

Republic of Panama Superintendency of Banks

**RULE N°. 7-2020
(dated 14 July 2020)**

“By means of which Article 4 of Rule 2-2020 that established additional, exceptional and temporary measures to comply with the provisions of Rule 4-2013 on credit risk, 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 (3) of the Banking Law, safeguarding the soundness and efficiency of the banking system and promoting public trust in the banking system are objectives of the Superintendency of Banks;

Pursuant to Article 11 (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 4-2013 dated 28 May 2013, the provisions for management and administration of credit risk inherent to loan portfolio and off-balance sheet operations were established;

As a consequence of the global Coronavirus outbreak, and following up international recommendations issued by the World Health Organization and the Pan-American Health Organization, the National Government, through the Ministry of Health, issued Executive Decree 64 dated 28 January 2020, whereby the necessary essential and urgent measures, contained in the National Plan for the threat of the novel Coronavirus (2019-nCoV) outbreak, as well as extraordinary measures necessary to prevent the introduction and spread of this public health issue were adopted;

Before the threat of an emergency situation in the territory due to the risk of spread of the coronavirus outbreak, by means of Cabinet Resolution 6 dated 28 January 2020, the Cabinet Council declared the high-risk threat of the Novel Coronavirus (2019-nCoV) outbreak spread in the national territory;

Consequently, in order to expand Cabinet Resolution 6 of 2020 and to reinforce observance measures to contain the epidemic, by means of Cabinet Resolution 10 dated 3 March 2020, the Cabinet Council raised to very high the threat of the Novel Coronavirus (2019-nCoV) outbreak spread in the national territory and prescribed other provisions;

The health threat situation of the Novel Coronavirus (2019-nCoV) worldwide has collaterally affected different economic sectors, including the financial sector, which is why it is important to protect the financial stability of the Panamanian banking system;

The Superintendency of Banks issued Rule 2-2020 by means of which it established additional, exceptional and temporary measures to comply with the provisions of Rule 4-2013, permitting banks to modify the originally agreed on terms and conditions for corporate and consumer loans in order to provide an economic relief to customers whose payment capacity is affected as a result of COVID-19;

Article 4 of Rule 2-2020 provided that banks will have 120 days to assess the loans of those debtors whose cash flow or payment capacity has been affected due to COVID-19 situation or

that have an arrears of up to 90 days. The rule also provided that these loans may be subject to a review of the terms and conditions, therefore the bank may agree on and/or grant grace periods keeping the loan classification at the time this Rule becomes effective;

On 4 May 2020, the Panamanian Banking Association entered into a public commitment to extend the payments standstill up to December 2020. By means of the public commitment, the Panamanian Banking Association announced the extension and inclusion of new financial relief measures to support the customers affected by COVID-19;

The public commitment signed by the Panamanian Banking Association provided that the payments standstill is extended until December 2020 for those customers that during the aforementioned period remain affected by the economic crisis caused by COVID-19, specifically to people whose employment contracts have been suspended or terminated, freelancers and businesses whose activity have been affected by the sanitary measures established by the Executive Branch;

Taking into consideration that banks shall assess each case individually, it is necessary to expand the 120-day period established in Rule 2-2020 for the banks to have a longer period to assess the debtors affected by COVID-19 and make the relevant modifications;

During the working sessions of the Board of Directors it determined it is necessary and advisable to amend Article 4 of Rule 2-2020 in order to extend the assessment period for granting loans.

RESOLVES:

ARTICLE 1. Article 4 of Rule 2-2020 dated 16 March 2020 shall read:

ARTICLE 4. ASSESSMENT PERIOD FOR GRANTING LOANS. Banks will have until 31 December 2020 to reassess the loans of those debtors whose cash flow and payment capacity have been affected by the COVID-19 situation and who, at the original moment of the loan modification, have an arrears of up to 90 days.

Banks may also modify those loans that have not been previously modified, whose cash flow and payment capacity have been affected by the COVID-19 situation and that do not have an arrears of more than 90 days.

The foregoing loans may be subject to a review of terms and conditions, therefore the bank may agree on and/or grant grace periods keeping the loan classification at the time this Rule becomes effective, until the Superintendency sets the classification and provisioning criteria that will be applied to modified loans.

ARTICLE 2. ENACTMENT. This Rule shall become effective on 19 July 2020.

Given in the city of Panama on the fourteenth (14th) day of July, two thousand twenty (2020).

FOR COMMUNICATION, PUBLICATION AND ENFORCEMENT.

THE CHAIRMAN,

THE SECRETARY,

Luis La Rocca

Nicolás Ardito Barletta