



November 13, 2009
FECI Circular No. 005-2009

General Manager
Panama City

Ref.: Modification of the FECI Interpretation Criterion on loans secured by bank deposits. (Circular 004-2009 of October 26, 2009)

Dear General Manager:

We hereby advise you that pursuant to Article 31 of Law No. 69 of November 6, 2009, which modifies Numeral 2 of Article 2 of Law 4 of 1994 and went in force on November 7, 2009, loans secured by bank deposits, that is, by savings or fixed term deposits, will again be exempt from the FECI Regime 1% withholding.

Thus, Article 31 of the mentioned Law 69 modifies Numeral 2 of Article 2 of Law 4 of 1994, as follows:

“ARTICLE 2: ...

The following are excluded from the surtax charge of one percent (1%) mentioned in this article:

1. ...
2. *Inter-bank loans, loans secured by bank deposits, external loans, financing through the issue of bonds and securities duly registered before the National Securities Commission, as well as loans granted to financial entities regulated by Law 42 of 2001. This Law has effect on credits secured by bank deposits **that were generated since Law 49 of 2009 went in force, and the banking institutions are ordered to return the FECI rate applied since September 18, 2009 on credits secured by bank deposits**”. (The emphasis is ours.)*

As stated by Article 4 of Law 4 of 1994, as recently modified by Law 49 of 2009, until the Committee integrated by the Minister of Economy and Finances, the General Revenue Director and the Superintendent of Banks, responsible for the application of Law 4 of 1994, pronounces or enacts instruction, the Superintendency of Banks will keep executing the policies previously stipulated by this Institution to manage the Interest Clearing Special Fund (FECI).

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

Local personal and commercial loans *secured by bank deposits, that is, savings or fixed term deposits*, are ***exempt of the 1% withholding***, by virtue of Law 4 of 1994, as it exists after the modifications made by Article 31 of Law 69 of 2009. Said Law has effect on credits secured by bank deposits that were generated since Law 49 of 2009 went in force (which modified Article 2 of Law 4 of 1994), and the banking institutions are ordered to return the FECI rate applied since September 18, 2009 on credits secured by bank deposits.”

The full text of Law 69 of 2009 can be read through the following link:
www.asamblea.gob.pa/APPS/LEGISPAN/PDF_GACETAS/2000/2009/26402-C_2009.PDF.

We are grateful to the Manager for giving the staff under his charge the corresponding instructions for the fulfillment of this circular.

Attentively,

Amauri A. Castillo
Interim Superintendent

cga/rg

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