

Republic of Panama  
Superintendency of Banks

**BOARD OF DIRECTORS' GENERAL RESOLUTION SBP-GJD-0008-2020**  
(dated 22 September 2020)

**“Whereby temporary considerations related to Article 26 of Rule 11-2018 on Operational 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) and (2) of the Banking Law, safeguarding the soundness and efficiency of the banking system and strengthening and fostering favorable conditions for the development of the Republic of Panama as an international financial center are objectives of the Superintendency of Banks;

Pursuant to Article 11 (3) and (5) of the Banking Law, approving general criteria for the classification of assets at risk and rules for the provision of reserves against risks and establishing the administrative interpretation and scope of the legal provisions and regulations on banking matters are technical duties of the Board of Directors;

Pursuant to Article 6 of the Banking Law, ensuring that banks maintain sufficient liquidity and solvency ratios to discharge their obligations is a function of the Superintendency of Banks;

In accordance with the provisions of Article 72 of the Banking Law on other risk assessments, it is established that to determine the capital adequacy ratio the Superintendency may take into account the presence of other risks, such as market risk, operating risk, and country risk;

The Basel Committee's Core Principles for Effective Banking Supervision establishes that banks must have a comprehensive risk management process, which includes oversight by the Board of Directors and senior management, to identify, measure, evaluate, monitor, report and control or mitigate all significant risks in a timely manner and to assess their capital and liquidity adequacy in relation to their risk profile;

By means of Rule 11-2018 dated 11 September 2018, amended by Rule 3-2019, new Operational Risk provisions were established;

Due to the global COVID-19 outbreak and following the international recommendations issued by the World Health Organization and the Pan American Health Organization, the National Government, through the Ministry of Health, issued Executive Decree 64 dated 28 January 2020, which adopts necessary essential and urgent measures, included in the National Plan in the face of the threat of the Novel Coronavirus (2019-nCoV) outbreak; as well as extraordinary measures that are necessary to avoid the introduction and spread on this public health problem;

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 spread of the novel Coronavirus (2019-nCoV) outbreak 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;

The global health threat situation of the Novel Coronavirus (2019-nCoV) has collaterally affected different economic sectors, including the financial sector, so it is necessary to protect the financial stability of the Panamanian banking system;

The Superintendency of Banks issued Rule 2-2020 whereby additional, exceptional and temporary measures were provided to comply with the provisions of Rule 4-2013 on credit risk, which allows banks to modify originally agreed on conditions for corporate and consumer loans, in order to provide an economic relief to customers whose payment capacity has been affected by the situation triggered by COVID-19;

During the working sessions of the Board of Directors it determined it is necessary and advisable to establish special measures in relation to Article 26 of Rule 11-2018, in order to temporarily suspend the bad debt component within the calculations and to alleviate the impact of these on the bank's operational risk equity requirement, by virtue of the updates made to Rule 2-2020.

### RESOLVES:

**ARTICLE 1. TEMPORARY SUSPENSION OF BAD DEBT EXPENSE.** For the purposes of the provisions of Article 26 of Rule 11-2018, as a temporary and exceptional measure the bad debt expense account will not be included in the "OGO" (*otros gastos operativos* – other operating expenses) component for the determination of the operational risk-weighted assets from the report corresponding to the quarter ending September 30, 2020, as defined in the Technical Appendix which is an integral part of Rule 11-2018, maintaining the rest of the accounts that are a part of it for its calculation.

The rest of the components established in the Technical Appendix of Rule 11-2018 will continue to be used for the corresponding calculation.

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

**ARTICLE 2. ENACTMENT.** This Resolution shall be effective from its signature.

Given at the city of Panama this twenty-second (22<sup>nd</sup>) day of September, two thousand twenty (2020).

### FOR COMMUNICATION, PUBLICATION, AND ENFORCEMENT,

**THE CHAIRMAN,**

**THE SECRETARY**

Luis Alberto La Rocca

Nicolás Ardito Barletta