

## Republic of Panama Superintendency of Banks

### BOARD OF DIRECTORS' GENERAL RESOLUTION SBP-GJD-0002-2022 (dated 23 June 2022)

**“Whereby the financial guarantees granted by means of the Master Contract entered by the Inter-American Investment Corporation (IDB Invest) and the Ministry of Economy and Finance (MEF) are temporarily recognized as credit risk mitigators”**

**THE BOARD OF DIRECTORS**  
in use of its legal powers, and

#### WHEREAS:

Pursuant 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 Article 5 (2) of the Banking Law, strengthening and fostering favorable conditions for the development of the Republic of Panama as an international financial center is an objective of the Superintendency of Banks;

Pursuant to Article 11 (2) of the Banking Law, approving generally applicable standards for the definition and identification of credits to clients related among themselves or related to banks or to banking groups is a technical duty of the Board of Directors;

Pursuant to Article 3 (36) of the Banking Law, the resolutions are decisions adopted by the Superintendent or by the Board of Directors, in the exercise of the powers granted by the cited Law, applicable to a particular case;

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;

The Board of Directors is authorized to defining and establishing the criteria for credit risk management, including the processes and procedures that must be observed in each of its phases;

Pursuant to Banking Rule 4-2013 dated 28 May 2013 and its amendments, the provisions on credit risk management and administration inherent to credit portfolio and off-balance sheet operations were established;

Pursuant to Articles 39, 41, and 42 of Banking Rule 4-2013 the valid collateral for the calculation of specific reserves, the valuation of collateral, and the current pledge value of said collateral were eligible as credit risk mitigators;

The Ministry of Economy and Finance (MEF), on behalf of the Government of the Republic of Panama (GOP, for its acronym in Spanish), and the Inter-American Investment Corporation (IDB Invest), an international organization established by the Agreement Establishing the Inter-American Investment Corporation entered by its member countries, acting on behalf of the IDB, both as guarantors, have entered a Financial Guarantee Facility Master Contract, to offer banks a risk mitigation facility to guarantee the loans granted to operating tourism sector entities in Panama;

During its working sessions, the Board of Directors has deemed it is necessary and advisable to establish the guidelines to temporarily recognize as credit risk mitigators the financial guarantees granted to banks under the Financial Guarantee Facility Master Contract, entered by the Ministry of Economy and Finance (MEF) of the Republic of Panama and the Inter-American Investment Corporation (IDB Corporation).

**RESOLVES:**

**ARTICLE 1. SCOPE.** The stipulations herein will be applicable to General License and State-owned banks adhered to the Financial Guarantee Facility Master Contract (hereinafter referred to as the Master Contract), entered by the Ministry of Economy and Finance (MEF) and the Inter-American Investment Corporation (IDB Invest) (hereinafter referred to as The Guarantors), by means of the corresponding Acknowledgment of Adhesion and who, in addition, comply with the conditions required for the allocation and validity of the guarantee facility granted under the Master Contract.

**ARTICLE 2. PURPOSE.** The purpose of this Resolution is to temporarily recognize, as a credit risk mitigator, the guarantee granted through the Master Contract to banks, according to the guidelines established herein.

**ARTICLE 3. DOCUMENTS SUPPORTING THE FINANCIAL GUARANTEE FACILITY MASTER CONTRACT.** For the purposes of temporarily recognize the guarantee established herein, banks must submit to the Superintendency evidence of the documentation proving their adherence to the Master Contract and the coverage of the guarantee, including:

1. Adhesion Contract and Acknowledgment of Adhesion;
2. Guarantee Contracts issued by The Guarantors;
3. Guarantee application certificate.

**ARTICLE 4. GUARANTEE GRANTED UNDER THE FINANCIAL GUARANTEE FACILITY MASTER CONTRACT.** For the purposes of the stipulations of Article 39 of Banking Rule 4-2013, the guarantee granted under the Master Contract is temporarily recognized as an admissible guarantee for the calculation of specific provisions. The recognition of this guarantee will fall on those eligible loans that have been granted (existing) or that will be granted (new) by banks to tourism sector companies in the Republic of Panama, in accordance with the terms established in the Master Contract and its annexes.

The Guaranteed Loan Portfolio under the Master Contract held by each bank will include those tourism loans that meet the following conditions:

1. The eligibility criteria for loans and eligible borrowers, as stipulated in the Master Contract and its annexes;
2. The guarantees have been granted by The Guarantors (MEF and IDB Invest);
3. The coverage of the issued guarantee remains in force.

The recognition of the guarantee as a credit risk mitigator will be subject to the period established in Article 8 herein, provided that the coverage of the guarantee has not been terminated, canceled, or suspended, in accordance with the terms of the Master Contract and Adhesion Contract.

**ARTICLE 5. VALUATION OF THE COLLATERAL.** For the purposes of Article 41 of Banking Rule 4-2013, the guarantee facility is recognized under the Master Contract, whose valuation will be in accordance with the present value established in Article 6 herein.

**ARTICLE 6. CURRENT PLEDGE VALUE.** For the purposes of Article 42 of Banking Rule 4-2013, the current financial facility pledge value under the Master Contract will be recognized as a risk mitigator, according to the following table:

Pledge	Current Value
Guarantee Facility granted under the Financial Guarantee Facility Master Contract entered by the Ministry of Economy and Finance (MEF) and the Inter-American Investment Corporation (IDB Invest), an international organization established by the Agreement Establishing the Inter-American Investment Corporation entered by its member countries.	50% of total capital of one or more loan facilities granted to tourism sector companies in the Republic of Panama and who have met the criteria of eligible borrowers and the eligibility criteria, defined in the Financial Guarantee Facility Master Contract.

**PROVISO.** For the purposes of this article, the recognition of a guarantee as a risk mitigator will fall only on the guaranteed amount of the chosen loans included in the bank's guaranteed loan portfolio. Each bank will be responsible for the interest and other charges on the guaranteed loan. The execution of the guarantee will be governed by the stipulations of Article IV "Payments and Recovery" of the Master Contract.

**ARTICLE 7. ISK-WEIGHTING OF THE GUARANTEE.** For the purposes of the stipulations of Article 2 of Banking Rule 3-2016, the financial guarantees granted by the Ministry of Economy and Finance (MEF) and the Inter-American Investment Corporation (IDB Invest), under the Master Contract for loan facilities granted to tourism sector companies in the Republic of Panama and who have met the loan eligibility criteria and eligible borrowers, as defined in the Master Contract and its annexes, will be temporarily recognized as category 1 (0%) risk-weighted assets.

The weighting indicated herein refers exclusively to the part of the loan covered by the guarantee.

**ARTICLE 8. GUARANTEE RECOGNITION PERIOD.** For the purposes of the temporary recognition of the guarantee included herein, the guarantee facility will have an availability period of up to ten (10) years, from the signing of the Master Contract.

**ARTICLE 9. REPORTING REQUIREMENTS.** The banks adhered to the Master Contract must submit a quarterly report breaking down the loan portfolio guaranteed under this Contract, the delinquency status, the validity of the coverage and any changes of said portfolio, and any other additional information the Superintendency of Banks may so require. The foregoing, without prejudice of the powers of the Superintendency to request from The Guarantors any information related to the guarantee facility.

The reporting to the Superintendency must be made through the formats and means it may so establish.

**ARTICLE 10. EFFECTIVE DATE.** This General Resolution will become effective upon its enactment.

Given at Panama City this twenty-third (23<sup>rd</sup>) day of June, two thousand twenty-two (2022).

**FOR COMMUNICATION, PUBLICATION AND ENFORCEMENT.**

**THE CHAIRMAN,**

**THE SECRETARY,**

Rafael Guardia Pérez

Felipe Echandi Lacayo