

## Republic of Panama Superintendency of Banks

**RULE N°. 12-2020**  
(dated 13 October 2020)

**“Whereby Article 19 and Annexes 1 and 2 of Rule 4-2008 that prescribed new provisions to comply with the legal liquidity index are 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 (I)(5) of the Banking Law, establishing the administrative interpretation and scope of the legal provisions and regulations on banking matters is a technical duty of the Board of Directors;

By means of Rule 4-2008 dated 24 July 20208 and its amendments, the Superintendency prescribed new provisions to comply with the legal liquidity index;

By means of Article 19 of Rule 4-2008 it was established which are the international agencies considered for the purposes of the international risk rating of instruments in foreign currency referred to in the aforementioned Rule;

Risk rating agencies evaluate the security and intrinsic financial soundness of the bank, with an independent, objective and well-founded opinion on its current capacity to manage risk with third parties and on the solvency and prospects of the entity;

During its working sessions, the Board of Directors determined it necessary and advisable to amend Article 19 of Rule 4-2008 in order to include an internationally recognized and certified global risk rating agency, which meets international risk assessment standards.

### **RESOLVES:**

**ARTICLE 1.** Article 19 of Rule 4-2008 shall read:

**“ARTICLE 19. INTERNATIONAL RISK RATING.** For the purposes of the international risk ratings of instruments in foreign currency referred to herein, those described in Annexes 1 and 2 will be used, following as reference the nomenclature of *Standard & Poor's, Moody's, Fitch* and *Kroll Bond Rating Agency (KBRA)*.”

**ARTICLE 2.** Annexes 1 and 2 of Rule 4-2008 shall read:

**“ANNEX 1****LONG-TERM INVESTMENT GRADE CATEGORIES**

<b>MOODY'S</b>	Aaa	Aa1	Aa2	Aa3	A1	A2	A3	Baa1	Baa2	Baa3
<b>STANDARD &amp; POOR'S</b>	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-
<b>FITCH</b>	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-
<b>KROLL BOND RATING AGENCY</b>	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-

**LONG-TERM NON-INVESTMENT GRADE CATEGORIES**

<b>MOODY'S</b>	Ba1	Ba2	Ba3	B1	B2	B3	Caa1	Caa2	Caa3	Ca	C	
<b>STANDARD &amp; POOR'S</b>	BB+	BB	BB-	B+	B	B-	CCC+	CCC	CCC-	CC	C	D
<b>FITCH</b>	BB+	BB	BB-	B+	B	B-	CCC+	CCC	CCC-	CC	C	D
<b>KROLL BOND RATING AGENCY</b>	BB+	BB	BB-	B+	B	B-	CCC+	CCC	CCC-	CC	C	D

**ANNEX 2****SHORT-TERM INVESTMENT GRADE CATEGORIES**

<b>MOODY'S</b>	P-1	P-2	P-3				
<b>STANDARD &amp; POOR'S</b>	A-1+ A-1	A-2	A-3				
<b>FITCH</b>	F-1+ F-1	F-2	F-3				
<b>KROLL BOND RATING AGENCY</b>	K1+	K1+ or K1	K1	K1 or K2	K2	K2 or K3	K3

**SHORT-TERM NON-INVESTMENT GRADE CATEGORIES**

<b>MOODY'S</b>			NP	
<b>STANDARD &amp; POOR'S</b>	B B-1, B-2, B-3		C	D
<b>FITCH</b>	B		C	D
<b>KROLL BOND RATING AGENCY</b>	B		C	D

**ARTICLE 3. ENACTMENT.** This Rule shall become effective upon its promulgation.

Given in the city of Panama on the thirteenth (13<sup>th</sup>) day of October, two thousand twenty (2020).

**FOR COMMUNICATION, PUBLICATION AND ENFORCEMENT.**

**THE CHAIRMAN,**

**THE SECRETARY,**

Luis La Rocca

Nicolás Ardito Barletta