

TRANSLATION

Republic of Panama Superintendency of Banks

RULE No. 5-2016
(dated 13 May 2016)

“Whereby Article 8 of Rule 6-2009, which provides the standards for Risk Concentration Limits for Economic Groups and Related Parties, is amended”

THE BOARD OF DIRECTORS
in use of its legal powers and,

WHEREAS:

Due to the issuance of Decree Law 2 dated 22 February 2008, the Executive Branch reedited Decree Law 9 dated 28 February 1998 and all of its amendments as a consolidated text, and this text was approved by means of Executive Decree 52 dated 30 April 2008, hereinafter referred to as the Banking Law;

Pursuant to paragraphs 3 and 4 of Article 5 of the Banking Law, promoting public trust in the banking system and safeguarding the judicial balance between the banking system and its clients are objectives of the Superintendency of Banks;

Pursuant to Subparagraph 1 of Article 11 of the Banking Law, approving general standards for the identification, regulation, and consolidated supervision of banks and banking groups is a technical duty of the Board of Directors;

In accordance with Subparagraph 2 of Article 11 of the Banking Law, approving generally applicable standards for the definition and identification of credits to clients related among themselves or related to banks or to banking groups is a technical duty of the Board of Directors;

Subparagraph 5 of Article 11 of the Banking Law states that establishing the administrative interpretation and scope of the legal provisions and regulations on banking matters is a technical duty of the Board of Directors;

Title III, Chapter X of the Banking Law establishes prohibitions and limitations on risk concentrations;

Article 263 of the Political Constitution provides that the Law will create and regulate state-owned banks performing as autonomous entities supervised by the State;

Banco Nacional de Panamá and Caja de Ahorros are autonomous entities of the state with their own equity, and the State is subsidiarily responsible for the obligations of both banks;

During its working sessions, the Board of Directors determined it necessary and advisable to amend Article 8 of Rule 6-2009 in order to establish exceptions to risk concentrations in a sole borrower for loans to businesses wholly owned by the Panamanian State.

RESOLVES:

ARTICLE 1. Article 8 of Rule 6-2009 dated 24 June 2009 is as follows:

“ARTICLE 8. EXCEPTIONS. The following exceptions are recognized when applying the limit stipulated in the previous Article:

1. When the loan is secured by pledging deposits within the same bank for up to the secured amount;
2. When the loan is granted to the Panamanian State or is secured by it;

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3. When the loan is granted to a Foreign State or is secured by it, as long as that State has an investment grade international risk rating.

PROVISO. In addition to the above, the Superintendent may grant temporary exceptions to state-owned banks regulated and supervised by the Superintendency when applying the concentration limit in Article 7 herein to a sole borrower, when those banks are granting the loans to businesses wholly owned by the Panamanian State.

The exceptions referred to herein cannot exceed 40% of the bank's equity, and will be granted for a period defined by the Superintendency, extendable for up to two additional periods. The request for an exception or extension, as the case may be, must provide and document the justification to be evaluated by the Superintendency of Banks.”

ARTICLE 2. This Rule shall become effective on its promulgation.

Given in the city of Panama on the thirteenth (13th) day of May, two thousand sixteen (2016).

FOR COMMUNICATION, PUBLICATION AND ENFORCEMENT.

THE CHAIRMAN,

Luis Alberto La Rocca

THE SECRETARY,

Arturo Gerbaud