



October 26, 2009
FECI Circular No. 004-2009

General Manager
Panama City

Ref.: Modification of FECI's Interpretation Criterion
on loans secured by savings and fixed term
deposits.

Dear General Manager:

We hereby let you know that pursuant to Article 37 of Law 49 of September 17, 2009, which amends Article 2 of Law 4 of 1994 and that went in force on September 18, 2009, the exemption from the withholding corresponding to the FECI Regime of loans secured by savings deposits or fixed term deposits, is eliminated.

In light of the foregoing, FECI's interpretation criterion No. 31 is modified, and will now read:

*“Local personal and commercial loans secured by savings deposits or fixed term deposits will be **subject to the withholding of 1%**, by virtue of Law 4 of 1994, as it exists after the modifications made by Article 37 of Law 49 of 2009. The loans approved before said Law 49 went into effect, that is, September 18, 2009, will still be exempt from this withholding until their annulment, extension or refinancing.”*

It is worth underlining, however, that this Superintendency of Banks has knowledge that on October 19, 2009, Panama's National Assembly approved in the Third Debate Bill No. 1, “Which proscribes the equalization in granting contracts, addenda or the like, in which the Government is a party, and prescribes other provisions”, which bill *would amend* numeral 2 of Article 2 of Law 4 of 1994, which means that loans secured by bank deposits, that is, by savings or fixed term deposits, will again be exempt from the FECI Regime 1% withholding.

We will let you know as soon as said Law is enacted.

Moreover, among other modifications that are introduced by Law 4 of 1994, we hereby point out the following:

1. The following are excluded from the 1% withholding charge to which Article 2 refers: the loans agreed on as automatic loans in life insurance policies secured by the value of the mathematical reserve or the rescue value, whose product is used to pay for the premiums of the same life insurance policies, thus avoiding their premature termination.
2. The definition of “commercial and local loans” is emphasized, in the sense of considering as such the “new loans granted in the national territory, including the free international trade areas held or operated by the Colon Free Zone or by any other established zone or free area or one that may be created in the future. This definition excludes the development regimes granted by way of international bids”.

Finally, the amendments to Law 4 of 1994 introduce the concept of a Committee that will be integrated by the Minister of Economy and Finances, the General Revenue Director and the Superintendent of Banks, and the same will have the application of said Law under its responsibility.

As stated by Article 4 of Law 4 of 1994, until the Committee pronounces or enacts instructions, the Superintendency of Banks will keep executing the policies previously stipulated by the institution to manage the Interest Clearing Special Fund (FECI).

Without anything else in particular, we undersign.

Attentively,

Olegario Barrelier
Superintendent

/cga