

## Republic of Panama Superintendency of Banks

**RULE N.º 4-2022  
(dated 19 April 2022)**

**“Whereby Article 31 of Rule 2-2018, which establishes the provisions on liquidity risk management and the short-term liquidity coverage ratio, is amended”**

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

### **WHEREAS:**

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

Pursuant to Article 6 of the Banking Law, ensuring that the banks maintain sufficient liquidity and solvency ratios to discharge their obligations is among the functions of the Superintendency of Banks;

Pursuant to Article 72 of the Banking Law, the Superintendency may consider and evaluate other risks to determine capital adequacy ratios;

Pursuant to Article 73 of the Banking Law, all general license and international license banks that are subject to the home supervision of the Superintendency of Banks must at all times maintain minimum liquid assets equivalent to a percentage of the total gross deposits in Panama or abroad that will be periodically set by the Superintendency of Banks;

Pursuant to the provisions of Article 75 (10) of the Banking Law, the Superintendency may determine other assets as part of the assets making up the banks' liquid assets portfolio;

The Basel Committee has strengthened its liquidity framework by introducing minimum financial liquidity standards, developing the Liquidity Coverage Ratio (LCR), to ensure that banks have sufficient high-quality liquid funds to overcome a significant stress scenario for an entire month and designed as a key component of the supervisory approach to liquidity risk;

Pursuant to Rule 2-2018 dated 23 January 2018 and its amendments, the liquidity risk management and the short-term liquidity coverage ratio were established;

Pursuant to Article 31 of Rule 2-2018, the levels and characteristics making up the high-quality liquid assets, including marketable securities representing claims on or guaranteed by multilateral development organizations, as well as by any other multilateral development organizations approved by the Superintendency that meet the conditions established in said article were include in Level 1 assets;

Pursuant to the guidelines set by Basel, loans secured by Multilateral Development Organizations (MDO) expressly approved by the Superintendency of Banks of Panama will be granted a 0% credit risk weighting, among which the European Bank for Reconstruction and Development (EBRD) is included;

During its work sessions, the Board of Directors determined it was necessary and advisable to amend Article 31 of Rule 2-2018 to include the European Bank for Reconstruction and Development (EBRD) in Level 1 high-quality liquid assets fund.

### RESOLVES:

**ARTICLE 1.** Article 31 of Rule 2-2018 shall read:

**“ARTICLE 31. HIGH-QUALITY LIQUID ASSET FUND.** The high-quality liquid asset fund will be comprised of three levels: Level 1, Level 2A and Level 2B. The characteristics of the assets of each of level are defined below:

#### Characteristics of the Level 1 assets:

1. Coins and banknotes;
2. Demand deposits or term deposits with an expiration date of no more than 30 calendar days in the United States Federal Reserve Banks, the Bank for International Settlements or any other finance entity holding similar characteristics authorized by the Superintendency of Banks;
3. Marketable securities representing claims on or guaranteed by sovereigns, central banks, public sector entities, the Bank for International Settlements, the European Central Bank and European Community, the International Monetary Fund (IMF), the International Bank for Reconstruction and Development (IBRD), the Agency for International Development (AID), the International Finance Corporation (IFC), the Inter-American Development Bank (IADB), the European Investment Bank (EIB), the Asian Development Bank (ADB), the African Development Bank (AfDB), International Fund for Agricultural Development (IFAD), the Andean Development Corporation (CAF, for its acronym in Spanish), the European Bank for Reconstruction and Development (EBRD), and any other multilateral development bank approved by the Superintendency of Banks and satisfying all of the following conditions:
  - a. Assigned an international credit rating of between AAA and AA-;
  - b. Traded in active repo or cash markets; operations having a low level of concentration;
  - c. Have a proven record as a reliable source of liquidity in the markets (repo or sale) even during stressed financial conditions;
  - d. Not an obligation of a financial institution (except for the aforementioned institutions) or any entity belonging to a banking group. Even the securities issued with public approval by a financial institution are not accepted in the fund.
4. Marketable securities issued by the Panamanian state.

#### Characteristics of the Level 2A assets:

...

#### Characteristics of the Level 2B assets:

...”

**ARTICLE 2. EFFECTIVE DATE.** This Rule shall become effective upon its enactment.

Given at Panama City this nineteenth (19<sup>th</sup>) day of April, two thousand twenty-two (2022).

**FOR COMMUNICATION, PUBLICATION AND ENFORCEMENT.**

**THE CHAIRMAN,**

**THE SECRETARY,**

Rafael Guardia Pérez

Felipe Echandi Lacayo

