

Republic of Panama
Superintendency of Banks

GENERAL RESOLUTION SBP-RG-0192-2019
(dated 25 November 2019)

“Whereby the request for information established in Article 28 of Rule 11-2018 is expanded”

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 24 of Article 16 of the Banking Law establishes that the Superintendent is authorized to issue, within the limits set by the Banking Law and the laws that complement it, the regulations that must be followed by banks to ensure their operations take place within acceptable levels of risk;

Article 91 of the Banking Law provides that the Superintendency may establish the timeframe and format of the reports that must be submitted to it;

General Resolution SBP-RG-0001-2013 dated 14 January 2013 expanded the request for information in the annual report established in Article 28 of Rule 7-2011;

By means of Rule 11-2018 dated 11 September 2018, amended by Rule 3-2019 dated 30 April 2019, new provisions on Operating Risk were provided and, at the same time, Rule 7-2011 dated 20 December 2011 and all of its modifications were repealed;

The aforementioned Rule 11-2018 provides in Article 28 that banks must submit an annual report containing the main issues and results on operating risk management electronically and in the format the Superintendency establishes, by January 31 of every year;

During its working sessions, the Board of Directors determined it necessary and advisable to establish the contents of the annual operating risk report based on the provisions of Rule 11-2018 dated 11 September 2018.

RESOLVES:

ARTICLE 1. CONTENTS OF THE ANNUAL OPERATING RISK REPORT. For the purposes of the provisions of Article 28 of Rule 11-2018, the submittal of the annual operating risk report will be applicable to all general license and international license banks, as provided for in Article 2 of the aforementioned Rule 11-2018.

The content of the annual operating risk report provided herein will be applicable to the banks according to the years of operation listed below:

Less than one (1) year of operation	One (1) or more years of operation
Paragraphs 1, 2, 3, 4, 5 and 7	All paragraphs

The annual report of the main issues and results of operating risk management must contain, as a minimum, the requirements referred to herein, making sure of using the tables with the information requested containing the following:

1. Organizational structure (in WORD format)

- a. Members of the Risk Committee (names of members and their positions);
- b. Hierarchical and functional organization chart of the Risk Management Unit;
- c. Name, position and e-mail address of the person responsible for the Risk Management Unit;
- d. Number of employees working for the risk unit, assigned to operating and legal risk management.

2. Classification of the bank's products and services (in WORD format)

- a. Classification of the products and services offered by the bank according to the business lines described in Appendix A of Rule 11-2018;
- b. Details on the launching, date and name of new products and/or services during the period to be reported, with the previously issued opinion of the risk management unit on the potential operating risks involved in each of them.

3. Work Plan (in WORD format)

Description of the activities the Risk Management Unit planned, identifying those belonging to operating risk management, conclusion date of those activities and percentage of progress as of the end of the year to be reported.

4. Continuing education (in EXCEL format)

Employees that were trained on operating risk during the year, describing the following:

Date (dd/mm/yy)	Topic	Total bank attendees	Training (in-house/external)	Host	Duration hours

5. Tools (Sections "a," "b" and "c" prepared in WORD format. Section "d" in EXCEL format)

- a. Description of the current global limit and its relevant risks (ranges) of criticality during the year;
- b. Description of the current specific limits and its relevant risks (ranges) of criticality during the year;
- c. Description of the operating risk early warning red flags (name of the indicator, measurement criteria with relevant thresholds) current during the period;
- d. Inventory of the matrix(es) that were updated during the year, according to the following table:

Matrix code and/or name	Process or product	Name of the area responsible for the process or product	Date of update (dd/mm/yy)	Type of operating risk with higher concentration

6. Behavior of the operating risk events and incidents during the period (Tables in EXCEL format)

- a. Total events and incidents registered in the database during the year:

	Frequency	Exposure (in USD)	Seriousness (in USD)	Level of criticality according to the global limit		
				Frequency (almost none, less probable, probable, sure)	Exposure (low, medium, high, catastrophic)	Seriousness (low, medium, high, catastrophic)
Events						
Incidents						
Total						

b. Total of events and incidents **by type of risk** registered in the database during the year:

By type of risk	Frequency	Exposure (in USD)	Seriousness (in USD)	Level of criticality according to the global limit		
				Frequency (almost none, less probable, probable, sure)	Exposure (low, medium, high, catastrophic)	Seriousness (low, medium, high, catastrophic)
Internal fraud						
External fraud						
Work relationships and security in the workplace						
Customers, products and business practices						
Damages to physical assets						
Business interruption and system failure						
Deficiency in process execution and management						
Legal						
Deficiency in management information						
Models deficiency						
Total						

c. Grouping of the five (5) causes of greatest criticality in exposures of operating risk events or incidents registered in the database during the year:

Cause according to Rule 11-2018, Appendix 1, Level 2	Total Exposure Amount (in USD)	Level of criticality according to global limit	Action plan description	Date	
				Estimated execution (dd/mm/yy)	Real implementation (dd/mm/yy)

d. Grouping of the five (5) causes of greatest criticality in the frequency of operating risk events or incidents registered in the database during the year:

Cause according to Rule 11-2018, Appendix 1, Level 2	Total Exposure Amount (in USD)	Level of criticality according to global limit	Action plan description	Date	
				Estimated execution (dd/mm/yy)	Real implementation (dd/mm/yy)

- e. Chart on the behavior of the evolution of incidents registered during the year, comparing exposure and seriousness to the established global tolerance limit;
- f. Results of operating risk early warning red flags indicators (name of the indicator, final amount and level of criticality) as of the end of the year;
- g. Risk map describing residual risk concentration by type of operating risk according to the threats included in the risk matrixes;
- h. Risk map describing the frequency and concentration exposure by type of operating risk according to the contents of the registries of the database during the period to be reported.

7. Description of the test conducted to the business continuity plan (Table in EXCEL format)

Test date (dd/mm/yy)	Type of test (Total or partial)	Opinion on the result (Satisfactory/Unsatisfactory)	Summary of the action plan on the improvement opportunities

8. Legal issues (Tables in EXCEL format)

a. List of all lawsuits against the bank currently ongoing:

TRANSLATION

Names of the parties	Type of proceeding	Amount (in USD)	Claim	Court Office	Status	Date of notification to the bank (dd/mm/yy)	Date of notification to the SBP (dd/mm/yy)	Outlook

b. List of lawsuits against the bank that were concluded during the period to be reported:

Names of the parties	Type of proceeding	Amount (in USD)	Claim	Court Office	Status	Date of notification to the bank (dd/mm/yy)	Date of notification to the SBP (dd/mm/yy)	Result description

c. List of all punitive proceedings against the bank currently ongoing:

Entity	Commencement date (dd/mm/yy)	Claim / Grounds for pressing charges	Status	Outlook

d. List of penalties and sanctions imposed on the bank during the period to be reported:

Entity/Company	Reason for the penalty or sanction	Date of notification of the penalty or sanction (dd/mm/yy)	Amount of penalty or sanction (in USD)

ARTICLE 2. REPEAL. This General Resolution repeals General Resolution SBP-RG-0001-2013 dated 14 January 2013 in all of its parts.

ARTICLE 3. ENACTMENT. This General Resolution will become effective on 31 December 2019.

Given in the city of Panama on the twenty-fifth (25th) day of November, two thousand nineteen (2019).

FOR COMMUNICATION, PUBLICATION, AND ENFORCEMENT,

THE SUPERINTENDENT OF BANKS,

Ricardo G. Fernández D.