

Republic of Panama
Superintendency of Banks

BOARD OF DIRECTORS' GENERAL RESOLUTION SBP-GJD-0007-2020

(dated 16 July 2020)

“Whereby special and temporary considerations regarding Articles 36, 37 and 38 of Rule 4-2013 on credit risk 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;

Pursuant to 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;

Pursuant to Article 11 (8) of the Banking Law, establishing the general standards that banks must follow in their accounting processes is a technical duty of the Board of Directors;

By means of Rule 4-2013 dated 28 May 2013, amended by Rules 8-2014 dated 16 September 2014, 11-2019 dated 1 October 2019 and 5-2020 dated 9 June 2020, the provisions on credit risk management inherent in credit portfolio and off-balance sheet transactions were established;

Articles 36, 37 and 38 of Rule 4-2013 established specific provisions for the calculation of the dynamic reserve for the banks of the market;

Because of the threat of an emergency situation in the country due to the risk of spread of the coronavirus outbreak, the Cabinet Council by means of Cabinet Decree 6 dated 28 January 2020 declared the threat of high risk of spreading of the novel Coronavirus (2019-nCoV) in the national territory;

Subsequently, in order to expand Cabinet Resolution 6 of 2020 and redouble surveillance measures to contain the epidemic, the Cabinet Council by means of Cabinet Resolution 10 dated 3 March 2020 raised the threat of spread of the novel Coronavirus (2019-nCoV) outbreak in the national territory and prescribed other provisions;

After the announcement made by the World Health Organization, 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 the National Government declared a State of National Emergency;

By means of Article 1 of Executive Decree 507 dated 24 March 2020, a 24-hour lockdown is imposed throughout the national territory, which will remain in force while the declaration of State of National Emergency lasts;

All of the above has affected different sectors of the economy nationwide, including the financial sector, therefore it is necessary to protect the financial stability of the Panamanian banking system by establishing special and temporary measures to provide financial relief to banks as a result of the declaration of State of National Emergency;

During the working sessions of the Board of Directors it determined it is necessary and advisable to establish special and temporary measures in relation to Articles 36, 37 and 38 of Rule 4-2013, in order to temporarily suspend the establishment of the dynamic reserve due to the current situation the country is going through.

RESOLVES:

ARTICLE 1. TEMPORARY SUSPENSION OF DYNAMIC RESERVE. For the purposes of the provisions of Articles 36, 37 and 38 of Rule 4-2013 on credit risk, the Superintendency of Banks temporarily suspends the requirement of establishing the dynamic reserve provided in the aforementioned articles, in order to provide financial relief to the banks of the market.

The foregoing provision will be applicable from the information corresponding to the second quarter of 2020 (April, May and June) that must be reported within thirty (30) calendar days following the end of the corresponding quarter.

This temporary measure shall remain in force until the Superintendency of Banks revokes this General Resolution.

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

Given at the city of Panama this sixteenth (16th) day of July, two thousand twenty (2020).

FOR COMMUNICATION, PUBLICATION, AND ENFORCEMENT,

THE CHAIRMAN,

THE SECRETARY

Luis Alberto La Rocca

Nicolás Ardito Barletta