

RULE NO. 002-2010¹
(dated 4 February 2010)

“By means of which provisions regarding Banks Ratings are issued”

THE BOARD OF DIRECTORS

In use of its legal powers, and

WHEREAS

Due to the issuance of Decree Law 2 of 22 February 2008, the Executive Branch systematically ordered in the form of a Sole Text the Decree Law 9 of 1998 and all its modifications, which was approved by means of Executive Decree 52 of 30 April 2008, hereinafter referred to as the Banking Law;

According to Number 2 of article 5 of the Banking Law, it is the purpose of this Superintendency of Banks to strengthen and encourage the favorable conditions for the development of Panama as an International Financial Center;

The current financial situation demands to this Superintendency of Banks to update the requirements to the banking entities in regards to capital adequacy/adjustment and liquidity issues consistent to the international standards;

The future regulation about capital adequacy/adjustment and liquidity requires the introduction of a comparable and transparent scheme over the profile risk of the banking entities, consistent to the international standards;

The rating requirements to the Banks of the System creates greater transparency and deepens the risk assessment culture, which recoils in greater security, soundness, and stability of the Banking System and will complement the effective bank supervision;

In the working sessions of this Board of Directors, was mentioned the need and convenience of updating the general criteria framework for the banking entities ratings,

RESOLVES:

ARTICLE 1: SCOPE OF APPLICATION. The provisions of this Rule will be applicable to the Official Banks, General License Banks, and International License Banks.

¹ This Rule rescinds in all its parts Rule 11-2005 dated 23 November 2005. Amended by Rule 6-2010 dated 9 November 2010.

ARTICLE 2: CREDIT RATINGS AGENCIES APPOINTMENT. Banks shall hire, at their own cost, the services of specialized and experienced Credit Ratings Agencies, to the opinion of the Superintendency, which responsibility will be issuing an independent credit ratings of the bank. Such credit rating might be, to the opinion of the bank, national or international, unless this Rule or the Superintendency provides otherwise. The Credit Rating Agencies that will participate in these contracts shall comply in every moment with the Code of Conduct Fundamentals for Credit Ratings Agencies issued by the International Organization of Securities Commissions (IOSCO) that are relevant to banks ratings. The Superintendency of Banks will have the right to object the Rating Agency when this does not comply with the guidelines set forth in this Rule.

The banks that have physical regional and operating presence in other international markets, which home supervisor is the Superintendency of Banks shall have an international credit rating.

The banks' branches or subsidiaries or banking holding companies, which host supervisor is this Superintendency of Banks, may evidence its rating by means of their Headquarters' or supervised Banking Holding Corporations' annual certification, in which the rating is accredited, shall comply with the obligation of publishing and remittance of information to this Superintendency. Nevertheless, the Superintendent may, when he/she requires so, request to any of these branches or subsidiaries in particular their own international or Panamanian ratings.

The compulsory credit ratings of the banks established by this Superintendency is without prejudice to the compliance of other credit ratings requirements or requisites that the banks may have as public traded securities issuers, in such cases those will be subject to the applicable provisions in that matter.

ARTICLE 3: CREDIT RATINGS DEFINITION. For the effects of this Rule, it is understood as Credit Rating the bank's internal financial safety and soundness assessment, which constitutes an independent, objective, and well-based opinion about its current capacity to manage risks with third parties and about the entity's solvency and perspectives.

It will be understood as **Local Credit Ratings** the one that allows comparing risks of entities located in the same country, assessing the credit quality of those, among other factors. In the case of **International Credit Ratings**, it will be understood as the one that allows comparing risk of entities from different countries, taking into consideration, besides the financial risk, the country risk.

ARTICLE 4²: CONTRACTING A CREDIT RATING AGENCY. The Banks, prior the approval of its Board of Directors, shall inform to the Superintendency of Banks, in writing, the name of the Credit Rating Agency that will be contracted, which shall comply with all the requirements set forth in this Rule.

² Amended by Article 1 of Rule 6-2010 dated 9 November 2010.

For those banks that choose a domestic credit rating, the contract signed with the Credit Rating Agency will need the previous approval of the Superintendency. Said contract shall have, as minimum, the following items:

1. **Initial Rating:** The contract shall establish that the initial rating will be made within one-hundred eighty (180) days after the closure of the previous fiscal year.
2. **Frequency of Updates:** The contract shall require annual updates within one hundred fifty (150) days after the closure of the previous fiscal year. The information used to prepare the initial rating and the upgrades shall be as close as possible to its issuance date.
3. **Preliminary Report:** The contract shall establish that the Credit Rating Agency will issue a preliminary report of every assessment made to the bank, which will be provided to the bank for its analysis and observations, for which the bank will have ten (10) business days. In the event the bank does not agree with the assessment made, this nonconformity shall be resolved between the bank and the Credit Rating Agency.
4. **Extraordinary Revisions.** The contract shall establish that in case of extraordinary revisions made by the Credit Rating Agency, the Bank will have two (2) business days to analyze them and provide its observations. During these two (2) business days, upon request of the bank, the Superintendency may know of any discrepancy and meet with the parties in order to reconcile the differences. Extraordinary revisions shall be understood as those who are not considered as initial or update ratings, as defined by numbers 1 and 2 of this article.
5. **Independent Opinion.** The contract shall establish that at the moment the Credit Rating Agency publishes the information, it shall indicate that the rating expresses an independent opinion on the ability of the rated entity to manage risks.
6. **Final Report.** The contract shall provide that the Credit Rating Agency will issue a final report of the rating granted that will be published by the bank with the proviso that the bank has taken the corrective actions ordered by the Superintendency, if any.
7. **Updated Information.** The contract shall provide that the information used for the initial rating or updates shall be as close as possible to the date of the final report.
8. **Information furnished to the Superintendency.** The contract shall provide that, prior to its publication, the credit rating agencies will report to the Superintendency of any relevant fact that might affect the rating of the Bank.

The Superintendency of Banks reserves the right to object any contract when such does not comply with the guidelines set forth in this article.

ARTICLE 5: ANALYSIS METHODOLOGY. In regards to the local ratings, the information regarding the methodology used by the Credit Ratings Agencies shall be previously submitted to this Superintendency of Banks or when the bank submits the respective contract for its approval, as it is set forth in article 4.

The banks shall verify that the hired Credit Ratings Agency has all the resources to disclose to the market the rating report as well as its updates.

ARTICLE 6: CREDIT RATINGS AGENCY'S REPORT. The ratings contracts shall consign that the Credit Ratings Agencies have the responsibility of issuing an independent opinion about the bank's financial situation and liquidity.

ARTICLE 7: RATINGS PUBLICATION. The banks shall publish in a nationwide newspaper, just for once, the ratings issued by the Credit Ratings Agency as well as its updates, according to the parameters established in this Rule.

The contents of the publication shall include:

- a. The denomination of the rated bank;
- b. The ratings reference date;
- c. The ratings granted;
- d. The Credit Ratings Agency's identification;
- e. That the ratings express an independent opinion regarding the capacity of the qualified entity to manage risks.

The bank shall remit a copy of these publications to the Superintendency of Banks within the next five (5) days of its publication.

The bank shall display, in an accessible place to the public and in each one of its establishments, a copy of these publications for the whole year.

ARTICLE 8: CHANGES TO THE CONTRACT. The banks shall submit to the previous authorization of the Superintendency any change to the writing of the local ratings contracts with the Ratings Agencies, with the concerning explanations of the reasons why those changes are made, before signing the new contract.

The omission of the aforementioned will be grounds for sanction to the banking entity.

ARTICLE 9: CONFIDENTIALITY. All ratings contracts will provide unequivocally that the partners, managers, and in general, any person that due to his/her position in the Credit Ratings Agencies have access to information reserved to the banks, shall keep duly confidentiality of the same and, besides that, these persons are prohibited of taking that information to be used to get for themselves or others, economic or any other type of advantages.

ARTICLE 10: AGENCIES ROTATION. The banks shall agree with the hired Credit Ratings Agency, the rotation of its analysts and specialized personnel for at least five (5) years. At the moment of rotating the personnel, only one member of the ratings team that assisted the bank will remain for an additional period of one (1) year. The person that will remain for the additional period should not be the associate that was assisting the bank.

ARTICLE 11: The banks that when this Rule comes into effect have already signed contracts with the Credit Ratings Agencies, shall agree the modifications to such contracts in order to be adjusted to the provisions of this Rule, in a period no longer than ninety (90) days.

ARTICLE 12: This Rule reforms in all its parts the Rule 11-2005 of 23 November 2005.

ARTICLE 13: ENFORCEMENT. This Rule will come into force since the date of its promulgation.

Given in the city of Panama on the fourth (4) day of the month of February, two thousand ten (2010).