

# TRANSLATION

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## Republic of Panama Superintendency of Banks

**RULE No. 006-2012**  
(dated 18 December 2012)

“Whereby a new Rule amending the provisions on the application of technical accounting standards for banks established in Panama is issued”

**THE BOARD OF DIRECTORS**  
In use of its legal powers, and

### **CONSIDERING:**

That due to the issuance of Decree Law 2 dated 22 February 2008, the Executive Branch reedited Decree Law 9 dated 26 February 1998 and all of its amendments as a sole text, and that this text was approved by means of Executive Decree 52 dated 30 April 2008, hereinafter referred to as the Banking Law;

That pursuant to paragraphs 1 and 2 of article 5 of the Banking Law, the objectives of the Superintendency of Banks are to safeguard the soundness and efficiency of the banking system as well as to strengthen and foster favorable conditions for the development of the Republic of Panama as an international financial center;

That pursuant to paragraph 7 of article 11 of the Banking Law, it is the technical duty of the Board of Directors to establish the accounting requirements related to the financial information that banks must provide;

That pursuant to paragraph 8 of article 11 of the Banking Law, it is the technical duty of the Board of Directors to establish the general accounting standards that banks must follow;

That pursuant to paragraph 3 of article 91 of the Banking Law, banks must submit all information required by the Superintendency in the timeframe, format and frequency determined by the Superintendency;

That the technical accounting standards applicable to the accounting records of banks established in Panama and the submittal of financial statements and other information required on operations were established pursuant to Rule 4-1999 dated 11 May 1999;

That article 1 of Rule 4-1999 dated 11 May 1999 established that banks could prepare their accounting records according to International Accounting Standards or the Generally Accepted Accounting Principles of the United States of America (US-GAAP);

That the International Financial Reporting Standards (IFRS) are a globally accepted, understandable, high-quality set of standards based on clearly established principles;

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That during the Board of Directors' working sessions it became obvious that it was necessary and advisable to use a single accounting standard to facilitate comparing financial information and submitting of financial statements and other accounting information required by the Superintendency.

## RESOLVES:

**ARTICLE 1. SCOPE OF APPLICATION.** The provisions of this Rule will be applied to:

1. State-owned banks,
2. General license banks,
3. International license banks, and
4. Bank holding companies of banking groups whose home supervisor is the Superintendency of Banks.

The above entities are designated regulated parties in this rule, unless another designation is necessary.

**ARTICLE 2. TECHNICAL ACCOUNTING STANDARDS.** The technical accounting standards used to prepare accounting records and submit the financial reports of the regulated parties will be the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), exclusively, except as otherwise indicated in article 3.

**ARTICLE 3. PRUDENTIAL STANDARDS.** Prudential standards additional to the IFRS requirements, issued by the Superintendency of Banks and applicable to banks, subsidiaries and affiliates take precedence over IFRS standards. The Superintendent will determine how to manage the differences that arise between the two standards.

The bank holding companies of banking groups whose home supervisor is the Superintendency will make the necessary adjustments and/or reclassifications required by these prudential standards such that the consolidated financial statements submitted are based exclusively on the IFRS.

**ARTICLE 4. AUDITING STANDARDS.** The reports and provisions issued by the external auditors appointed by the regulated parties or by the Superintendency of Banks pursuant to Chapters VII and IX of the Banking Law, will adhere to the International Auditing Standards issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC).

Nevertheless, in addition to the above, the auditor may indicate that other auditing standards have been used.

**ARTICLE 5. PROFILE OF THE PERSON IN CHARGE OF ACCOUNTING.** The bank will ensure that the person in charge of accounting or the person with the duties of supervising accounting records and preparing the financial statements of the bank, among other functions, usually identified as the Accounting Manager,

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General Accountant, Corporate Accounting Manager or a similar title meets the following minimum requirements:

1. Has a university degree in accounting or experience equivalent to that of the university degree.
2. Has knowledge of the IFRS and the prudential standards issued by the Superintendency.
3. Has professional experience in finance.
4. Keeps up-to-date regarding IFRS, financial, prudential and other technical issues required for the performance of his/her duties in accordance to international best practices.
5. Takes a minimum of 40 hours per year of continuing education on issues related to his/her position. The bank will be responsible for the proper training of its staff.
6. Complies with the Professional Code of Ethics issued by the International Federation of Accountants (IFAC) and meets the Professional Code of Ethics of Chapter V of Law 57 dated 1 September 1978.

**ARTICLE 6. RESPONSIBILITY OF THE BOARD OF DIRECTORS.** In addition to the responsibilities indicated in article 2 of Rule 1-2010 dated 19 January 2010, whereby the guidelines for the integrity and accuracy of the information contained in the Financial Statements is established, it will be the responsibility of the board of directors to ensure that top management complies with this Rule.

**ARTICLE 7. PENALTIES FOR NONCOMPLIANCE.** Noncompliance with the provisions established herein will be penalized by the Superintendency pursuant the provisions of Title IV of the Banking Law.

**ARTICLE 8. TRANSITORY PROVISION.** Those banks that as of the date of enactment of this Rule use US-GAAP shall submit their first financial statement prepared in accordance with the IFRS on December 31, 2014, taking January 1, 2013 as the transition date.

For the submittal of comparative information and the preparation of temporary financial information the provisions contained in IFRS 1 "First-time adoption of the International Financial Reporting Standards" will be taken into consideration.

Upon request of a regulated party based on fully justified reasons, the Superintendent may extend the above deadline for that regulated party for a maximum of one additional year. This request must be submitted no later than three (3) months from the enactment of this Rule.

In the event that the Superintendent grants the extension, the bank will continue using the US-GAAP as its accounting standard until the end of the timeframe granted by the extension.

**ARTICLE 9. DEROGATION.** With the enactment of this Rule the provisions of Rule 4-1999 dated 11 May 1999 are rescinded.

**ARTICLE 10. ENACTMENT.** This Rule shall become effective on January 1, 2013.

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Given in the city of Panama on the eighteenth (18<sup>th</sup>) day of December, two thousand twelve (2012).

**LET IT BE KNOWN, PUBLISHED AND ENFORCED.**

**THE CHAIRMAN,**

**THE SECRETARY,**

Félix B. Maduro

Nicolás Ardito Barletta