

October 2, 2020
Circular N° SBP-DR-0303-2020

General Manager

Subject: Rule 9-2020 (Accounting registry of the provisions for the modified special mention portfolio)

Dear General Manager:

We refer to Rule 9-2020 dated 11 September 2020 that amended Rule 2-2020 dated 16 March 2020 by means of which additional, exceptional and temporary measures to comply with the provisions of Rule 4-2013 on credit risk were provided.

In this regard, we wish to inform you some parameters for the accounting registry of the provisions for the modified special mention portfolio, established in Article 4-D of Rule 9-2020.

Following the accounting standards in place, the Superintendency of Banks of Panama considers that the provision calculated in accordance with IFRS 9 should be registered in the results of each month in its entirety, according to the model the bank has at that time.

In connection with the above, and according to Circular SBP-DR-0294-2020 dated September 22, 2020, the bank must adjust, if it has not done it yet, the calculations of this provision to incorporate the effects of COVID-19 in the accounting closing as of October 31, 2020.

The options for the accounting registry of the provision for the modified special mention portfolio are the following:

1. If your bank is in the case of Article 4-D (1), the IFRS 9 provision must be accounted for at the end of September 2020.
2. If your bank is in the assumption of Article 4-D (2)(a), the IFRS 9 provision must be accounted for at the end of September and the capital regulatory reserve to complete the 3% will be established by the end of December 2020 or the annual accounting closing, whichever is first.
3. If your bank is in the case of Article 4-D (2)(b), the IFRS 9 must be established as of the end of September 2020. The prudential generic provision complement to reach 1.5% of the modified special mention portfolio may be registered in the results as of the end of September or be deferred in equal parts in the results from September to December 2020 or at the annual accounting closing, whichever is first. The capital regulatory reserve to complete the 3% will be established by the end of December 2020 or the annual accounting closing, whichever is first.

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Should you have any question on this circular, please feel free to send an e-mail to the following e-mail address: soporte@superbancos.gob.pa or gdocumental@superbancos.gob.pa.

We would greatly appreciate your providing the necessary instructions to your staff for compliance with these provisions.

Best regards,

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Amauri A. Castillo
Superintendent

ARV/vb