Republic of Panama
Superintendency of Banks

GENERAL RESOLUTION SBP-RG-0003-2018
(dated 21 December 2018)

"By means of which the parameters for applying the percentages established in Article 40 of Rule 2-2018 on the Short-term Liquidity Coverage Ratio are established"

THE SUPERINTENDENT OF BANKS
in use of his legal powers, and

WHEREAS:

Due to the issuance of Decree Law 2 dated 22 February 2008, the Executive Branch re-edited Decree Law 9 dated 26 February 1998 and all its amendments as a consolidated text, and this text was approved by means of Executive Decree 52 dated 30 April 2008, hereinafter referred to as the Banking Law;

Pursuant to the provisions of paragraph 1 of Article 5 of the Banking Law, safeguarding the soundness and efficiency of the banking system is an objective of the Superintendency of Banks;

Subparagraph 11 of Article 16 of the Banking Law provides that supervising banks according to the Banking Law and the rules that further develop it, as well as the internationally accepted standards and criteria falling within the Panamanian banking legal framework, is among the technical duties of the Superintendent;

Subparagraph 22 of Article 16 of the Banking Law establishes that the Superintendent is authorized to issue the rules that must be followed by banks within the activities permitted by the Banking Law or the laws that complement it, so their operations are conducted within appropriate risk levels, including the ability of fixing limits and ratios;

In recent years, the Basel Committee on Banking Supervision enacted key reforms to achieve a more resilient banking sector. As a result, it has developed the Liquidity Coverage Ratio (LCR), whose objective is to promote short-term resilience in the liquidity risk profile of banks;

By means of Rule 2-2018, the Superintendency established the provision on liquidity risk management and short-term liquidity coverage ratio (LCR);

Pursuant to the provisions of Article 40 of Rule 2-2018, the liquidity coverage ratio (LCR) will be applicable on a 100% or 50% basis;

Article 40 of Rule 2-2018 provides that the Superintendency will determine the percentage to be applied by each bank in particular according to internal criteria and the supervisor's judgment;

After the relevant analyses conducted by the technical staff and according to the provisions contained in Article 40 of Rule 2-2018, the Superintendency is fixing the parameters for the application of the 50% and 100% liquidity coverage ratio.

RESOLVES:

ARTICLE 1. DEFINITIONS AND TERMS. For the purposes of applying the provisions contained herein, the following terms will be understood as:

1. Global Systemically Important Banks: Banks included in the updated list of global systemically banks issued by the Financial Stability Board (FSB), using the methodology developed by the Basel Committee.

2. Domestic Systemically Important Banks: Banks that could produce negative impact domestically and, although they are not significant from the international point of view, they could compromise the financial system and the economy of the Republic of Panama. Considered Domestic systemically important banks are those meeting the methodology developed by the Basel Committee on size, substitutability, interconnection, inter-jurisdictional activity and sophistication and meeting the following characteristics:

    a. General license banks;

    b. Assets amounting to 6% or more of Panama's Gross Domestic Product (GDP). For the purposes of this calculation, the statistics published by the Comptroller General of the Republic of Panama for the GDP at current prices will be used.

3. Regional systemically [important] banks: banks producing a negative impact regionally and although they are not significant from the international point of view, they could compromise the financial system and the economy of the country of origin and even produce effects in neighboring countries. For the purposes of the Superintendency, banks meeting the following characteristics will be considered regional systemically [important banks]:

    a. Financial conglomerates consolidating operations in Panama;

    b. Assets amounting to 6% or more of the Gross Domestic product (GDP) of the country of origin. For the purposes of this calculation, the statistics published by the central banks for the GDP at current prices will be used.

ARTICLE 2. PARAMETERS FOR APPLYING THE 50% LIQUIDITY COVERAGE RATIO (LCR). For the purposes of the provisions of Article 40 of Rule 2-2018, the liquidity coverage ratio (LCR) will be applicable to banks meeting the conditions listed below:

I. For branch offices

A fifty percent (50%) liquidity coverage ratio (LCR) will be applied whenever they meet the following conditions:

1. Assets less than or equal to five hundred million balboas (B/.500,000,000.00);

2. [Total] deposits by individuals of less than or equal to three hundred million balboas (B/.300,000,000.00), including Social Security Administration deposits; or

3. Deposits accepted from the parent company greater or equal to fifty percent (50%) of total deposits, or obligations with the parent company greater or equal to fifty percent (50%) of total assets.

II. For general license banks and international license banks whose home supervisor is the Superintendency

A fifty percent (50%) liquidity coverage ratio (LCR) will be applied whenever they meet the following conditions:

1. Assets less than or equal to five hundred million balboas (B/.500,000,000.00); or

2. [Total] deposits by individuals of less than or equal to three hundred million balboas (B/.300,000,000.00), including the Social Security Administration's deposits.

PROVISO. The Superintendent may require any particular bank to comply with two or more of the conditions established above, as well as any other requirement, according to the bank's risk profile. This will also entail the Superintendency's determination of the adjustment period for these conditions for each bank.

ARTICLE 3. CHANGE IN PARAMETERS FOR THE APPLICATION OF THE LIQUIDITY COVERAGE RATIO (LCR) FROM 50% TO 100%. The branch offices, general license banks and international license banks whose home supervisor is the Superintendency that cease to meet the conditions referred to in subparagraphs 1 and 2 of paragraphs I and II of Article 2 herein will have two years to meet the 100% liquidity coverage ratio (LCR), unless their growth during the two year period is greater or equal to one hundred million balboas (B/.100,000,000.00) in total assets or in [total] deposits by individuals in that same period, in which case the 100% LCR will be applied immediately.

ARTICLE 4. PARAMETERS FOR THE APPLICATION OF THE 100% LIQUIDITY COVERAGE RATIO (LCR). The banks not meeting the conditions established in Article 2 herein and those considered global, regional or domestic systemically [important] banks as defined in Article 1 must meet the one hundred percent (100%) liquidity coverage ratio (LCR).

ARTICLE 5. REVIEW OF INFORMATION. The Superintendency will review the banks that have applied the 50% short-term liquidity coverage ratio (LCR) on an annual basis to verify their continued compliance with the parameters.

If a bank does not conform to the guidelines established in Article 2, it must comply with the provisions of Article 3 herein, and that particular bank will be notified of the requirement. From the date the bank is notified, it will have a two-year period to ensure it meets the 100% short-term liquidity coverage ratio.

The review referred to herein will be made in January of each year.

ARTICLE 6. ENACTMENT. This Resolution shall become effective upon its promulgation.

Given in the city of Panama on the twenty-first (21st) day of December, two thousand eighteen (2018).

FOR COMMUNICATION, PUBLICATION, AND ENFORCEMENT,

THE SUPERINTENDENT OF BANKS,

Ricardo G. Fernandez D.