Superintendencia de Bancos de Panamá

TRANSLATION

July 8, 2026
SBP-SG-CIRCULAR-2026-0070

Mr./Mrs.
General Manager

Subject: Trust Structures Using REIT (Real Estate Investment Trust) Vehicles to Derecognize Repossessed/Foreclosed Assets and Avoid Establishing Regulatory Reserves

Dear General Manager:

This Superintendency is aware of a scheme whereby repossessed assets or assets acquired in settlement of obligations are transferred to a REIT-type real estate investment vehicle, with the stated purpose of derecognizing such assets from the entities' balance sheets and thereby avoiding the establishment of the regulatory reserves or provisions applicable to these assets under current regulations.

We consider it appropriate to note that, pursuant to Article 8 of Rule No. 3-2009, the mere legal transfer of an asset to a trust or REIT vehicle does not necessarily satisfy the applicable derecognition criteria (effective control, substantial transfer of risks and rewards, and absence of retained residual exposure). Accordingly, the asset may still need to be recognized, directly or indirectly, in the financial statements of the transferring entity.

If the banking institution remains a creditor, trust settlor, beneficiary, guarantor, liquidity provider, or related party, while retaining risks and rewards associated with the trust or REIT vehicle, the transaction could be deemed a mechanism designed to circumvent the requirement to establish reserves for repossessed assets, contrary to both the spirit and the letter of prudential regulations.

The use of trusts or investment vehicles for this specific purpose does not exempt the supervised entity from complying with capital adequacy requirements, asset classification rules, and reserve requirements.

In view of the foregoing, this Superintendency hereby instructs all supervised entities as follows:



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Official document signed with a Qualified Electronic Signature through the Superintendency of Banks of Panama's Document Transparency System – TRANSDOC, in accordance with Law 83, dated 9 July 2012, and Executive Decree, dated 11 May 2018. Please use the QR Code or the following URL address to verify the authenticity of this document:
https://sigob.superbancos.gob.pa/consulta?id=JhMZ6DXE8AhMmkAczBayUl02QtOMLdFTMdR%2Bd00pT3g%3D

1. **Mandatory prior consultation**. No supervised entity may carry out, enter into, or commit to carrying out transactions involving the transfer of repossessed assets or assets acquired through foreclosure or in settlement of obligations to trusts, REIT vehicles, or similar structures without first consulting this Superintendency in writing and providing full details of the proposed legal, financial, and accounting structure. The entity must obtain a no-objection or authorization, as applicable.

2. **Suspension of ongoing transactions**. Entities that have initiated negotiations or entered into preliminary agreements with the trust company, or with any other entity offering similar structures, must suspend such negotiations or agreements and notify this Superintendency no later than five (5) business days after the issuance of this Circular.

3. **Reporting of completed transactions**. Entities that have carried out transfers of this nature must report them to this Superintendency within the same period. The report must include the accounting and regulatory treatment applied.

It is important to note that, with respect to the requirements set forth in the preceding paragraphs, entities must comply with the instructions issued by this Superintendency following its review of the consultation and the supporting documentation submitted.

If an investigation establishes evidence of possible violations of the applicable regulations, the foregoing conduct may result in the initiation of administrative sanction proceedings and the possible imposition of sanctions provided for under the Banking Regime.

Sincerely,

(Signed)
Milton Ayón Wong
Superintendent

KS/sl