

Republic of Panama Superintendency of Banks

RULE N.º 3-2022
(dated 19 April 2022)

“Whereby Article 2 of Rule 3-2016, which establishes the rules for determining credit and counterparty risk-weighted assets, is amended”

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 (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 the 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 among the technical duties of the Board of Directors;

Pursuant to Article 70 of the Banking Law, all general and international license banks under the home supervision of the Superintendency will maintain capital funds equivalent to at least eight percent of the risk-weighted total of all assets and contingent off-balance sheet operations, as well as tier-one capital equivalent to no less than four percent of the risk-weighted total of all assets and contingent off-balance sheet operations;

By means of Rule 3-2016 dated 22 March 2016 and its amendments, the rules for determining credit and counterparty risk-weighted assets were established;

Pursuant to Article 2 of Rule 3-2016 the classifications of assets by categories, for risk-weighting, were established;

Number 1 Category 1 (0% percentage) of Article 2 of Rule 3-2016 includes in this category the instruments issued or secured by multilateral organizations and loans secured by instruments issued or secured by said multilateral organizations, as well as by any other multilateral development organizations approved by the Superintendency;

Pursuant to the guidelines set by Basel, loans secured by Multilateral Development Organizations (MDO) expressly approved by the Superintendency of Banks of Panama will be granted a 0% credit risk weighting, among which the European Bank for Reconstruction and Development (EBRD) is included;

During its work sessions, the Board of Directors determined it was necessary and advisable to amend Article 2 of Rule 3-2016 to include the European Bank for Reconstruction and Development (EBRD) as a multilateral organization approved by the Superintendency for the purposes of its classification in category 1 of assets with a 0% credit risk weighting.

RESOLVES:

ARTICLE 1. Numbers 1.4 and 1.8 of Category 1 (0% credit risk weighting) of Article 2 of Rule 3-2016 shall read:

“ARTICLE 2. ASSETS RATED BY CATEGORIES. For the purposes of risk-weighting in accordance with the provisions of Article 70 of the Banking Law, assets will be rated in the following percentage categories:

Category	Percentage
1	0%
2	10%
3	20%
4	35%
5	50%
6	100%
7	125%
8	150%
9	200%
10	250%

The assets listed below fall in each of these categories:

1. Category 1 (0%):

- 1.1. Cash on hand.
- 1.2. Instruments explicitly, jointly, and unconditionally issued or secured by the Panamanian State.
- 1.3. Instruments explicitly, jointly, and unconditionally issued or secured by governments internationally risk-rated between AAA and AA-.
- 1.4. Instruments issued or secured by the International Monetary Fund (IMF), the International Bank for Reconstruction and Development (IBRD), the Agency for International Development (AID), the International Finance Corporation (IFC), the Inter-American Development Bank (IADB), the European Investment Bank (EIB), the Asian Development Bank (ADB), the African Development Bank (AfDB), the International Fund for Agricultural Development (IFAD), the Andean Development Corporation (CAF, for its acronym in Spanish), the European Bank for Reconstruction and Development (EBRD), and any other multilateral development organizations approved by the Superintendency.
- 1.5. The amount of investments in capital instruments in nonfinancial entities included in the perimeter of accounting consolidation and deducted from consolidated common tier-one capital in accordance with the application of Subparagraph 9 of Article 9 of Rule 1-2015 on Capital Adequacy.
- 1.6. The amount of significant shares in the capital of banks and finance and insurance companies not included in the perimeter of accounting consolidation and deducted from the regulatory capital funds in accordance with the Capital Adequacy reports (of the individual bank, of the bank and subsidiaries, and of the banking group), conforming to the application of Subparagraph 10 of Article 9 of Rule 1-2015 on Capital Adequacy.
- 1.7. Loans duly secured by pledged deposits within the bank up to the secured amount.
- 1.8. Loans secured by instruments issued or secured by the International Monetary Fund (IMF), the International Bank for Reconstruction and

Development (IBRD), the Agency for International Development (AID), the International Finance Corporation (IFC), the Inter-American Development Bank (IADB), the European Investment Bank (EIB), the Asian Development Bank (ADB), the African Development Bank (AfDB), the International Fund for Agricultural Development (IFAD), the Andean Development Corporation (CAF, for its acronym in Spanish), the European Bank for Reconstruction and Development (EBRD), and any other multilateral development organizations approved by the Superintendency.

- 1.9. Gold and silver at market value.
- 1.10. Any other assets whose value has been deducted from regulatory capital in accordance with the provisions of Article 9 of Rule 1-2015 on Capital Adequacy.
- 1.11. Interests receivable for these assets.

2. Category 2 (10%):

...”

ARTICLE 2. EFFECTIVE DATE. This Rule shall become effective upon its enactment.

Given at Panama City this nineteenth (19th) day of April, two thousand twenty-two (2022).

FOR COMMUNICATION, PUBLICATION AND ENFORCEMENT.

THE CHAIRMAN,

Rafael Guardia Pérez

THE SECRETARY,

Felipe Echandi Lacayo

