

Republic of Panama
Superintendency of Banks

BOARD OF DIRECTORS' GENERAL RESOLUTION SBP-GJD-0005-2020

(dated 20 April 2020)

“Whereby special and temporary considerations related to Article 2 of Rule 3-2016 on risk-weighted assets are established”

THE BOARD OF DIRECTORS

in use of its 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 Article 5 (1), (3) and (4) of the Banking Law, safeguarding the soundness and efficiency of the banking system, promoting public trust in the banking system and safeguarding the judicial balance between the banking system and its clients are objectives of the Superintendency of Banks;

In accordance with Article 11 (3) of the Banking Law, approving general criteria for the classification of assets at risk and rules for the provision of reserves against risks is a technical duty of the Board of Directors;

Pursuant to Article 11 (5) of the Banking Law, establishing the administrative interpretation and scope of the legal provisions and regulations on banking matters is a technical duty of the Board of Directors;

According to Article 70 of the Banking Law, general and international license banks under the home supervision of the Superintendency of Banks will maintain capital funds equivalent to at least eight percent of the risk-weighted total of all assets and contingent off-balance sheet operations, as well as tier one capital equivalent to no less than four percent of the risk-weighted total of all assets and contingent off-balance sheet operations;

By means of Rule 1-2015 dated 3 February 2015, the rules for capital adequacy applicable to banks and banking groups were established;

Rule 3-2016 dated 22 March 2016 provided the rules for determining credit and counterparty risk-weighted assets;

Article 2 of Rule 3-2016 established risk-weighting and risk percentage rating categories;

At the threat of an emergency situation in the national territory due to the risk of spread of the Coronavirus virus outbreak, by means of Cabinet Resolution 6 dated 28 January 2020, the Cabinet Council declared as high risk the threat of spreading the Novel Coronavirus (2019-nCoV) outbreak nationwide;

Subsequently, in order to expand Cabinet Resolution 6 of 2020 and redouble surveillance measures to contain the epidemic, by means of Cabinet Resolution 10 dated 3 March 2020, the Cabinet Council rose to very high the threat of spreading the novel Coronavirus (2019-nCoV) outbreak nationwide and other provisions were prescribed;

Following up the announcement made by the World Health Organization (WHO) on 11 March 2020, of declaring the coronavirus (COVID-19) disease a pandemic, the Cabinet Council issued Cabinet Resolution 11 dated 13 March 2020 by means of which it declared a State of National Emergency;

By means of Article 1 of Executive Decree 507 dated 24 March 2020 a 24-hour lockdown nationwide was ordered, which will be valid while the State of National Emergency lasts;

All of the aforementioned has nationwide collaterally affected the different economic sectors, including the financial sector, for which it is necessary to protect the financial stability of the Panamanian banking system;

During the working sessions of the Board of Directors, it has deemed it necessary and advisable to establish special measures related to Article 2 of Rule 3-2016 to temporarily modify the risk-weighting assets of the different categories used for the calculation of the capital index, due to the current situation the country is experiencing.

RESOLVES:

ARTICLE 1. TEMPORARY MODIFICATION OF RISK-WEIGHTED ASSETS BY CATEGORIES.

For the purposes of Article 2 of Rule 3-2016, all risk-weighted assets classified in categories 7 and 8 whose weighting is of 125% and 150%, respectively, will be temporarily weighted as category 6, whose weighting is of 100%.

This temporary measure will be effective until the Superintendency of Banks repeals this General Resolution.

ARTICLE 2. ENACTMENT. This Resolution shall be effective upon its signature.

Given at the city of Panama on the twentieth (20th) day of April, two thousand twenty (2020).

FOR COMMUNICATION, PUBLICATION, AND ENFORCEMENT,

THE CHAIRMAN,

Joseph Fidanque III

THE SECRETARY

Nicolás Ardito Barletta