

*Republic of Panama*  
*Superintendency of Banks*

**GENERAL RESOLUTION No. 001-2005**  
(of March 2, 2005)

**THE BANK SUPERINTENDENT**  
using her legal authority, and

**WHEREAS:**

According to Numeral 1 of Article 5 of Decree Law No. 9 of 1998, the Superintendency of Banks is responsible for preserving the soundness and efficiency of the banking system;

According to Numeral 2 of Article 5 of Decree Law No. 9 of 1998, the Superintendency of Banks is responsible for strengthening and fostering auspicious conditions conducive to the development of Panama as an international financial center;

According to article 1 of Agreement 3-99 of May 11, 1999, the complete and consolidated supervision of the banking economic groups falls on the Superintendency of Banks;

Article 17 of Decree Law No. 9 of 1998, in Numeral 13, establishes the attributions of the Superintendent for the Supervision of Banks, attending, in any event, to the provisions of the international agreements ratified by the Republic of Panama and to internationally accepted standards and criteria;

Article 17 of Decree Law No. 9 of 1998, in Numeral 14, establishes the attributions of the Superintendent for the supervision of the economic groups of which Banks are members, through regular inspections, the analysis of the audited financial statements and other reports, as well as by obtaining information about the transactions and relations between the national or international companies of the economic group, for supervision purposes;

Based on Basel Committee's consolidated supervision concepts and principles, the home country supervisors are responsible for the consolidated supervision and the supervisors of the host country are responsible for the individually based and subconsolidated supervision;

Based on Basel Committee's consolidated supervision concepts and principles, the home country supervisor will be in charge of adopting the necessary measures to organize a practical cooperation among the supervisors responsible for the banking groups' main operations, including the adoption of an adequate communication strategy with the host country supervisors, thus complementing the existing cooperation frameworks;

Based on Basel Committee's consolidated supervision concepts and principles, the supervisors must clearly communicate their respective roles as home or host country supervisors to the banking groups that perform significant cross-border operations in diverse jurisdictions;

In work sessions of this Superintendency, the need and convenience of establishing general guidelines and parameters in the consolidated and cross-border supervision procedures in order to determine the Home Supervisor and the Host Supervisor, according to Basel Committee's principles, has been made evident;

### **RESOLVES:**

**ARTICLE 1:** Within the consolidated and cross-border supervision procedure, the Superintendency of Banks of Panama will exercise home country supervision in the case of Panamanian banks and of the economic groups of which these banks are members, which consolidate their economic group in the Republic of Panama.

**ARTICLE 2:** Within the consolidated and cross-border supervision procedure, in the guidelines and parameters for applying the home country supervision, the following will be considered Parent Banks established in the Republic of Panama:

- 2.1. Banks with Panamanian Capital constituted according to Panamanian legislation, owned totally or mainly by non-bank juridical persons that:
  - a. Are established in the Republic of Panama, according to Panamanian legislation.
  - b. Are established outside of the Republic of Panama, and are neither regulated nor supervised by a foreign supervising authority.
- 2.2. Banks with Foreign Capital, owned totally or mainly by non-bank juridical persons, both constituted according to Panamanian legislation:
  - a. Whose Banking Economic Group consolidates in Panama.
  - b. Who belong to a holding company constituted outside of the Republic of Panama that is neither regulated nor supervised by a foreign supervising authority.
- 2.3. Banks with Foreign Capital constituted according to Panamanian legislation, owned totally or mainly by a non-bank juridical person established outside of the Republic of Panama, and are neither regulated nor supervised by a foreign supervising authority.

- 2.4. Banks with Foreign Capital constituted according to Panamanian legislation, owned totally or mainly by natural persons.

**ARTICLE 3:** Within the consolidated and cross-border supervision procedure, when the Superintendency of Banks of the Republic of Panama carries out the home country supervision, it will coordinate the information exchange and/or joint supervisions with the pertinent foreign supervisors that perform the individual and/or subconsolidated supervision, to strengthen and make more effective the banking economic group supervision.

**ARTICLE 4:** Within the consolidated and cross-border supervision procedures, the Superintendency of Banks of Panama will carry out the host country supervision in the cases of foreign bank branches and subsidiaries.

In virtue of which, the host country supervision will be exercised in branches, subsidiaries and/or Affiliates of Foreign Banks whose Parent Banks are located outside of the Republic of Panama, as well as Banks with Foreign Capital constituted according to Panamanian Legislation that:

- a. Are subsidiaries and consolidate with a foreign controlling corporation duly supervised by a foreign supervising authority.
- b. Are subsidiaries of a non-bank corporation, that consolidates with a controlling bank in a duly regulated or supervised foreign jurisdiction.

**ARTICLE 5:** With the purpose of performing the home country supervision within the banking economic groups according to the principles of Basel Committee and of Decree Law 9 of 1998, the holding companies constituted according to Panamanian legislation and those constituted according to foreign legislations not regulated by a foreign bank supervising authority, must comply with the preparation and submittal in the Republic of Panama of financial statements consolidated by avowed external auditing firms and complying with the International Financial Information Standards (IFIS) or the United States Generally Accepted Accounting Principles (US-GAAP).

**ARTICLE 6:** In the case of Banks with Foreign Capital constituted according to Panamanian legislation that operate in other jurisdictions and that do not form part of the same banking economic group for the effects of a consolidated regulation and supervision, the supervision carried out by the Superintendency of Banks of the Republic of Panama will be performed according to:

- 6.1. Close collaboration with the pertinent foreign supervisors to ensure cooperation and coordination in the supervision of banks with this structure, in attention to the Memoranda of Understanding or any other legal cooperation instrument in force for supervision effects, especially in present and future related banking

operations, with the purpose of determining the origin and destination of the funds and transactions; and/or

- 6.2. Coordination with the pertinent supervisors in order to have a leader supervisor, in attention to the one with the greatest business unit, with the purpose of examining and supervising the banking economic group structure on the consolidated base.

Given in the city of Panama, on the second day of the month of March of two thousand five (2005).

**TO BE RELEASED, PUBLISHED AND FULFILLED.**

**THE BANK SUPERINTENDENT,**

Delia Cardenas