



Republica de Panamá  
SUPERINTENDENCIA DE BANCOS

**AGREEMENT N° 7-99**  
(Of December 29, 1999)

**THE BOARD OF DIRECTORS,**  
Exercising its Legal Authority, and

**WHEREAS:**

That, according to Numeral 32 of Article 17 of Law Decree N° 9 of February 26 of 1998, it is the duty of the Superintendency of Banks to dictate regulations that Banks must observe so that their operations develop inside the adequate risk levels, including the capacity to establish limits that must be observed by Banks in their operations;

That, according to Articles N° 1-99 and N° 2-99 of May 11 of 1999 of the Superintendency of Banks, regulations were established for the regulation of the exposition and/or concentration of credit risks derived from granting loans and credit facilities, according to what is stipulated in Articles 63 and 64 of Law Decree N° 9 of February 26 of 1998;

That the acquisition or investment in certificates of indebtedness also constitutes a source of exposition and/or risk concentration;

That the need and advisability of limiting the exposition and/or concentration of risk product of the investment in certificates of indebtedness issued by ONE (1) person or its Particular Economic Group for Banks with the General License has become evident during the working sessions of this Superintendency; and

That, according to Numeral 7 of Article 16 of Law Decree 9 of February 26 of 1998, it corresponds to the Board of Directors to establish at the administrative level the interpretation and scope of the legal and regulatory dispositions on banking matters,

**APPROVES:**

**ARTICLE 1: APPLICATION LEVEL.** The present Agreement will apply to the acquisition by the Banks with General License, on its on account and risk, of certificates of indebtedness issued by any modality, independently of the way they were acquired.

**1.1 NOTIONS.** For the application of this Agreement the terminology will have the following meaning:

**1.1.2. Debt Titles:** The following instruments will be considered titles of indebtedness:

- a. Bonds, negotiable commercial securities (NCS), obligations;
- b. Negotiable banking acceptances;
- c. Representative titles of mortgage portfolio participation;
- d. Representative titles of mutual fund investment participation; and
- e. Others determined by the Superintendency.

**1.1.3 Particular Economic Group:** Are considered as Economic Group of ONE (1) person in particular (“Particular Economic Group”):

1.1.3.1 Any of the following natural persons:

- a. The spouse of the issuer;
- b. The person legally representing the issuer before the Bank in any debt relation that the issuer maintains with the Bank;
- c. The person legally represented by the issuer before the Bank in any debt relation that the represented person maintains with the Bank; and
- d. – When the issuer is a corporation – the person that individually has the necessary votes in that issuing corporation to elect by himself the majority of the directors of said corporation, or to name the Legal Representative or General Counsel or the Executive of the highest level of said corporation. This person will be known as “comptroller”.

1.1.3.2 Any of the following corporations:

- a. Corporation in which the issuer is at the same time director or officer and that has no equity debt relation at least equal to the one usually required by the Bank in similar conditions and purposes;
- b. Corporation in which the issuer is at the same time shareholder in a proportion higher than 20% of the total outstanding shares;
- c. Corporation shareholder of the issuer – if it is a corporation – in a proportion higher than 20% of the total outstanding shares of the issuer – juridical person;
- d. Corporation in which the issuer individually has the necessary votes to elect by himself the majority of the directors of said corporation, or to name the Legal Representative or General Counsel of the Executive of the highest level of said corporation.

**1.1.4 Banks:** For the exclusive effects of this Agreement, the notion of Bank as the entity object of the application of debt titles investment limits and as entity holder of capital that serves as the basis for the application of these limits will also include the subsidiaries property of the Bank that consolidate with it. By virtue of, the basis of Capital Funds for the application of the limits established in this Agreement will follow the principles of consolidation of the International Accounting Standards or the Generally Accepted Accounting Principles in the United States of America (US-GAAP). It is understood, however, that:

- a. The primary capital as well as the secondary capital are accepted as capital funds of the Bank and of each one of its subsidiaries, according to what is established in Numeral 12 of Article 3 of Law Decree 9 of 1998.
- b. In the case of insurance companies, reserves that do not have an equity nature will not be included as part of the capital funds.

**ARTICLE 2. INDIVIDUAL INVESTMENT LIMITS.** To establish at Twenty Five percent (25%) the Capital Funds of the Bank, the investment limit on debt titles issued by only ONE (1) person, or his Particular Economic Group.

**ARTICLE 3. EXCEPTIONS.** The following exceptions to the application of the limit established in the foregoing Article are recognized:

1. When the investment is duly guaranteed through collateral deposit in the same bank, up to the amount of the guarantee;
2. When the investment is in any of the persons referred to in literals a and b of Numeral 1.1.3.2 of Article 1 and does not have more than 50% of the outstanding shares. In that event, instead of computing the totality of the investment, the only computable amount will be a percentage of the investment, which will be equal to the percentage of the shares held.
3. When the investment is made by Official Banks of the Republic of Panama in relation to debt titles of indebtedness of the Panamanian State or by Foreign Estates, or of titles of debts guaranteed by it, according to the criteria of interpretation of Article 150 of Law Decree No. 9 de of 1998;
4. When the investment fall on debt titles emitted by the Banks of he Panamanian State or by Foreign Banks, or guaranteed by it or them.

**ARTICLE 4. DEADLINE TO ADJUST TO THE LIMITS OF THESE REGULATIONS.** The deadlines established in Articles 10 and 11 of Agreement N° 5-98 of October 14 of 1998 remain effect.

**ARTICLE 5: VALIDITY.** Without detriment of the deadline specified in the previous Article, this Agreement will be in effect as of the first (1) of February of the year 2000.

Issued in the City of Panama, on the twenty ninth (29) day of the month of December of nineteen hundred and ninety-nine (1999).

**NOTIFY AND EXECUTE**

**THE PRESIDENT**  
Rogelio Miro

**THE SECRETARY**  
Eduardo Ferrer

AAHB:rmq