the enclosed guide to the relevant staff so that they could understand better this matter when doing the accounting registration of operations that will result in the application of Article 5 of Rule 2-2020.

Best regards,

Amauri A. Castillo
Superintendent

Enc.: A/s

ARV/ygl