

TRANSLATION



June 14, 2011
Circular No. SBP-DRB-0042-2011

General Manager

Subject: Applicable formula to calculate nominal and effective interest rates, Rule No. 1-2011.

Dear Manager:

Hereby, we would like to clarify the provisions set forth in Article 196, number 6 of the Banking Law and the third paragraph of article 9 of Rule No. 1-2001, which state the following:

“ARTICLE 196. WRITTEN CONTRACTS. Banking contracts should contain, at the time of signing, at least the following basic information:

1. ...
2. ...
6. Nominal interest rate and the effective rate applicable with an example of its calculation. In the case of lines of credit, the formula to determine the effective interest rate applicable should be shown.”

“ARTICLE 9. MEANS TO INFORM THE CLIENT ABOUT INTEREST RATES, FEES, AND CHARGES FOR OTHERS OF PRODUCTS AND SERVICES. ...

...
In contracts with lending operations, banks must record the nominal and effective rates, in this order and one followed by the other, expressed on an annualized basis, with letters and numbers highlighted to ensure their visibility, and the formula for calculating them.
...”

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In this regard, we would like to inform you that the provisions above refer that in lending operations contracts, they must clearly express the interests, fees and/or charges applied when calculating the nominal and effective interest rate, in a way that the client may know the elements involved in the value of money over the time.

We would highly appreciate to inform your staff of these instructions in order to fully comply with this Circular

Best regards,

Alberto Diamond R.
Superintendent

ARV/qc