



## **SBP reiterates Panamanian Banking System's Transparency**

In observance of its responsibility for protecting the stability of the Panamanian Banking System and the impact on the regular performance of the national economy, the Superintendency of Banks of Panama wishes to state some considerations on the recent events affecting the reputational risk of the financial system.

It is a known fact that Brazilian-based Construction Company Odebrecht has publicly admitted having performed illegal acts related to several public and private construction contracts in many countries of the world.

In connection with the above, the Superintendency of Banks has conducted special examinations aimed at verifying potential irregularities in certain, specific banks in our system. As of that time, we have proactively and transparently cooperated with the competent authorities on the understanding that a concerted action is an important step in the right direction, not only for maintaining the integrity and transparency of the Panamanian Banking System but as a means of efficient interagency cooperation in combatting the scourge of the illicit flow of money in the economy. Coordination and cooperation among the different agencies combatting money laundering and the financing of terrorism reduces the possibility of a dearth of information for acting in the prevention, gathering of intelligence and suppression of this scourge, as well as strengthening the rule of law in the country's institutions. This is one of the main advances Panama has made in the last 3 years that have permitted the delisting of our country from FATF's gray list.

Regulatory developments and reinforcement practices within the prevention and control sphere of the financial system have matured exponentially not only in Panama, but also in international financial systems. In the Panamanian case, this

has permitted consolidating a sounder banking system in its fight against money laundering and the financing of terrorism. It is advisable to point out that questionable banking transactions made by Odebrecht Group in Panama were physically made between 2008 and 2011, i.e. they do not correspond to recent actions and deviations from the current legal and regulatory framework for the prevention of money laundering and did not have a systemic attribution. During these years, neither supervisory bodies nor global law enforcement authorities were able to detect any actions by Odebrecht that did not meet the requirements of law and, at the same time, jeopardized any actors of the global financial system.

In Panama we have now a strengthened banking system with more due stringent diligence practices imposed not only by the legal and regulatory framework further developed in recent years, but also by banking standards and practices for international correspondent banking relationships. Similarly, the supervisory approach weighs the risk management used by banks differently and requires a higher commitment to Corporate Governance.

In fact, the remedial actions resulting not only from the special examinations but the supervisory and regulatory function conducted by the Superintendency of Banks consolidate the security and financial strength of the Panamanian banking system. We have made major steps towards increasing the transparency of the system by disclosing the results of our punitive process, an action that marks an important difference in market discipline leading towards a more efficient and transparent system.

Within the Banking Law's framework for confidentiality between the supervisory body and banks, our range of options have permitted us to introduce remedial actions that have strengthened the strategies of certain institutions to consolidate themselves as operating businesses. In other cases, the actions have resulted in seizing control of banks when risk and deterioration did not provide better alternatives for this supervisory body. The authority to act is included in the current

legal framework and the Superintendency has conducted itself with the prudence and responsibility the situation and times called for, always bearing in mind the main objective of safeguarding the financial stability of Panama.

The Superintendency of Banks of Panama reiterates its position and strong belief that an environment of interagency cooperation and collaboration is a step in the right direction in safeguarding the integrity and transparency of our banking system. This cooperation has been deepened in recent years and we will keep doing so as the circumstances dictate.

We confirm to the financial community and the general public that we have a sound and safe banking system, with good capitalization and liquidity ratios. There is currently no bank in a condition that could require the Superintendency's intervention.

It is essential to conclude all the investigations determining responsibilities in matters of corruption. In that sense, we urge and require banks to pay their broadest and most decided support to law enforcement authorities to fully comply with their responsibilities, always in an atmosphere of respect and responsibility to preserve the stability of the banking system.

The Superintendency of Banks of Panama recommends the general public and depositors of all banks pay attention only to the official communiqués issued by this Institution. Any communications from unofficial sources warning about situations not expressed or endorsed by our institution are aimed only to create instability and distrust on the sound and safe operations of our banking system. We reiterate that this type of baseless news jeopardizing the national economy or public trust may incur in the commission of offenses under Article 260 of the Penal Code.

Panama, August 4, 2017.