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COMMUNIQUÉ

SBP instructs temporary measures to modify loan terms and conditions

The Superintendency of Banks of Panama (SBP) adopted measures to maintain the stability of the financial system and to mitigate any potential deterioration that affects the situation of the national banking system derived from the spread of Covid-19.

The measures taken by the regulator permit banks to have the necessary mechanisms to support their customers, both of retail and wholesale banking, in the face of the situation triggered by the current public health juncture

With these measures, it is expected to provide support to bank customers at this “unprecedented” moment.

- A category called “modified loans” was established, so that customers have the choice of adjusting the payment of their obligations and mitigating a potential loan deterioration;
- Banks may review the terms and conditions of loans, in regards to interest rates and terms, which will permit them to agree on and grant grace periods maintaining the loan classification as of the time of entry into force of this provision
- Adjustments will be made according to the reality of each debtor who has been affected by Covid-19 and those who have payment in arrears of up to 90 days;
- Modifications may be made upon the customers’ request or by the banks’ own initiative;
- Banks have an initial period of 120 days to assess their customers;
- Loan modifications will not generate additional costs, therefore they will be exempted from fees or new appraisals;
- Banks will be permitted to use the dynamic provision, a tool called “countercyclical buffer,” which is part of the capital each bank has created during times of high economic growth, with the purpose of being used at times when there is a rate of slower economic growth, as the current situation calls for;
- This should translate into less pressure for banks, allowing them to improve their position and willingness to grant loans that improve the banks’ balance sheets.