Republic of Panama
Superintendency of Banks

RULE No. 001-2014
(dated 18 March 2014)

"Whereby the Rules for the Standardization of Personal and Commercial Checks in Panama are provided"

THE BOARD OF DIRECTORS
In use of its legal powers, and

CONSIDERING:

That due to the issuance of Decree Law 2 dated 22 February 2008, the Executive Branch reedited Decree Law 9 dated 26 February 1998 and all of its amendments as a sole text, and that this text was approved by means of Executive Decree 52 dated 30 April 2008, hereinafter referred to as the Banking Law;

That pursuant to the provisions of paragraph 1 of Article 5 of the Banking Law, safeguarding the soundness and efficiency of the banking system is an objective of the Superintendency of Banks;

That pursuant to the provisions of paragraph 5 of Article 11 of the Banking Law, approving, within the administrative sphere, the interpretation and scope of the legal provisions and regulations on banking matters, is among the technical duties of the Board of Directors;

That given the importance of the check within the banking system, the standardization of personal and commercial checks in Panama provides greater security, enables bank staff to detect check fraud and permits accurate, appropriate and safe check processing;

That during the Board of Directors' working sessions it became obvious that it was necessary and advisable to set rules and standards that banks must meet when issuing checks, in order to reduce the risks inherent in using this payment instrument.

RESOLVES:

CHAPTER I
GENERAL OUTLINES

ARTICLE 1. SCOPE OF APPLICATION. The provisions herein will be applicable to state-owned and general license banks.

ARTICLE 2. DEFINITIONS. For the purposes of this Rule, the following concepts will be understood as meaning:

1. **MAGNETIC INK CHARACTER RECOGNITION or MICR:** A character-recognition technology printed with magnetic ink.

2. **MICR E-13B:** The standard font for numeric characters printed with magnetic ink, as defined by the American National Standards Institute (ANSI) and the American Banking Association (ABA). The font consists of fourteen (14) characters: ten (10) numeric characters, ranging from 0 to 9, and four (4) special characters.

3. **ANSI:** The American National Standards Institute. It is the organization responsible for standardizing the technical terminology, measurement units, etc. in the United States of America. It sets the standards for the banking industry.

4. **MICR Area:** An area with a clear background and a minimum height of 15.88mm (5/8"), located at the bottom of the document.

5. **ASC X9:** The Standards Committee responsible for establishing and maintaining MICR E-13B standards.

6. **Field:** A specific area consisting of one or more positions representing a unit of information.

7. **Character:** A graphic form that represents a letter, a number, a sign or a symbol.

8. **Encoding:** The process whereby MICR characters are printed on a payment document.

9. **Ink density:** The relative darkness of the printed character, affecting the amount of magnetic ink applied.

10. **MICR Line:** An area for encoding E-13B magnetic characters.

ARTICLE 3. MEASURES FOR CHECK STANDARDIZATION. Without prejudice to applying other safety measures, banks must ensure that checks contain, as a minimum, the characteristics and standards described herein.

ARTICLE 4. RESPONSIBILITIES OF BANKS WITH REGARD TO MEASURES FOR CHECKS STANDARDIZATION. Banks that outsource check-printing services must ensure that the contracted printing company meets the standards established herein.

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CHAPTER II
FEATURES OF THE CHECK

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ARTICLE 5. CHECK SIZE. Checks must be rectangular. Standardized check sizes for personal and commercial checks are:

1. Two (2) sizes for personal checks:

    1.1. Standard personal check: width 152.4 mm (6") and height 69.85 mm (2¾").

    1.2.   Extended personal check: 185.74 mm (7 5/16") and height 69.85 mm (2¾").

2. One (1) size for commercial checks and cashier's checks: width 185.74 mm (7 5/16") and height 92.96 mm (3 2/3").

The union of the check body and stub should be perforated.

ARTICLE 6. DESIGN AND FEATURES OF THE FRONT OF THE CHECK. When printing checks, banks must ensure that the front of the check contains the following elements:

1. **Accountholder name and account number:** The location of the accountholder's name and account number will be standardized at the top left of the check for personal and commercial checks.

2. **Bank name:** The logo and bank name or any other important data for the bank (e.g. State check expiration date) must be at the bottom left of the check, above the clear band (free space) for printing magnetic characters.

3. **Check number:** The check number must be at the top right and must agree with the check number on the magnetic line. It must consist of Arabic numerals or digits consistent with the size of the check, completing the number with zeroes to the left.

4. **Date:** The date must be written in Arabic numbers in the following format: two characters for the day, two characters for the month and four characters for the year (DD/MM/AAAA). It must be arranged in boxes separating each digit and must have written and visible instructions for the order of the numbers.

5. **Beneficiary:** The beginning of the line for writing the beneficiary's name must read: **"Pay to the order of."**

6. **Value or amount of the check in numbers:** The field for the amount must be to the right of the beneficiary field and must consist of a uniform box. Currency symbols (B/. and $) must be in Arial font and written in sizes 8 and 6, respectively, and located to the left of the box.

7. **Amount of the check written in words:** The line for writing the amount of the check in words must be immediately under the beneficiary field, run from end to end of the check and include the description **"The sum of:."** The end of the line must include the following description: "BALBOAS and US DOLLARS" in Arial font and written in sizes 7 and 5.5, respectively.

8. **Magnetic character or MICR line:** There must be a 15.88 millimeter (5/8 inches) band along the bottom margin of the check, used exclusively for printing magnetic characters. The area must be totally free of any magnetic material except MICR characters and the specifications will conform to the provisions of Annex I of this Rule.

9. **Signature(s):** The space for signatures must be indicated by a line that will be located at the bottom right of the check (above the MICR line). The space for the signature(s) must not interfere with the area destined for magnetic characters.

10. **Frame:** Checks must not bear ornamental borders or framing.

11. **Printer's mark:** The printing company must place a printer's mark on the lower right margin, above the free line and below the signature line.

12. **Background colors:** Check colors must not interfere with the legibility of the key information printed or written on the original document or any copy thereof, whether microfilm, image or photocopy. Check colors must be pastels. White coloring is prohibited.

13. **Logos on the check:** Bank and company color logos will be allowed.

14. **Positions for each field/box:** The location of areas on the front and back of the check must conform to the instructions in Annex II.

ARTICLE 7. DESIGN OF THE BACK OF THE CHECK. When printing checks, banks must ensure that the back of the check contains the following elements:

1. **Check endorsement:** Checks must have a reserved area on the back not greater than thirty percent (30%) of the check size. This section will be for the exclusive use of the check bearer for endorsing the check to be cashed.

2. **Space for stamps:** Remaining space reserved for pertinent stamps.

ARTICLE 8. PAPER MANUFACTURING FEATURES. Banks must ensure that the paper used for printing checks meets the conditions necessary for automatic document processing according to the provisions of Annex II herein.

CHAPTER III
FINAL PROVISIONS

ARTICLE 9. PENALTIES FOR NONCOMPLIANCE. Failure to comply with the provisions herein will be penalized pursuant to the provisions of Title IV of the Banking Law.

ARTICLE 10. ENTRY INTO FORCE. This Rule shall become effective one (1) year after its approval. Notwithstanding the above checks issued before the standards required herein may continue to be used for an additional twelve- (12) month period after the entry into force of this Rule.

Given in the city of Panama on the eighteenth (18th) day of March, two thousand fourteen (2014).

LET IT BE KNOWN, PUBLISHED AND ENFORCED.

THE CHAIRMAN,   **THE SECRETARY,**

Nicolas Ardito Barletta   L.J. Montague Belanger

ANNEX I

MAGNETIC CHARACTER OR MICR LINE

Magnetic characters must be encoded using magnetic ink or magnetic toner. Its application and density on the surface of the document and its distribution within the outline of each character must be uniform, enabling an adequate reading by electronic check processing systems (ANSI X 9.27).

The MICR line has 53 positions for extended-size personal and commercial checks, and 43 positions for standard-size personal checks, numbered from right to left. It is encoded 4.8 mm (3/16") from the bottom edge of the check, starting 7.9 mm (5/16") from the right edge, and there must be 6.4 mm (1/4") of free space on the check's left edge (ANSI X 9.13).

Each E13-B font character is designed to occupy horizontal and vertical zones of 0.33 mm (0.013"). The minimum character width is 1.33 mm (0.052") (for characters 1 and 2) and the maximum is 2.33 mm (0.091") (for characters 0, 8 and symbols).

All characters have a height of 3 mm (0.117") except the ON-US symbol. The ON-US symbol has a height of 2.3 mm (0.091").

Encoded information on the MICR line is divided into four fields that represent specific information. Each field is identified by its position and the symbols used therein.

The formats for the MICR line are described in the following reference tables:

T R A N S L A T I O N

MAGNETIC LINE FORMAT FOR STANDARD-SIZE PERSONAL CHECKS

Name	Format	Position		Length	Field Description
		From	To		
AMOUNT	AMOUNT symbol	1	1	1	AMOUNT: Contains the check value. The AMOUNT field is delimited at each end by the AMOUNT symbol.
	Check amount	2	11	10	
	AMOUNT symbol	12	12	1	
	Field total	1	12	12	
ON-US	Check number	14	19	6	Responsibility (ON-US): Consists of the account number and the check number. The account and check numbers are separated by the ON-US symbol.
	ON-US symbol	20	20	1	
	Account number	21	32	12	
	Field total	14	32	19	
TRANSIT	TRANSIT symbol	34	34	1	TRANSIT: Consists of the financial entity number assigned by the Clearing House and the verification digit of the financial institution. The TRANSIT field is delimited at each end by the TRANSIT symbol.
	VD Financial Institution Number	35	35	1	
	Financial Institution Number	36	38	3	
	TRANSIT Symbol	39	39	1	
	Field total	34	39	6	
AUXILIARY ON-US	ON-US Symbol	40	40	1	Auxiliary responsibility (AUXILIARY ON-US): Consists of the Account Number's verification digit and the check number's verification digit. The AUXILIARY ON-US field is delimited at each end by the ON-US symbol.
	VD Account Number	41	41	1	
	VD Check Number	42	42	1	
	ON-US Symbol	43	43	1	
	Field total	40	43	4	
REMARKS: The verification digit calculation for the figures in the ON-US, TRANSIT and AUXILIARY ON-US fields is made using Module 10.					

T R A N S L A T I O N

MAGNETIC LINE FORMAT FOR EXTENDED-SIZE PERSONAL CHECKS AND COMMERCIAL CHECKS

Name	Format	Position From	Position To	Length	Field Description
AMOUNT	AMOUNT symbol	1	1	1	AMOUNT: Contains the check value. The AMOUNT field is delimited at each end by the AMOUNT symbol.
	Check amount	2	11	10	
	AMOUNT symbol	12	12	1	
	Field total	1	12	12	
ON-US	VD Check number	14	14	6	Responsibility (ON-US): Consists of the account number, the verification digit for the account number, and the verification digit for the check number. The account number is separated from the verification digits by the ON-US symbol.
	VD Check Number	15	15	1	
	ON-US symbol	16	16	1	
	Account number	17	33	17	
	Field total	14	33	20	
TRANSIT	TRANSIT symbol	36	36	1	TRANSIT: Consists of the financial entity number assigned by the Clearing House and the verification digit of the financial institution. The TRANSIT field is delimited at each end by the TRANSIT symbol.
	VD Financial Institution Number	37	37	1	
	Financial Institution Number	38	40	3	
	TRANSIT Symbol	41	41	1	
	Field total	36	41	6	
AUXILIARY ON-US	ON-US Symbol	43	43	1	Auxiliary responsibility (AUXILIARY ON-US): Contains the check number. The AUXILIARY ON-US field is delimited at each end by the ON-US symbol.
	Check Number	44	52	9	
	ON-US Symbol	53	53	1	
	Field total	43	53	11	
REMARKS: The verification digit calculation for the figures in the ON-US, TRANSIT and AUXILIARY ON-US fields is made using Module 10.					

ANNEX II
CHECK CHARACTERISTICS

I.   Paper manufacturing features

1.   Weight: 90 grams/m2 with a tolerance of ±5%.
2.   Thickness: The thickness may vary for the same paper weight. Optimum 112um, minimum 107um and maximum 117um.
3.   Stiffness: The capacity of the paper to resist deformation when subjected to stress. minimum DM 200, minimum DT 88
4.   Fiber direction: When the paper is cut, the fibers should run parallel to the longest side of the finished sheet. Long grain is recommended.
5.   Humidity: The amount of humidity in the paper, expressed as a percentage of its weight. Optimum 32%RH, Minimum 24% RH, Maximum 40% RH.
6.   Tear strength: The median strength in grams necessary to tear the paper. This measure is used to prove that the paper is suitable for use in transportation and sorting systems. Optimum DM 441mN, minimum DM 294 mN, maximum DM 637 mN.
7.   Softness or roughness: The smoothness of the surface of the paper and the degree of uniformity. Optimum Sheffield units 130, minimum 105, maximum 155.

II.   Paper security features

1.   Duotone, private, custom-made printing company watermark.
2.   Invisible fluorescent optical threads.
3.   Visible colored threads or planchets.
4.   Reaction of the paper pulp to hypochlorite, polar (alcohols, acetones, etc.) and non-polar (petroleum) solvents.
5.   The paper must have a protective surface treatment that resists scraping and erasures and leaves signs of any attempt at alteration on the paper itself. Products such as Toner Grip, Laser Lock and Secur Laser can be used to protect laser-printed variable information.

III.   Minimum printing security features

1.   Security background printing in invisible fluorescent ink over the entire check, verifiable with an ultraviolet lamp.
2.   Security watermark printed in fugitive ink. It must be a pastel or soft tone that will allow conversion to a binary image but that will not impede reading the check's content. This background must react to mechanical erasures by detaching itself from the paper, permitting detection of the alteration of the document.
3.   Red penetrating magnetic ink for printing the MICR line (indispensable feature for commercial checks).
4.   Penetrating ink for printing Arabic numbers for check numbering (indispensable feature for commercial checks).
5.   Security inks:
     a.   Fugitive, water-soluble or bleeding inks. Inks that bleed, run, disappear or are diluted by attempts at erasure by friction must be used to print check backgrounds.
     b.   Fluorescent inks. Inks visible and/or invisible to natural light but emitting ultraviolet radiation when exposed to this type of light (i.e., changing color or becoming visible when submitted to ultraviolet

light) must be used. They must be used to print in areas at risk for alterations (amount, signature, beneficiary, and amount in letters and numbers), and, consequently, must be sensitive to mechanical erasure.

c. Ink for numbering. It will be used principally for printing check numbers. It must hinder tampering by erasure or overwriting. It must be penetrating or protected by fixers, anchors or special coatings.

IV. Check scanning features

Checks must comply with the ANSI X9.7 Standard recommendations that describe the requirements for the background and the location of the numerical amount field, to ensure that the process of capture and conversion to a binary image picks up only the document's essential information.
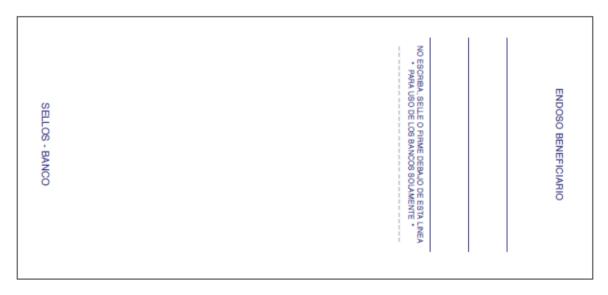
V. Check design

1. Personal standard check

1.1. Front of the check

1.2. Back of the check
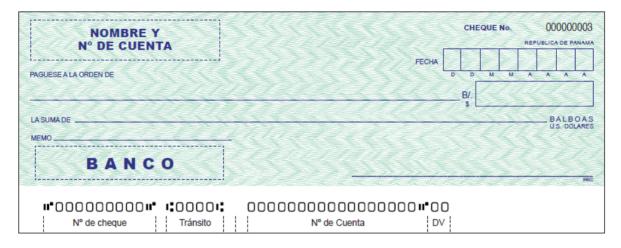
    1.3.   Positions and dimensions

a. CHECK No.: Font: Arial, bold, size 7. Text located 63 mm from the bottom edge and 30 mm from the right edge of the check.

b. REPUBLIC OF PANAMA: Font: Arial, normal, size 5. Text located 58 mm from the bottom edge and 3 mm from the right edge of the check.

c. DATE: Font: Arial, normal, size 7. Text located 52 mm from the bottom edge and 53 mm from the right edge of the check.

    (a) The box must be 48 mm wide and 7 mm high. Each inner box must be 6 mm wide and 7 mm high.
    (b) It must be located 50 mm from the bottom edge and 3 mm from the right edge of the check.

d. The box for the amount in numbers must be 38 mm wide and 8 mm high.

    (a) it must be located 39 mm from the bottom edge and 3 mm from the right edge of the check.

e. PAY TO THE ORDER OF: Font: Arial, normal, size 7.

    (a) The text must be located 48 mm from the bottom edge and 123 mm from the right edge of the check.
    (b) The line must start 41 mm from the check's bottom edge and 46 mm from the check's right edge, and must be 103 mm long.

f. THE AMOUNT OF: Font: Arial, normal, size 7.

    (a) Text located 34 mm from the bottom edge and 136 mm from the right edge of the check.
    (b) The line must be located 35 mm from the check's bottom edge and 18 mm from the check's right edge, and must be 117 mm long.

g. MEMO: Font: Arial, normal, size 6.

    (a) Text located 29mm from the bottom edge and 142 mm from the right edge of the check.
    (b) The line must be located 29 mm from the check's bottom edge and 85 mm from the check's right edge, and must be 56 mm long.

h. The signature line: Must be located 18 mm from the bottom edge and 3 mm from the right edge of the check. It must be 77 mm long.

      i.   Client customizing: The customized name, account number and any other client information must be in a 13 mm x 60 mm space at the top left corner of the check.

      j.   Bank logo and customizing: The bank logo must be in an 11 mm x 60 mm space at the bottom left corner of the check, above the blank space (free space) for printing magnetic characters.

2. Extended personal check

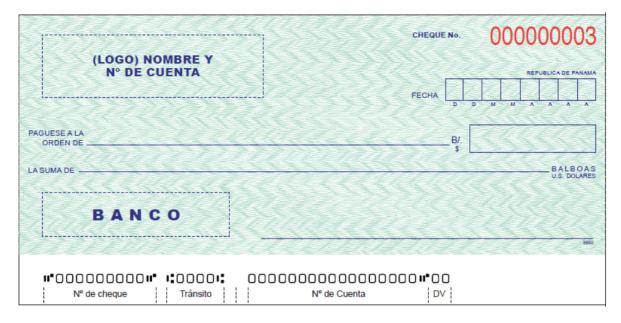### 2.1. Front of the check

2.2. Back of the check

2.3. Positions and dimensions

      a.   CHECK No.: Font: Arial, bold, size 7. Text located 64 mm from the bottom edge and 29 mm from the right edge of the check.

      b.   REPUBLIC OF PANAMA: Font: Arial, normal, size 5. Text located 59 mm from the bottom edge and 3 mm from the right edge of the check.

      c.   DATE: Font: Arial, normal, size 7. Text located 53 mm from the bottom edge and 53 mm from the right edge of the check.

      (a)   The box must be 48 mm wide and 7 mm high. Each inner box must be 6 mm wide and 7 mm high.

      (b)   It must be located 51 mm from the bottom edge and 3 mm from right edge of the check.

    d.   The box for the amount in numbers must be 37 mm wide and 8 mm high.

      (a)   It must be located 40 mm from the bottom edge and 3 mm the right edge of the check.

    e.   PAY TO THE ORDER OF: Font: Arial, normal, size 7.

      (a)   The text must be located 50 mm from the bottom edge and 156 mm from the right edge of the check.

      (b)   The line must start 42 mm from check's bottom edge and 47 mm from the check's right edge, and must be 137 mm long.

    f.   THE AMOUNT OF: Font: Arial, normal, size 7.

      (a)   Text located 35 mm from the bottom edge and 170 mm from the right edge of the check.

      (b)   The line must be located 35 mm from the check's bottom edge and 18 mm from the check's right edge, and must be 150 mm long.

    g.   MEMO: Font Arial, normal, size 6.

      (a)   Text located 29 mm from the bottom edge and 175 mm from the right edge of the check.

      (b)   The line must be located 29 mm from the check's bottom edge and 119 mm from the check's right edge, and must be 56 mm long.

    h.   The signature line: Must be located 18 mm from the bottom edge and 3 mm from the right edge of the check. It must be 76 mm long.

    i.   Client customizing: The customized name, account number and any other client information must be in a 13 mm x 60 mm space at the top left corner of the check.

    j.   Bank logo and customizing: The bank logo must be in an 11 mm x 60 mm space at the bottom left corner of the check, above the blank space (free space) for printing magnetic characters.

3.   Commercial check:

    3.1.   Front of the check

3.2. Back of the check

3.3. Positions and dimensions:

a. CHECK No.: Font: Arial, bold, size 7. Text located 85 mm from the bottom edge and 46 mm from the right edge of the check.

b. REPUBLIC OF PANAMA: Font: Arial, normal, size 5. Text located 73 mm from the bottom edge and 3 mm from the right edge of the check.

c. DATE: Font: Arial, normal, size 7. Text located 66 mm from the bottom edge and 53 mm from the right edge of the check.

   (a) The box must be 48 mm wide and 7 mm high. Each inner box must be 6 mm wide and 7 mm high.
   (b) It must be located 65 mm from the bottom edge and 3 mm from right edge of the check.

d. The box for the amount in numbers must be 40 mm wide and 8 mm high.

(a) It must be located 49 mm from the bottom edge and 3 mm the right edge of the check.

e. PAY TO THE ORDER OF: Font: Arial, normal, size 7.

(a) The text "PAY TO THE" must be located 54 mm from the bottom edge and 166 mm from the right edge of the check.
(b) The text "ORDER OF" must be located 51 mm from the bottom edge and 166 mm from the right edge of the check.
(c) The line must be located 51 mm from the bottom edge and 49 mm from the right edge of the check, and must be 115 mm long.

f. THE AMOUNT OF: Font: Arial, normal, size 7.

(a) Text located 42 mm from the bottom edge and 167 mm from the right edge of the check.
(b) The line must be located 42 mm from the bottom edge and 18 mm from the right edge of the check, and must be 149 mm long.

g. The signature line must be located 21 mm from the bottom edge and 4mm from the right edge of the check. It must be 105 mm long.

h. Client customizing: The customized name, account number and any other client information must be in a 20 mm x 70 mm space at the top left corner of the check.

i. Bank logo and customizing: The bank logo must be in a 19 mm x 60 mm space at the bottom left corner of the check, above the blank space (free space) for printing magnetic characters.