



Republica de Panamá  
SUPERINTENDENCIA DE BANCOS

**AGREEMENT No. 2-2000  
(21<sup>st</sup> February 2000)**

**THE BOARD OF DIRECTORS  
in the exercise of its legal powers, and**

**WHEREAS:**

In accordance with Article 46 of Decree Law No. 9 of 26<sup>th</sup> February 1998 every Bank which has a general licence must keep a minimum balance of liquid assets at all times which is equivalent to such percentage of its total gross deposits in Panama or abroad as is fixed by the Superintendency of Banks from time to time;

In accordance with Article 47 of Decree Law No. 9 of 1998 this Board of Directors is responsible for fixing the liquidity ratio referred to in the aforementioned Article 46;

In accordance with Article 48 Point 10 of Decree Law No. 9 of 1998 the Superintendency has the power to specify additional liquid assets which are authorised to make up the said liquidity ratio;

This Board of Directors is responsible for fixing the construction and scope of the provisions pertaining to banking matters within the administrative sphere; and

In working sessions of this Board of Directors with the Superintendent it has become apparent that it is necessary and advisable to lay down new conditions for fulfilling the liquidity ratio,

**AGREES:**

**ARTICLE 1.- LEGAL LIQUIDITY RATIO.** For the purposes of Article 46 of Decree Law No. 9 of 1998 let the legal minimum liquidity ratio which General Licence Banks and Official Banks must maintain at all times be fixed at THIRTY PER CENT (30%). In the case of General Licence Banks which maintain a quarterly average of local and/or foreign interbank deposits in excess of EIGHTY PER CENT (80%) of their total deposits, this ratio shall be TWENTY PER CENT (20%).

**PROVISO: EXCLUDABLE DEPOSITS.** Banks shall exclude such part of any deposit pledged as is equivalent to the amount of the obligation being guaranteed as at the date of the liquidity report from the computation of the deposits for the purposes of the requirement of the legal liquidity ratio.

For the purposes of this Article, deposit pledged shall be deemed to mean the sight or term deposit which constitutes security for the payment of obligations acquired in the name of the owner of the deposit or third parties with the Bank in which the said deposit has been created.

**ARTICLE 2.- ACCEPTABLE FOREIGN BANKS.** For the purposes of Article 48 Point 5 of Decree Law No. 9 of 1998, foreign banks which are established in member states of the Organisation for Economic Co-operation and Development (OECD) shall be accepted, as shall banks in countries with an investment grade rating and in other countries approved by the Superintendent.

If she considers it appropriate to do, so the Superintendent may order the temporary suspension of the acceptance of banks established in particular countries or territories.

**ARTICLE 3.- ACCEPTABLE CURRENCIES.** For the purposes of Article 48 Point 5 of Decree Law No. 9 of 1998, other currencies shall also be accepted in addition to United States dollars, provided they are freely convertible and transferable in the opinion of the Superintendent.

**ARTICLE 4.- OBLIGATIONS ISSUED BY FOREIGN GOVERNMENTS.** For the purposes of Article 48 Point 6 of Decree Law No. 9 of 1998, obligations of foreign governments which meet the following conditions shall be accepted:

- a. They have a long-term risk classification of not less than BBB or a short-term risk classification of not less

than A-3 or the equivalent;

b. They are payable in United States dollars or in another currency which is freely convertible and transferable in the opinion of the Superintendency.

c. They are the subject of regular public trading in an active market.

**ARTICLE 5.- OBLIGATIONS ISSUED BY INTERNATIONAL FINANCIAL ORGANISATIONS.** For the purposes of Article 48 Point 6 of Decree Law No. 9 of 1998, obligations issued by multilateral financial organisations of which the Republic of Panama is a member are accepted as liquid assets.

**ARTICLE 6.- FREEDOM OF DISPOSAL.** In the cases of Articles 2, 4 and 5 hereof there is a requirement that the asset be free from all charges and encumbrances and that it is freely transferable in order for it to be accepted as a Liquid Asset.

**ARTICLE 7.- OTHER AUTHORISED LIQUID ASSETS.** For the purposes of compliance with the legal liquidity ratio laid down in Article 1 hereof, the following shall be treated as liquid assets, in addition to the liquid assets laid down in Article 48 of Decree Law No. 9 of 1998, provided that they are free from all charges and encumbrances and are freely transferable:

1. Obligations of Panamanian private enterprises at their market value, regardless of their classification by international ratings agencies, provided that they meet the following conditions:

a) Their term does not exceed one hundred and eighty six (186) days starting from the date of the liquidity report; and

b) They are the subject of regular public trading in an active market.

1.[sic] Obligations of foreign private enterprises at their market value, provided that they meet the following conditions:

a) They have a long-term risk classification in foreign currency of not less than BB+ or the equivalent;

b) They are payable in United States dollars or in another currency which is freely convertible and transferable in the opinion of the Superintendency;

c) They are the subject of regular public trading in an active market.

3. Obligations of Panamanian private enterprises which are guaranteed by banks established abroad adjudged to be of investment grade, provided that the issuing companies and the guarantor bank do not form part of the same Economic Group.

4. Obligations of Panamanian private enterprises whose term does not exceed one hundred and eighty six (186) days starting from the date of the liquidity report which are guaranteed by official banks in the Republic of Panama.

5. Obligations issued by the Government of the Republic of Panama at their market value provided that they meet the following conditions:

a) They have a long-term risk classification of not less than BB+ or the equivalent;

b) They are payable in United States dollars or in another currency which is freely convertible and transferable in the opinion of the Superintendency;

c) They are the subject of regular public trading in an active market.

3. [sic] Obligations of Panamanian public enterprises whose long-term risk classification is not less than BBB+ or the equivalent and which are expressed in United States dollars or in another currency which is freely convertible and transferable in the opinion of the Superintendency. These obligations must be treated at their market value and must be the subject of regular public trading in an active market;

4. [sic]. Obligations guaranteed or supported by foreign governments whose long-term risk classification is not less than BBB- or whose short-term risk classification is not less than A-3 or the equivalent and which are expressed in United States dollars or in another currency which is freely convertible and transferable in the opinion of the Superintendency.

**PROVISO 1: BANKING OBLIGATIONS PAYABLE IN PANAMA.** For the purposes of Point 3 of this Article, a banking obligation shall be deemed to be payable in Panama if it is subject to Panamanian law, regardless of the place where the payment is actually made.

**PROVISO 2: MARKET VALUE.** The market value of the liquid assets referred to in this Agreement shall be the market value on the last business day of the week to which the report relates.

**ARTICLE 8.- PERCENTAGE OF LIQUID ASSETS IN CASH.** In the event that he considers it appropriate to do so, the Superintendent may indicate to a particular bank what percentage of the legal minimum liquidity ratio must consist of cash, held by the Bank in its power, in United States dollars or in another currency which is freely convertible and transferable in the opinion of the Superintendency.

**ARTICLE 9.- PERCENTAGE OF OTHER LIQUID ASSETS AUTHORISED IN THE LEGAL LIQUIDITY RATIO.** Not more than twenty five per cent (25%) of the minimum legal liquidity ratio may consist of the assets described in Points 1, 2, 4 and 5 of Article 7 hereof.

**ARTICLE 10.- DEPOSITS AND OTHER INVESTMENTS IN BANKS IN THE SAME ECONOMIC GROUP OR THE SAME BANKING CENTRE.** In the event that he considers it appropriate to do so, the Superintendent may indicate to a particular Bank the maximum percentage of deposits and other investments which it may maintain with banks belonging to its Economic Group and/or banks in the same banking centre.

**ARTICLE 11.- COMPUTABLE DEPOSITS.** For the purposes of the requirement of the minimum legal liquidity ratio, the following deposits shall be computed, excluding those received from affiliates, subsidiaries or branches:

1. Sight deposits; and
2. Term deposits whose term does not exceed one hundred and eighty six (186) days starting from the date of the liquidity report.

**PROVISO 1: MEANING OF AFFILIATE.** For the purposes of this Article an "Affiliate" shall be deemed to mean any of the following legal entities:

- a. A company which has the majority of its directors or dignitaries in common with the Bank;
- b. A company with a shareholder or shareholders who hold more than 20% of the shares in circulation and who are also directors or dignitaries of the Bank;
- c. A company in which the Bank, individually, has the votes required within the company to enable it alone to elect the majority of the company's directors or to appoint its legal representative or the holder of a general power of attorney on its behalf, or its most senior executive, or to veto decisions on such matters if they conflict with its choice; or
- d. A company which, individually, has the votes required within the Bank to enable it alone to elect the majority of the Bank's directors or to appoint its legal representative or the holder of a general power of attorney on its behalf, or its most senior executive, or to veto decisions on such matters if they conflict with its choice.

**ARTICLE 12.- FINE FOR BREACH OF THE MINIMUM LEGAL LIQUIDITY RATIO.** Any breach by a Bank of the minimum legal liquidity ratio or the composition thereof shall be sanctioned by a fine of One Thousand Balboas (B/.1,000.00) for each day of the breach up to a maximum of Ten Thousand Balboas (B/.10,000.00) per month.

If the amount of the shortfall is more than One Million Balboas (B/.1,000,000.00), the fine shall be Five Thousand Balboas (B/.5,000.00) for each day of the breach up to a maximum of Fifty Thousand Balboas (B/.50,000.00) per month.

The provisions of the previous paragraphs shall also apply in the event that the shortfall is due to the disqualification by the Superintendency of assets improperly included as Liquid Assets and/or is the result of the omission notified by the Superintendency of computable deposits improperly excluded from the basis of the requirement.

**ARTICLE 13.- FREQUENCY OF THE CALCULATION OF THE LEGAL LIQUIDITY RATIO.** The legal liquidity ratio shall be

calculated at the end of each week.

**ARTICLE 14.- INFORMATION FOR THE SUPERINTENDENCY.** The Superintendent shall determine the form of and frequency of filing of the Legal Liquidity Report.

**ARTICLE 15.- FINE FOR LATE FILING OF THE LEGAL LIQUIDITY REPORT.** The criteria for the imposition of progressive fines for delay in the filing of reports and/or documents required by the legal provisions or by Circulars and/or Notes of the Superintendency which are contained in Agreement No. 2-98 of 23<sup>rd</sup> September 1998 are applicable to delays in the filing of the Legal Liquidity Report.

**ARTICLE 16.- INTERNATIONAL RISK CLASSIFICATION.** For the purpose of the international classifications of foreign currency instruments referred to in this Agreement, the classifications described in Appendix 1 shall be used, with the Standard and Poors nomenclature continuing to be the benchmark.

**ARTICLE 17.- COMING INTO FORCE.** This Agreement shall come into force on twentieth (20<sup>th</sup>) March 2000.

Issued in Panama City on the twenty first (21<sup>st</sup>) day of the month of February two thousand (2000).

**LET THIS AGREEMENT BE PUBLISHED AND COMPLIED WITH.**

**THE CHAIRMAN,**  
Rogelio Miró

**THE SECRETARY (acting),**  
Félix B. Maduro