

CERTIFIED TRANSLATION

[National emblem of the Republic of Panama]
Republic of Panama
Superintendency of Banks

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CIRCULAR No. 022-2001

General Manager
In Your Office.

Ref.: Electronic Banking. (Circulars 61-2000 and 71-2000).

Dear Manager, Sir:

As you know, it is a criterion of this Superintendency that the legal and regulatory rules regulating the Banking business in or from Panama are equally applicable to the provision of banking services by electronic means.

For the purpose of maintaining the banking community updated on the latest international standards on the subject, we are pleased to inform you that the Basel Banking Supervision Committee has published its Document No. 82, titled "Principles for the handling of risks for the electronic banking".

The above-mentioned document establishes fourteen (14) principles, divided by three areas, namely:

- A. Supervision by the Board of Directors and the Administration (Principles 1 to 3).
 - 1. The Board of Directors and the main administration should create an effective administrative supervision on the risks associated to the electronic banking activities, including the establishment of specific responsibilities, policies and controls for the handling of said risks.
 - 2. The Board of Directors and the main administration should review and approve the essential aspects of the procedure of control of security of the bank;
 - 3. The Board of Directors and the main administration should establish an integral and continuous process of due diligence and supervision for the handling of their relations with providers of external services and other matters subject to third parties assisting the electronic banking.

- B. Security Controls (Principles 4 to 10).
 - 4. Banks should adopt the appropriate measures to authenticate the identity and the authorization of customers with whom they conduct businesses in the Internet.
 - 5. Banks should use methods for the authentication of the transaction that foster non-repudiation and establish responsibilities for electronic banking transactions.

6. Banks should make sure that the appropriate measures are established to encourage the adequate segregation of duties within the systems, data bases and electronic banking applications.
7. Banks should make sure that the appropriate authorization controls and access privileges are established for the systems, data bases and electronic banking applications.
8. Banks should make sure that the appropriate measures to protect the integrity of transactions, records and information of electronic banking are established.
9. Banks should make sure that there are auditing trails clear for all electronic banking transactions.
10. Banks should adopt the appropriate measures for the preservation of the confidentiality of key information of electronic banking. The measures adopted to preserve the confidentiality should be adjusted to the sensitivity of the information that is transmitted and /or stored in the data bases.

C. Handling of legal and reputation risks (Principles 11 to 14).

11. Banks should make sure that adequate information is supplied in their web sites, that allow their potential customers to reach an informed conclusion on the identity of the bank and the regulatory aspect of the bank, before entering into electronic banking transactions.
12. Banks should adopt appropriate measures that secure the observance of the privacy conditions of the clientele applicable to those jurisdictions to which the bank provides electronic banking products and services.
13. Banks should have effective capacity, business continuity and contingency plan processes that contribute to secure the availability of the electronic banking systems and services.
14. Banks should develop plans of appropriate response to incidents in order to handle, stop and mitigate problems arising from unforeseen events, including internal and external attacks, that may impede the supply of electronic banking systems and services.

We exhort you to instruct the personnel responsible for the adaptation of the above-mentioned principles to the characteristics of electronic banking services offered by your Bank and /or the development of other measures favorable to the handling of risks associated to electronic banking.

For more information on this subject, we recommend to read Document No. 82 mentioned above, available in English in the site of the Basel Committee at the following address:

<http://www.bis.org/publ/bcbs82.pdf>

Yours truly,

[Signed] Ma. Rosas de Tile
María Rosas de Tile
Interim Superintendent

[Round seal] REPUBLIC OF PANAMA – SUPERINTENDENCY OF BANKS –
Superintendent's Office [National emblem of the Republic of Panama]

THE ABOVE IS A FAITHFUL TRANSLATION OF THE ORIGINAL DOCUMENT IN SPANISH
PRESENTED TO ME. Panama, May 29, 2003. Mireya Delgado Debali, Certified Public
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