Republic of Panama
Superintendency of Banks

RULE N.° 8-2022
(Dated 2 August 2022)

“Whereby Article 2 of Rule 3-2016, on credit and counterparty risk-weighted assets, is amended and other provisions are prescribed”

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, which 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 the provisions of 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 and interpreting the 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 must 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,

Pursuant to 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 categories for risk-weighted assets were established,

Pursuant to Article 2 (4), (5), (6), and (7) of Rule 3-2016, the mortgages on main residence and the other consumer or corporate loans with residential or commercial real estate pledges are among the assets classified in Category 4 (35%) and Category 5 (50%). On the other hand, Category 6 (100%) includes the mortgages with residential pledges and Category 7 (125%) include the past due loans not mentioned in the above categories and delinquent loans defined by the regulations issued by the Superintendency,

Pursuant to Board of Directors’ General Resolution SBP-GJD-0001-2022 dated 12 April 2022, the Board of Directors’ General Resolution SBP-GJD-0006-2021 was amended to extend until 1 August 2022 the validity of the appraisal reports held by banks to constitute collateral on movable and immovable property, in compliance with the current regulations issued by the Superintendency of Banks,

During its work sessions, the Board of Directors determined it was necessary and advisable to amend Article 2 (4), (5), (6), and (7) of Rule 3-2016 to establish new guidelines on the appraisal of collaterals for assets included in these categories.

RESOLVES:

ARTICLE 1. AMENDMENT. Article 2 (4.1) of "Category 4;" (5.3), (5.4), (5.5), (5.6), and (5.7) of "Category 5;" (6.9) and (6.10) of "Category 6;" and (7.4) of "Category 7" of Rule 3-2016 shall read:

"ARTICLE 2. ASSETS RATED BY CATEGORY. In accordance with the provisions of Article 70 of the Banking Law, the risk-weighting of assets will be according to the following 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:

…

4. Category 4 (35%):

4.1. Mortgages on a main residence granted to the final acquirer of such property, if the loan amount does not exceed 80% of the lowest appraised value in the appraisal report. Banks may not include in this category loans considered consumer loans linked to a mortgage.

To be apply to this category, the bank must have a property appraisal conducted by independent professionals within the last six (6) years. After the six-year period referred to herein, the bank must have the relevant updated appraisal report.

…

5. Category 5 (50%):

…

5.3. Mortgages on a main residence granted to the final acquirer of such property, for which the amount is greater than 80% but under 100% of the lowest appraised value in the appraisal report. Loans meeting these conditions will not require an updated appraisal report.

5.4. Mortgages on a second home granted to the final acquirer of such property, if the loan amount does not exceed 80% of the lowest appraised value in an appraisal report made within the last ten (10) years. After the ten-year period referred to herein, the bank must have the relevant updated appraisal report.

5.5. Mortgages meeting the conditions of (4.1) but whose appraisal report is over six (6) years old.

5.6. Other loans (consumer or corporate) with commercial real estate pledges, if the balance of the loan does not exceed 60% of the value of the secured property and with an appraisal report made within the last five (5) years. After the five-year period referred to herein, the bank must have the relevant updated appraisal report.

5.7. Other loans (consumer or corporate) with residential property pledges, if the balance of the loan does not exceed 70% of the value of the secured property and with an appraisal report made within the last five (5) years. After the five-year period referred to herein, the bank must have the relevant updated appraisal report.

…

6. **Category 6 (100%):**

…

6.9. Any mortgage loan not meeting the conditions set out in categories 4 and 5 must be in this category. Loans under these conditions will not require an appraisal report, except for loans rated for the first time as substandard and subsequent categories. Similarly, delinquent mortgage loans under categories 4 and 5 will be in this category. The bank must ensure that it complies with the rules established in Article 41 of Rule 4-2013.

6.10. All past due loans, except for mortgage loans as defined in the regulations issued by the Superintendency, whose characteristics are in these and previous categories, will be at 100%. As for the past due mortgage loans they will remain rated in categories 4 and 5, as appropriate.

…

7. **Category 7 (125%):**

…

7.4. All delinquent loans, except for mortgage loans, in accordance with the Rule on credit risk management and administration inherent in the credit portfolio and off-balance sheet operations, will be in this category, except for those included in category 8.

…"

ARTICLE 2. REPEAL. This Rule repeals Board of Directors' General Resolution SBP-GJD-0001-2022 dated 12 April 2022.

ARTICLE 3. EFFECTIVE DATE. The provisions herein shall become effective upon its enactment.

Given at Panama City this second (2nd) day of August, two thousand twenty-two (2022).

FOR COMMUNICATION, PUBLICATION AND ENFORCEMENT.

THE CHAIRMAN, **THE SECRETARY,**

Rafael Guardia Pérez Felipe Echandi Lacayo