

Republic of Panama Superintendency of Banks

**RULE N°. 3-2020
(dated 26 March 2020)**

“Whereby Article 3 (7) of Rule 2-2020, by means of which additional, exceptional and temporary measures were established to comply with the provisions contained in Rule 4-2013 on credit risk, is amended”

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 (3) of the Banking Law, safeguarding the soundness and efficiency of the banking system and promoting public trust in the banking system are objectives of the Superintendency of Banks;

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;

By means of Rule 4-2013 dated 28 May 2013, the provisions for management and administration of credit risk inherent to loan portfolio and off-balance sheet operations were established;

Article 37 of Rule 4-2013 establishes the amounts of dynamic provisions that banks should maintain as well as other rules for the calculation and results of this provision;

As a consequence of the global Coronavirus outbreak, and following up 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 the necessary essential and urgent measures, contained in the National Plan in the face of the threat of the novel Coronavirus outbreak, as well as extraordinary measures that are necessary to prevent the introduction and spread of this public health issue;

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

That later, 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 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, which is why it is necessary to protect the financial stability of the Panamanian banking system;

The Superintendency of Banks issued Rule 2-2020 that provided additional, exceptional and temporary measures in order to comply with the provisions contained in Rule 4-2013, which allow banks to modify originally agreed on conditions of corporate and consumer loans to promote an economic relief to customers whose payment capacity is affected by the situation triggered by COVID-19;

Article 3 (7) of Rule 2-2020 establishes that the modification date will be considered as the date on which the Rule was formalized in which the new conditions are formalizing the new loan conditions are approved;

During its working sessions, the Board of Directors determined it necessary and advisable to amend the aforementioned Article 3 (7) in order to specify and make the aspects related to formalization of modifications more flexible.

RESOLVES:

ARTICLE 1. Article 3 (7) of Rule 2-2020 dated 16 March 2020 shall read:

“ARTICLE 3. MODIFIED LOANS RULES. The modifications of loans according to the provisions herein, should not become a generalized practice to normalize the behavior of the loan portfolio. Additionally, banks must ensure that the following rules are applied:

1. ...
2. ...
3. ...
4. ...
5. ...
6. ...
7. The modification date will be considered the date on which the debtor has accepted the modifications by any means or method (including, without limitation, electronic means, tacit acceptance, implied acceptance, etc.), and, from that date onwards, the bank may consider the loan as a modified loan for the purposes of this Rule and Rule 4-2013.”

ARTICLE 2. ENACTMENT. This Rule shall enter into effect upon its promulgation.

Given in the city of Panama on the twenty-sixth (26th) day of March, two thousand twenty (2020).

FOR COMMUNICATION, PUBLICATION AND ENFORCEMENT.

THE CHAIRMAN,

THE SECRETARY,

Joseph Fidanque III

Nicolás Ardito Barletta