

Republic of Panama Superintendency of Banks

**RULE N°. 11-2020
(dated 22 September 2020)**

“Whereby Article 2 of Rule 3-2016 that provides rules for determining credit and counterparty risk-weighted assets 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 re-edited Decree Law 9 dated 26 February 1998 and all 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 the provisions of Article 5 (1) and (2) of the Banking Law, safeguarding the soundness and efficiency of the banking system and strengthening and fostering favorable conditions for the development of the Republic of Panama as an international financial center are objectives of the Superintendency of Banks;

Pursuant to Article 11 (3) and (5) of the Banking Law, approving general criteria for the classification of assets at risk and rules for the provision of reserves against risk and establishing the administrative interpretation and scope of the legal provisions and regulations on banking matters are technical duties of the Board of Directors;

According to Article 70 of the Banking Law, all general and international license banks under the home supervision of the Superintendency will maintain capital funds equivalent to at least eight percent of the risk-weighted total of all assets and contingent off-balance sheet operations, as well as a tier one capital equivalent to no less than four percent of the risk-weighted assets and contingent off-balance sheet operations;

By means of Rule 3-2016 dated 22 March 2016, amended by Rule 8-2016, the rules for determining credit and counterparty risk-weighted assets were established;

Banco Nacional de Panamá placed USD 1 billion in international bond markets, with an over-demand of USD 4.8 billion; the bonds will be matured in 10 years at a 2.5% rate. The aforementioned issuance was made in the framework of the COVID-19 pandemic and is also considered the lowest rate obtained by a financial entity in the country;

The main purpose of the issuance is to diversify the bank's sources of resources and to improve the maturity profile of liabilities by obtaining long-term funds, which by definition provide greater stability to financial statements;

During its working sessions, the Board of Directors determined it necessary and advisable to amend Article 2 of Rule 3-2016 in order to include into Category 2 (10%) of the assets rated by categories the bonds issued by Banco Nacional de Panamá for the purposes of risk weighting.

RESOLVES:

ARTICLE 1. Item (2.6) is added to Category 2 (10%) of Article 2 of the assets rated by categories of Rule 3-2016 as follows:

“ARTICLE 2. ASSETS RATED BY CATEGORIES. For the purposes of risk-weighting in accordance with the provisions of Article 70 of the Banking Law, assets will be rated in the following percentage categories:

Category	Percentage
1	0%
2	10%
3	20%
4	35%
5	50%
6	100%
7	125%
8	150%
9	200%
10	250%

The assets listed below fall in each of these categories:

1. Category 1 (0%):

...

2. Category 2 (10%):

- 2.1. Demand deposits in banks established in Panama. These demand deposits include collection documents deposited or included in the settlement.
- 2.2. Demand deposits in banks established in other jurisdictions, as long as these banks are internationally risk-rated between AAA and A-, and the deposits are in fully convertible currency according to the following table:

Code	Currency	Code	Currency
USD	United States dollar	GBP	Pound Sterling
EUR	Euro	CHF	Swiss franc
CAD	Canadian dollar	SEK	Swedish krona
NZD	New Zealand dollar	DKK	Danish krone
AUD	Australian dollar	NOK	Norwegian krone
JPY	Japanese yen		

- 2.3. Loans granted to autonomous and public-private companies wholly, explicitly, jointly and conditionally secured by the Panamanian State and instruments issued by autonomous entities and public-private corporations wholly, explicitly, jointly and unconditionally secured by the Panamanian State.
- 2.4. Loans duly secured by pledged deposits in other banks established in Panama, up to the secured amount.
- 2.5. Interest receivable on these assets.
- 2.6. Bonds issued by Banco Nacional de Panamá as long as they maintain an international risk rating not lower than BBB-.

3. Category 3 (20%):

...”

ARTICLE 2. ENACTMENT. This Rule shall become effective upon its promulgation.

Given in the city of Panama on the twenty-second (22nd) day of September, two thousand twenty (2020).

FOR COMMUNICATION, PUBLICATION AND ENFORCEMENT.

THE CHAIRMAN,

THE SECRETARY,

Luis La Rocca

Nicolás Ardito Barletta