

**REPUBLIC OF PANAMA  
SUPERINTENDENCY OF BANKS****RULE N°. 1-2021  
(dated 23 March 2021)**

**“Whereby Articles 5 and 7 of Rule 1-2015, which establishes the Rules for Capital Adequacy applicable to banks and banking groups, 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 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)(1) of the Banking Law, approving general standards for the identification, regulation and consolidated supervision of banks and banking groups is among the technical duties of the Board of Directors;

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 among the technical duties of the Board of Directors;

According to the provisions of Article 91 (3) of the Banking Law, all banks must submit reports to the Superintendency using the schedule and format indicated by the Superintendency;

By means of Rule 1-2015 dated 3 February 2015, amended by Rule 13-2015, the rules for capital adequacy applicable to banks and banking groups are established;

During its working sessions, the Board of Directors determined it necessary and advisable to amend Articles 5 and 7 of Rule 1-2015, for banks to submit to the Superintendency of Banks the prospectuses of all financial instruments that need to be included as additional tier one capital and/or tier two capital.

**RESOLVES:**

**ARTICLE 1.** Article 5 of Rule 1-2015 shall read:

**“ARTICLE 5. ADDITIONAL TIER 1 CAPITAL.** Additional tier 1 capital consists of the following elements:

1. Instruments issued by the regulated entity meeting the characteristics to be included in additional tier 1 capital and not included as common tier 1 capital.
2. Share premiums resulting from instruments included in additional tier 1 capital.
3. Instruments issued by consolidated affiliates of the regulated entity held by third parties, meeting the characteristics for their inclusion in additional tier 1 capital and not included as common tier 1 capital.

4. Regulatory adjustments applied to the additional tier 1 capital calculations covered by Article 9 herein.

**PROVISO.** The regulated entity must have the prior authorization from the Superintendency to include financial instruments in the additional tier 1 capital. In this regard, every request must be accompanied by the prospectus of the corresponding financial instrument and an additional document proving compliance with the characteristics described in Article 6 herein.”

**ARTICLE 2.** Article 7 of Rule 1-2015 shall read:

“**ARTICLE 7. TIER 2 CAPITAL.** Tier 2 capital consists of the following elements:

1. Instruments issued by the regulated entity meeting the criteria to be included as tier 2 capital and not included in tier 1 capital.
2. Share premiums resulting from instruments included in tier 2 capital.
3. Instruments issued by consolidated affiliates of the regulated entity, held by third parties, meeting the characteristics for their inclusion to be included in tier 2 capital and not included in tier 1 capital.
4. Provisions for future losses not currently identified can be classified as tier 2 capital. Provisions assigned to the identified deterioration of specific assets assessed individually or jointly are excluded. The above reserves will not exceed the maximum of 1.25 basis points of credit risk-weighted assets. Dynamic provisions defined in Rule 4-2013 are excluded.
5. Regulatory adjustments applied to tier 2 capital calculations covered by Article 9 herein.

**PROVISO.** The regulated entity must have the prior authorization from the Superintendency to include financial instruments in tier 2 capital. In this regard, every request must be accompanied by the prospectus of the corresponding financial instrument and an additional document proving compliance with the characteristics described in Article 8 herein.”

**ARTICLE 3. ENACTMENT.** This Rule shall enter into effect upon its promulgation.

Given in Panama City on the twenty-third (23<sup>rd</sup>) day of March, two thousand twenty-one (2021).

**FOR COMMUNICATION, PUBLICATION AND ENFORCEMENT.**

**THE CHAIRMAN,**

**THE SECRETARY,**

Luis La Rocca

Nicolás Ardito Barletta