

*Republic of Panama*  
*Superintendency of Banks*

**AGREEMENT No. 12-2005**  
(of December 14, 2005)

**“PREVENTION OF THE IMPROPER USE OF BANKING AND TRUST SERVICES”**

**THE BOARD OF DIRECTORS**  
using its legal authority, and

**WHEREAS:**

The Superintendency of Banks is responsible for looking after the maintenance of the soundness and efficiency of the banking system as well as strengthening and fostering auspicious conditions conducive to the development of Panama as an International Financial Center;

Pursuant to Article 36 of Law No. 1 of January 5, 1984, the Superintendency of Banks will oversee and look after the proper functioning of the trust business;

Pursuant to Numeral 7 of Article 16 of Decree Law No. 9 of February 26, 1998, the Board of Directors must set, in the administrative realm, the interpretation and scope of the legal or regulatory provisions in banking matters;

Through Law No. 41 of October 2, 2000 modified by Law No. 1 of January 5, 2004, a Chapter is added to Title XII of the Penal Code, denominated “On money laundering”, on whose Article 1 the money laundering felony is depicted, dealing not only with funds linked to drug trafficking, but also with funds linked to qualified fraud, illegal arms traffic, people traffic, kidnapping, blackmail, embezzlement, corruption of public officials, terrorism acts, theft, international vehicle traffic, or general crimes against intellectual property;

Law No. 42 of October 2, 2000 stipulates Measures for the Prevention of the Money Laundering Felony;

Article 1 of said Law No. 42 stipulates that Banks and Trust Corporations are obliged to maintain, in their operations, the diligence and care that lead to preventing the execution of those operations with funds or on funds from activities related to the money laundering felony;

Executive Decree No. 1 of January 3, 2001 regulates Law No. 42 of October 2, 2000;

Through Law No. 22 of May 9, 2002, the Republic of Panama adopted the International Agreement for the Repression of Terrorism Financing;

Through Law No. 45 of June 4, 2003 Chapter VII, denominated Financial Crimes, is added to Title XII of Book Two of the Penal Code, articles of the Penal and Judicial Code are modified and of Decree Law No. 1 of 1999, and other provisions are prescribed;

Through Law No. 50 of July 2, 2003 the acts of terrorism and its financing are depicted as an autonomous felony in the Penal Code and the corresponding sanctions are set; and

Given that the Superintendency of Banks is the supervising and controlling organization for Banks and Trust Corporations, in work sessions of this Board of Directors with the Bank Superintendent, the need and convenience was evident of updating the guidelines set in Agreement No. 9-2000 of October 23, 2000, pursuant to the Republic of Panama’s legislation and to recommendations from International Organizations related to the prevention of money laundering and terrorism financing, so as to consolidate and strengthen the regulation on the improper use of banking and trust services in Panama.

**AGREES:**

**ARTICLE 1: PREVENTION OF THE IMPROPER USE OF BANKING AND TRUST SERVICES.** All Banks and all Trust Corporations have the obligation to take the necessary measures to prevent their operations and/or transactions from being used to perpetrate the felony of money laundering, terrorism financing and any other illicit activity contemplated in the whereas clauses of this Agreement. For this reason, they have the obligation to comply with the terms set in the legal provisions and in this Agreement regarding this matter.

**ARTICLE 2: CUSTOMER CONCEPT.** For the purposes of this Agreement, “customer” will be understood as any natural or juridical person that has a contract or business relation with a Bank, or that receives trust services from a Trust Corporation.

**ARTICLE 3: OPERATIONS BETWEEN BANKS.** Any operation or transaction that rises as a result of a relation between banks that the Bank provides to Foreign Banks will be subject to the Due Diligence measures, which must be in accord with the risk level it represents.

Banks are forbidden from establishing or keeping any type of relationship between banks or of correspondence with Banks that, either themselves or their Parent Banks, lack a physical presence in their home country jurisdiction or are not affiliated with a financial group that is subject to consolidated supervision.

Special attention must be given to Banks located in jurisdictions with weak standards for the prevention of money laundering and terrorism financing.

**ARTICLE 4: DUE DILIGENCE ON OTHER BANK CUSTOMERS AND THEIR RESOURCES.** All Banks must comply with due diligence towards their particular customers and towards their resources which will be the object of the contract relationship, regardless of the amount of the operation, as well as to keep it updated during its course. Furthermore, they must pay special attention when performing transactions in excess of Ten Thousand Balboas (B/. 10,000.00), when detecting unusual operations, when there is suspicion of money laundering, of terrorism financing or of the other illicit activities contemplated in the whereas clauses of this Agreement, as well as when the Bank has doubts regarding the veracity or adequacy of the information gathered on the customer’s identification.

Due diligence towards the customers and their resources consists of, at least, doing the following:

- 1 Developing a written customer profile in a form designed by the entity, which has:
  - a. The customer’s name, last name, marital status, profession or occupation, adequate identity document, nationality, domicile and residence;
  - b. The customer’s recommendations or references and those of the holders and authorized signatories for the opening of all types of accounts, especially On-Sight or Term Deposits;
  - c. In case of persons who reside abroad who are present in Panama, obtaining a true copy of the passport or an equivalent document;
  - d. The customer must state if he is acting as the intermediary of another person who is the operation’s final beneficiary or usufructuary and, in the affirmative case, the bank must execute due diligence on the latter;
  - e. Information on the purpose to be given to the commercial relation;

- f. The type, number, volume, frequency and habitualness of the banking and trust operations, products or services reflected on the customer's account. The procedures each Bank adopts to comply with this point must allow the gathering of sufficient information when it proceeds, and monitor its operations;
- g. In case of national or foreign juridical persons, trusts, private interest foundations, non-government organizations, welfare institutions and/or non-profit organizations, the Bank must require the corresponding certifications that are evidence of the incorporation and effect of the juridical person, as well as the identification of dignitaries, executive officers, proxies and legal representatives when applicable, in such a way that they can properly identify and document the real owner or final beneficiary of the account, whether direct or indirect.

The information provided voluntarily by the customers or the representatives of the juridical persons on the identity of the final account beneficiaries must be kept in strict reserve and can only be given to the national judicial or administrative authorities duly authorized to request it;

- h. The financial profile, the personal or commercial background, the source and origin of the resources used by their customers;
  - i. Leaving documented evidence in the respective file of all the diligences executed to adequately identify their customer.
2. Keeping the documentation and follow-up of the customers' accounts and transactions to know the habitual and reasonable activities of said accounts, as well as to identify the unusual transactions. The Bank must use tools to detect irregular or suspicious activity patterns for all accounts;
  3. Every six (6) months reviewing the operations of the customers that hold personal or commercial accounts, performed habitually and in cash for amounts in excess of Ten Thousand Balboas (B/. 10,000.00), for the purpose of determining if the habitualness criteria set by the Bank for said customers are met;
  4. Careful monitoring of those customers that are holders of On-Sight or Term Deposit Accounts, whether local or foreign, nominal or coded, opened with cash for amounts in excess of Ten Thousand Balboas (B/.10,000.00) or its equivalent in foreign currency; and of customers that tender checks (cashier's checks, traveler's checks or other) and bearer payment orders, without endorsement and issued on the same date or nearby dates and/or by the same bearer or by bearers of the same marketplace, for amounts that exceed Ten Thousand Balboas (B/.10,000.00) or its equivalent in foreign currency;
  5. Paying special attention and taking the pertinent measures for those customers identified as Politically Exposed Persons (PEP), the latter being understood as national or foreign individuals who fulfill or have fulfilled prominent public functions, so as to establish appropriate risk management systems and to carry out a deeper due diligence;
  6. Keeping a record of the unusual operations and keeping on file all the related documents, whether they bear witness to the unusual operation or not.

**PARAGRAPH 1:** For the purposes of this Agreement, all establishments of the same banking entity in the Republic of Panama will be considered a single Bank.

**PARAGRAPH 2:** The Banks must keep their databases up-to-date and available to the supervisors of the Superintendency of Banks.

**ARTICLE 5: DUE DILIGENCE ON TRUST CORPORATION CUSTOMERS AND THEIR RESOURCES.** All Trust Corporations must comply with due diligence towards their customers and with their resources which will be the object of the contract relationship, regardless of the amount of the operation, as well as to keep it updated during its course. Furthermore, they must pay special attention when performing transactions in excess of Ten Thousand Balboas (B/. 10,000.00), when detecting unusual operations, when there is suspicion of money laundering, of terrorism financing or of the other illicit activities contemplated in the whereas clauses of this Agreement, as well as when the Trust Corporation has doubts regarding the veracity or adequacy of the information gathered on the customer's identification or of the final beneficiary, whether direct or indirect.

Due diligence on customers and their resources will consist, at least, in doing the following:

1. Developing a written customer profile in a form designed by the entity, which has:
  - a. The customer's name, last name, marital status, profession or occupation, adequate identity document, nationality, domicile and residence;
  - b. The customer's recommendations or references;
  - c. In case of persons who reside abroad who are present in Panama, obtaining a true copy of the passport or an equivalent document;
  - d. Any trust service that rises as a result of a relation between a Trust Corporation and a foreign customer will be subject to the Due Diligence measures, which must be in accord with the risk level it represents, with the international parameters and standards and with the internal control policies and procedures established by the Board of Directors of the Superintendency of Banks.
  - e. Information on the purpose for which the trust will be established;  
  
In case of national or foreign juridical persons, private interest foundations, non-government organizations, welfare institutions and/or non-profit organizations, the Trust Corporation must require the corresponding certifications that are evidence of the incorporation and effect of these juridical persons, as well as the identification of dignitaries, executive officers, proxies and legal representatives when applicable, in such a way that it can properly identify and document the real trust founder or final beneficiary, whether direct or indirect.
  - f. The information provided voluntarily by the customers or the representatives of the juridical persons on the identity of the beneficiaries must be kept in strict reserve and confidentiality, and can only be given to the national judicial or administrative authorities duly authorized to request it;
  - g. The financial profile and the personal or commercial background. In case of resources contributed to the trust, their source and origin must be determined;
  - h. Leaving documented evidence in the respective file of all the diligences executed to adequately identify their customer.
2. Using tools to detect irregular or suspicious activity patterns;
3. Paying special attention and taking the pertinent measures for those customers identified as Politically Exposed Persons (PEP), the latter being understood as national or foreign individuals who fulfill or have fulfilled prominent public functions, so as to establish appropriate risk management systems and to carry out a deeper due diligence;

4. Keeping a record of the unusual operations or activities and keeping on file all the related documents, whether they bear witness to the unusual operation or not, whenever applicable.

**PARAGRAPH 1:** The Trust Corporations must keep their databases up-to-date and available to the supervisors of the Superintendency of Banks.

**ARTICLE 6: DECLARATION OF CASH AND QUASI-CASH TRANSACTIONS.** All Banks and all Trust Corporations must declare, in the forms established for said purpose, the information regarding:

- a. Cash deposits or withdrawals made by natural persons, into or from personal accounts, for an amount that exceeds Ten Thousand Balboas (B/.10,000.00);
- b. Cash deposits or withdrawals, made by natural or juridical persons into or from commercial accounts, for an amount that exceeds Ten Thousand Balboas (B/.10,000.00);
- c. Requests for changing currency bills of low denominations for others of high denominations or vice versa, for an amount that exceeds Ten Thousand Balboas (B/.10,000.00), made by natural or juridical persons;
- d. Changing lottery bills for cash for an amount over Ten Thousand Balboas (B/.10,000.00);
- e. Successive money deposits or withdrawals on nearby dates for less than Ten Thousand Balboas (B/.10,000.00) considered individually and that add up to more than Ten Thousand Balboas (B/.10,000.00) at the end of each working week. If this were the case, the Bank or Trust Corporation will declare the operation for its accumulated value at said working week's closing, in the appertaining form;
- f. The information regarding operations executed by natural or juridical persons in personal or commercial accounts, whichever is the case, that tender checks (cashier's checks, traveler's checks or other) and bearer payment orders, without endorsement and issued on the same date or nearby dates and/or by the same bearer or by bearers of the same marketplace, for an amount that exceeds Ten Thousand Balboas (B/.10,000.00);
- g. Cash deposits or withdrawals made by natural or juridical persons into or from commercial accounts, of Ten Thousand Balboas more (B/. 10,000.00) than the habitual amounts handled by the customer.

**PARAGRAPH 1:** For the purposes of this article, we consider "successive transactions on nearby dates" or simply "on nearby dates", those transactions made during the same working week.

The forms that gather the declarations to which this Article refers do not require the signature of the person that performs said operations. It is sufficient for the form to be signed by the responsible bank employee.

**PARAGRAPH 2:** For the purposes of applying literal "e" of this Article, its provisions will not apply to transactions of checks drawn against On-Sight Account Deposits.

**PARAGRAPH 3:** The forms specified in this Agreement must be sent to the Financial Analysis Unit for the Prevention of the Money Laundering Felony and Terrorism Financing (FAU) through any means the Superintendency of Banks specifies.

**ARTICLE 7: DOCUMENT CONSERVATION PERIOD.** All Banks and all Trust Corporations must keep, by any means authorized by the Law, for a time period not less than five (5) years counted from the end of the contract relation with the customer, a signed copy of the forms to which this Agreement refers, copy of the documents obtained through the due diligence process on the customer and his resources, the documents that sustain the operation or

transaction and any other document that allows reconstructing their customers' individual operation or transaction, if necessary.

The forms and documents this Article refers to must be submitted at the request of the supervisor authorized by the Superintendency for this purpose.

**ARTICLE 8: MANUAL ON THE "KNOW-YOUR-CUSTOMER" POLICY.** All Banks and all Trust Corporations must have a Manual with the policies and procedures approved by the Board of Directors for the execution of the "Know-Your-Customer" policy, which will be authorized periodically.

These policies and procedures will adjust to the complexity degree of their activities and they will be able to contemplate different customer categories, established based on the potential risk base of illicit activity associated with the accounts and transactions of said customers.

**ARTICLE 9: THE KNOW-YOUR-EMPLOYEE POLICY.** All Banks and all Trust Corporations must select properly and supervise their employees' conduct, especially those that perform functions related to dealing with customers, receiving money and controlling information. Also, an employee profile must be created, which must be updated as long as the labor relation lasts.

**ARTICLE 10: SUSPICIOUS OPERATIONS.** All Banks and all Trust Corporations must keep a record of suspicious operations linked to money laundering, terrorism financing and any other illicit activity contemplated in the whereas clauses of this Agreement.

The Banks and Trust Corporations must comply with the diligences stipulated hereinafter when, in the course of their activities, they have knowledge of operations carried out in their establishments that qualify as suspicious:

1. Creating a record with information about the operation. The information will contain data on the account(s) that gives rise to the operation, the date(s), the amount(s) and the type(s) of operation;
2. Notifying the suspicious operation to the Enforcement Officer. The Enforcement Officer will order the operation's revision to verify its suspicious condition and he will include, briefly but clearly, the respective observations;
3. Notifying the suspicious operation to the Financial Analysis Unit for the Prevention of Money Laundering and Terrorism Financing (FAU) in the forms established for said purpose. The notice will be executed by the Enforcement Officer, within sixty (60) calendar days after the annotation mentioned in the previous numeral;
4. Posting the date in the Record and sending the notice form to the Financial Analysis Unit for the Prevention of Money Laundering and Terrorism Financing (FAU) as well as the date and number of the response note from this Unit; and
5. In the cases of suspicious operations, updating the appropriate file.

**ARTICLE 11: EXAMPLES OF SUSPICIOUS OPERATIONS.** The Superintendency of Banks, through the related Special Agreement, will periodically update a guide of operation examples that merit the careful observation of each Bank and Trust Corporation to determine, together with other analysis elements, if they are indeed suspicious operations that could be related to Money Laundering and/or Terrorism Financing.

**ARTICLE 12: NOTIFYING THE FINANCIAL ANALYSIS UNIT FOR THE PREVENTION OF MONEY LAUNDERING AND TERRORISM FINANCING (FAU).** The Superintendency of Banks will notify the Financial Analysis Unit for the Prevention of Money Laundering and Terrorism Financing (FAU) the suspicious operations the

Superintendency knows about in the course of its inspections to the Banks and Trust Corporations, without this meaning the entity is exempt of its obligation to do so.

**ARTICLE 13: CLOSING ACCOUNTS AFTER NOTIFYING THE FINANCIAL ANALYSIS UNIT FOR THE PREVENTION OF MONEY LAUNDERING AND TERRORISM FINANCING (FAU).** In the cases of notifying suspicious operations to the Financial Analysis Unit for the Prevention of Money Laundering and Terrorism Financing (FAU) in the way prescribed in this Agreement, the Banks and Trust Corporations, under their own criterion, can close bank accounts or trust assignments of any person, natural or juridical, who is linked to the suspicious operation object of the report submitted to the Financial Analysis Unit for the Prevention of Money Laundering and Terrorism Financing (FAU).

Once the account closure is formalized following the usual banking and/or trust practices, the Bank or Trust Corporation must, within a term of not more than ten (10) working days counted from the date of said closure, send to the Financial Analysis Unit for the Prevention of Money Laundering and Terrorism Financing (FAU) a written report -complementary to the initial report on the suspicious operation-, letting it know of the respective account closing, the mechanism used by the banking or trust user for withdrawing funds, and the path followed by the latter when it can be determined.

Said report must be accompanied by a copy of the closing form and by the document the user used to withdraw funds.

**ARTICLE 14: UPDATING AND TRAINING IN THE SUBJECT OF PREVENTION OF THE IMPROPER USE OF BANKING AND TRUST SERVICES.** All Banks and all Trust Corporations must revise, at least once a year, to implement the necessary updates, the internal policies, procedures and controls for preventing the improper use of banking and trust services, and they must train their employees on the procedures related to the observance of the provisions contained in this Agreement.

**ARTICLE 15: SANCTION FOR BREACH.** Despite the measures prescribed by Articles 38, 76 and 95 of Decree Law No. 9 of 1998 and Articles 18 and 23 of Executive Decree No. 16 of October 3, 1984, the breach of the provisions of this Agreement will be sanctioned by the Superintendent with a fine of Five Thousand Balboas (B/.5,000.00) up to a maximum of One Million Balboas (B/.1,000,000.00), according to the gravity of the offense or the recidivism degree.

For the purposes of this Agreement, the acts or omissions of an employee, director, officer, administrator or legal representative of a Bank or Trust Corporation can be attributed to said entities as juridical persons, in spite of the sanctions stipulated in Law No. 45 of June 4, 2003 on Financial Crimes.

**ARTICLE 16: SANCTION FOR CONTEMPT.** The breach or contempt of the instructions given by the Superintendency regarding the provisions contained herein can be sanctioned with a fine to the Bank or the Trust Corporation of up to Ten Thousand Balboas (B/.10,000.00) for each day of breach or contempt, according to the gravity of the offense or the recidivism degree.

For the purposes of this Agreement, the acts or omissions of an employee, director, officer, administrator or legal representative of a Bank or Trust Corporation can be attributed to said entities as juridical persons, in spite of the sanctions stipulated in Law No. 45 of June 4, 2003 on Financial Crimes.

**ARTICLE 17: REVOCATION OF AGREEMENTS.** At the time this Agreement goes into effect, Agreements No. 9-2000 of October 23, 2000 and No. 11-2002 of December 11, 2002 will be rescinded.

**ARTICLE 18: EFFECT.** This Agreement will be in force sixty (60) calendar days after its enactment.

Given in the City of Panama, on the fourteenth (14) day of the month of December of two thousand five (2005).

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

**THE PRESIDENT,**

Jorge W. Altamirano-Duque M.

**THE SECRETARY,**

Antonio Dudley A.