

PRACTICAL GUIDELINES ON DUE DILIGENCE

This document is a guide that compiles the most frequently asked questions submitted to the Superintendency and the findings of examinations. It is intended to assist reporting entities in streamlining and standardizing the account opening process.

The basic elements provided in this document are an illustrative and voluntary guide. They should not be interpreted as minor, additional, or supplementary requirements to comply with existing regulation on anti-money laundering, terrorism financing, and the proliferation of weapons of mass destruction (AML/CFT/WMD).

The regulations on AML/CFT stipulate that reporting entities must develop and maintain current the policies and procedures to identify their customers and those with whom they have a contractual relationship. This is done to prevent the misuse of banking and trust services.

The policies, procedures, and forms will encompass the individuals involved in the onboarding process. As stipulated in Article 31 of Law 23, dated 27 April 2015, [the reporting entity] ‘must ensure the comprehension, identification, and verification of the settlor and the final beneficiary of a trust. Due diligence shall persist until confirming the identity of the individual who is the final beneficiary...’

When the customer does not cooperate in complying with the required due diligence measures, regulated financial entities must refrain from opening, initiating a business relationship, or conducting any transaction, and shall report the suspicious transaction, as outlined in Article 36 of Law 26, dated 27 April 2015.

The information, data, or documents collected during the due diligence process must be kept up to date by regularly reviewing the records maintained by the entity, in accordance with the frequency specified in Rule 10 of 2015 regarding the updating of information.

I. INDIVIDUALS

DOCUMENTS REQUIRED FOR ACCOUNT OPENING:

Each bank must design a 'Know Your Customer' form that must be filled out. It is preferable to disable the fields that are not applicable to the customer. The bank's policies should establish maximum retention periods for the 'Know Your Customer' form and acceptable methods for the entity to validate or verify the information. This may include signature and form content verification through stamps or other devices. Furthermore, these forms must be completed with the necessary documents and requirements as specified by each entity to comply with the provisions of Law 23, dated 27 April 2015, which encompasses measures for preventing money laundering, terrorism financing, and the proliferation of weapons of mass destruction. This also includes Executive Decree 363, dated 13 August 2015, and Rule 10, dated 27 July 2015, for preventing the misuse of banking and trust services, along with Rule 5-2015 on the prevention of the misuse of services provided by other reporting entities under the supervision of the Superintendency of Banks.

All documents must be in **SPANISH**. If the documents are in English or another language, a certified public translator must translate them. This requirement specifically applies to the Onboarding Form for opening an account.

LEGAL DOCUMENTS:

(ADEQUATE LEGIBILITY AND CURRENCY OF) personal identification documents are required for all individuals who are accountholders, including signatories.

For domestic customers: (choose one of the following)

- Copy of the Personal identity card (we recommend, but is not mandatory, that for all new customers, the copy should be clear and legible) or the official ID card application form, while the document is being processed.
- In the case of Panamanian individuals residing abroad, a copy of the passport may be accepted.
- For underage individuals, the birth certificate or the child identity card must be provided.

For foreign customers: (choose one of the following)

- Copy of the main page of the passport containing the customer's general data, picture, and signature along with a copy of the page where the 'Entry' stamp is imprinted.
- Foreigners who hold a Panamanian residence card may be identified by the personal identity card issued by the Electoral Court of Panama.
- Foreigners with 'permanent resident status' as refugees or asylees may be identified by the refugee ID card issued by the National Immigration Service.

- In the case of underage individuals, the birth certificate or the current passport must be provided.

It is advisable that the copies bear the 'True copy of the original' stamp, including the signature and date of the bank official processing the application or checking the information in the system. This demonstrates that the bank has verified and confirmed [the data]. The period for accepting documents should also be established, e.g., it should not exceed the specified validity period.

However, banks may implement alternative, acceptable control mechanisms for document validation or verification.

*We recommend using the Electoral Court system **solely** for verifying the personal identity documents and updating records for domestic customers.*

- REFERENCES:**

- A bank reference for the customer and/or final beneficiary, as well as for each account signatory, must be submitted in hardcopy. Alternatively, the bank must indicate on the form that it has verified the bank reference provided by the customer.
- In exceptional cases where the customer lacks a bank reference, he/she must meet this requirement with a personal reference or a business reference from companies, suppliers, or data information agencies, such as APC.
- For refugees, the reference may consist of a letter or resolution issued by the National Office of Refugee Resettlement of the Ministry of Government, containing the background information about the individual.

- DUE DILIGENCE:**

Banks must design forms to collect Due Diligence information on individuals to streamline the process (an example is enclosed for guidance), but each bank or reporting entity must create its own forms based on the entity's complexity, size, and risk.

Banks may develop Interview forms for their customers, enabling the bank to gather information about the customer's income, employment status (employee, freelancer, or retiree), nationality, and any other relevant details for verification. This information is used to establish the risk profile and determine the necessary due diligence procedures for the customer.

In exceptional cases involving low-risk customers, if the bank has exhausted all efforts to document the customer's profile, including obtaining an employment letter, social security record, or wage payment proof, the bank may, with prior authorization from the Superintendency of Banks, request a sworn statement. This sworn statement allows the bank to document the income of low-risk profile customers, up to a

maximum monthly transaction value of \$5,000.00. The bank must have established policies and procedures in advance, outlining the exceptional cases, including those related to the informal economy. Strict controls should be in place to flag transactions exceeding the established threshold.

Banks may create Visit and Appearance Report Forms (proof of the customer's visit to the bank must be kept on file). The form must be fully completed without any blank spaces, and its validity period must be established. This form should include information about the person who prepared the document and provide a space for his/her signature, as well as the signature of the approving authority and the 'Verified signature' stamp. The document must be updated whenever there is contact with the customer.

Additionally, banks may opt for a single form that can be used for interviews, visits, and other purposes.

Regarding the Financial Profile (*Article 5 of Executive Decree 363, dated 13 August 2015; Article 6(4) and Article 7(7) of Rule 5-2015, dated 26 May 2015; Articles 4 and 9 of Rule 10-2015, dated 27 July 2015*), the information must be accurately completed and **supporting documents** substantiating the responses should be provided. These supporting documents may be submitted in electronic format, provided that the bank has the necessary authorizations and security measures in place for each case. *All copies must bear the 'True copy of the original' stamp, the signature and date of the bank official, which must be **within the established period.***

The Transactional Profile Form must be filled out, without any blank spaces, and the validity period for the form must be specified. This form should contain information about the person who prepared the document and provide a space for his/her signature, as well as the signature of the approving authority and the 'Verified signature' stamp. The document must be accompanied by **supporting documents** that substantiate the declared information.

If the customer is referred by another person, a letter from that individual must be included, referring to the new customer and confirming that prior due diligence has already been conducted.

Domicile verification can be conducted through documents, information, or data obtained from other sources in cases where the customer's risk profile warrants it. When necessary, documents may be requested to verify the procurement of utilities, including:

- Water
- Electricity
- Telephone
- Other document: _____

Depending on the risk profile, it may be advisable to implement control mechanisms for validation or verification, such as stamps or other devices. The processing date must be within the specified period.

Review:

- Control mechanisms must be established for reviewing searches conducted through the Internet, World Check, World Compliance, and Prensa. This process should include the initials of the person performing the check, should not exceed the established period, and should include the corresponding discarded information. In the event of a potential match, the Compliance Department must be contacted for necessary clarification. These searches should primarily focus on high-risk profile customers.
- Internet searches and other search engines.
- Any other document that the official deems relevant or that is required by the parent company's internal policies or guidelines and can be verified: _____ (The policies should specify maximum retention periods for the 'Know Your Customer' form, as well as acceptable control mechanisms for entity-validated or verified information, such as signature and form content verification through stamps or other devices).

Risk Matrix:

- High
- Medium
- Low
- Other

POLITICALLY EXPOSED PERSONS, HIGH-RISK CUSTOMERS, GOVERNMENT ORGANIZATIONS (If applicable)

Banks must develop forms for Politically Exposed Persons and High-Risk Customers. It is advisable to disable fields that are not applicable to the customer and establish maximum retention periods for the 'Know Your Customer,' 'Politically Exposed Person,' or 'High-Risk Customer' forms in their policies. Additionally, banks should define acceptable control methods for validating or verifying information, such as signatures and form content verification through stamps or other devices. This form must include all information about the person who prepared the document and provide a space for his/her signature.

In addition to the abovementioned documents, the form must include, but is not limited to:

- Results of an investigation into the individual's name (including information on accusations, criminal convictions, corruption, or involvement in questionable business practices/activities related to the customer or any of his/her relatives).

- Findings from negative news and media searches.
- Does any member of the customer's top management, owners, controllers, or any of their relatives or close associates hold, or have held any government position? Or does any government organization own 10% or more of the customer's shares?
- Reputation and family background of politically exposed person.
- Position held by the politically exposed person.
- Current source of funding for the politically exposed person.
- Information about the income and assets of the politically exposed person.
- Year in which the politically exposed person commenced public employment.
- Current position.
- The most recent year the politically exposed person held public office.
- Details on whether the politically exposed person was appointed or elected.
- Identification and explanation of other jobs and positions held by the politically exposed person.
- Whether the politically exposed person has access to and the authority over government funds.

Notwithstanding the above, entities may consider negative information as red flags that could trigger inquiries into family backgrounds, additional information regarding the source of wealth, and business activities, among others.

The information must be supplemented with the required **supporting documents**. Control mechanisms for checking search engines or tools that consolidate domestic or international AML-related information, such as the Internet, World Check, World Compliance, Prensa, and Factiva, should be implemented. This may include initialing and establishing control methods acceptable to the bank for validating or verifying information, such as signature and form content verification using stamps or other devices.

The document must receive approval from the bank's top management.

SIMPLIFIED DUE DILIGENCE:

This applies to the following cases, as outlined in Rule 10-2015:

- Simplified process accounts that can be opened by domestic individuals or foreigners residing in Panama. The balance cannot exceed one thousand balboas at any given time and cumulative monthly deposits and withdrawals should not surpass one thousand five hundred balboas.
- Christmas Club accounts
- Accounts opened for payroll
- Any other product, subject to prior authorization from the SBP.

The following information shall be collected, at a minimum:

- Customer identification and verification: Full name, age, gender, employment status, marital status, profession or occupation, nationality, and residence.
- Any other document that the bank deems appropriate to document, depending on the customer type and activity.

OPENING ONLINE ACCOUNTS:

Digital media may be employed for opening accounts, but the same requirements as those for the in-person account opening process will apply. Banks are responsible for validating all information provided by the accountholders. Furthermore, banks must have submitted the method and procedure for this verification to the SBP and obtained prior approval from the SBP. This will only be applicable to low-risk customers.

II. LEGAL ENTITIES

DOCUMENTS REQUIRED FOR ACCOUNT OPENING:

Each bank must design a 'Know Your Customer' form that must be fully completed, with the option to disable fields that are not applicable to the customer. In their policies, banks should establish maximum retention periods for 'Know Your Customer' forms, as well as acceptable control methods to validate or verify the information, such as signature and form content verification through stamps or other devices. The forms **MUST NOT** be altered using liquid paper correction pen. Furthermore, the forms must be completed with the documents, forms, and requirements specified by each entity to comply with the provisions of Law 23, dated 27 April 2015, which addresses measures for preventing money laundering, terrorism financing, and the proliferation of weapons of mass destruction. This includes Executive Decree 363, dated 13 August 2015, and Rule 10, dated 27 July 2015, as amended by Rule 1, dated February 2017, for the prevention of the misuse of banking and trust services.

All documents must be in **SPANISH**. If the documents are in English or another language, a certified public translator must translate them. This requirement specifically applies to the Onboarding Form for opening an account.

LEGAL DOCUMENTS:

1. Corporations:

The articles of incorporation of the corporation apply to all legal entities that will be accountholders (such as Holders, Signatories, Directors, Dignitaries (Chairman, Secretary), Members of the Foundation Council, Protectors, Founders, Administrators, Partners or their equivalent, Legal Representatives, Agents, and Beneficiaries/Shareholders). It is important to note that the articles of incorporation of the corporation apply exclusively to the legal entity and not to the holders, signatories, directors, or dignitaries.

Here, we have two different requirements: the articles of incorporation, which are relevant to the legal entities, and the identification of dignitaries, directors, agents, and legal representatives.

a) For Panamanian corporations:

- Copy of the Articles of Incorporation, including any amendments and powers of attorney, if applicable.
- Certification issued by the Public Registry, either in its original form or as a copy, or information obtained from the Public Registry's database to verify the existence and details of the legal entity. Each financial reporting entity must establish validity periods for the corporation's documents, e.g., the certification issued by the Public Registry must be within the established period and can be printed from the new Public Registry's Platform (SIR).

b) For foreign corporations:

- Copy of the Articles of incorporation.
- Copy of the Good Standing, Certificate of Incumbency, Certificate of Incorporation, and the appointment of directors and dignitaries.

In the case of Panamanian corporations, it is advisable to verify the electronic identifier of the Public Registry of Panama.

It is recommended that the copies bear the 'True copy of the original' stamp, including the signature and date of the bank official processing the application or checking the information in the system. This demonstrates that the bank has verified and confirmed [the data]. The period for accepting documents should also be established, e.g., it should not exceed the specified validity period.

2. Private interest foundations:

Articles of incorporation of the private interest foundation, which must be applicable to all individuals involved in the account opening process (holder, signatories, members of the Foundation Council, Protectors, Administrators, Founders, Legal Representatives, Agents, and Beneficiaries).

a) For Panamanian private interest foundations:

- Copy of the founding charter of the private interest foundation, including any amendments and powers of attorney, if applicable.
- Certification issued by the Public Registry, either in its original form or as a copy, or information obtained from the Public Registry's database to verify the existence and details of the legal entity. Each financial reporting entity must establish validity periods for the

foundation's documents; for instance, the certification issued by the Public Registry must be within the established period and can be printed from the new Public Registry's Platform (SIR).

- Copy of the foundation's regulations, if available.

b) For foreign foundations:

- Copy of the Charter of incorporation of the foundation
- Copy of the Good Standing Certificate, Certificate of Incumbency, Certificate of Incorporation, appointment of members, founders, and beneficiaries.
- Copy of the foundation's regulations, if available.

It is advisable that the copies bear the 'True copy of the original' stamp, including the signature and date of the bank official processing the application or checking the information in the system. This demonstrates that the bank has verified and confirmed [the data]. The period for accepting documents should also be established, e.g., it should not exceed the specified validity period.

3. Trust funds:

- Copy of the trust fund agreement.
- Information about the trust company, including the same legal documentation requested for legal entities. It is important to identify the regulating authority. In the case of foreign trustees, additional information should be requested, such as their FATF membership status.
- Information about the settlor, including the same legal documentation requested for individuals or legal entities. For legal entities, provide information on directors, dignitaries, legal representatives, agents, and shareholders holding 10% or more of the stock.
- Information about the trustee or beneficiary, including the same legal documentation requested for individuals or legal entities. For legal entities, provide information on directors, dignitaries, legal representatives, agents, and shareholders holding 10% or more of the stock.
- Information about the final beneficiaries, including the same legal documentation requested for individuals.

Information about protectors, committees, or any other individuals or legal entities that are part of the trust fund or hold decision-making or controlling power over the assets, management rights, or can provide instructions to the trust company.

Acceptable control methods must be implemented by the entity to validate or verify the information, such as signature and content verification through stamps or other methods.

It is advisable to establish document validity periods, e.g., not exceeding the specified duration.

*For domestic customers, the Electoral Court will **only** be used to verify the identification card and update files.*

*For foreign customers referred by intermediaries (when the customer did not visit the country), the requested legal documents **must be properly legalized** (authenticated by Consulates or Embassies) or have an Apostille (for member countries of The Hauge Convention).*

Notwithstanding the above, entities may implement control methods to authenticate and verify documents originating from abroad, other than relying solely on the authentication by consulates/embassies or apostille.

At a minimum, customer profiles must bear the signatures of both the customer and a responsible person at the entity.

4. Banks:

In addition to the required information on legal entities, a form for Financial Entities can be created, especially in cases of cross-border banking correspondent services or for banks with operations in non-cooperative jurisdictions. This form should allow for the collection of, at a minimum, the following information:

- Percentage of shares listed on an exchange.
- List of the stock exchanges where they are listed.
- Type of bank.
- Type of business conducted/Country where the business activities are conducted.
- Information on the license, including the issuing country and regulatory body.
- Classification as a local bank, foreign bank, central bank, or development bank.
- Number of offices/branches.
- Number of employees.

The form must be fully completed without any blank spaces, and its validity period must be established. This form should include information about the person who prepared the document and provide a space for his/her signature, as well as the signature of the approving authority and the 'Verified signature' stamp.

REFERENCES:

- A bank reference for the customer and/or final beneficiary and for each account signatory must be submitted in hardcopy; otherwise, the bank must document on the form that it has verified the bank reference provided by the customer.
- In exceptional cases where the customer lacks a bank reference, he/she must meet this requirement with a personal reference or a business reference from companies, suppliers, or data information agencies, such as APC.

IDENTIFICATION OF THE FINAL BENEFICIARY (depending on the type of legal entity):

Banks and trust companies must make every effort to identify shareholders holding ten percent (10%) or more of the issued stock of the relevant corporation. If the final beneficiaries cannot be identified through shareholding, the reporting entity must ensure the acquisition of the following documents:

For companies with registered shares, the bank or trust company must request at least one of the following documents:

- A sworn statement signed by the Chairman and Secretary of the corporation or by the proxy, if applicable.
- A copy of the share certificate confirming the name of the registered share owners if shares have been issued.
- A copy of the share registry.

For corporations issuing bearer share certificates, the bank or trust company must request the following:

- A copy of the board of directors meeting minutes or shareholders meeting minutes filed in the Public Registry, authorizing the corporation's adherence to the custodial regime established by Law 47 of 2013.
- A bearer share custodian certificate confirming the ownership of bearer shares issued by the corporation, to determine the final beneficiary, i.e., the relevant individual.

For other legal entities whose final beneficiaries cannot be identified through shareholding, the reporting entity must ensure the acquisition of the following documents:

- Meeting minutes, certification, or sworn statement providing details about the final beneficiary (or beneficiaries), signed by the authorized representatives or individuals.

DUE DILIGENCE:

Banks must create forms to gather Due Diligence information on a legal entity and all individuals associated with the legal entity, depending on the type of corporation (owners, signatories, directors, dignitaries, members of the foundation council, protectors, founders, administrators, partners, or their equivalent, legal representatives, agents, and final beneficiaries). Each bank or reporting entity must design its own forms based on the complexity, size, and risk of the entity.

Banks may develop Interview forms for legal entities to obtain information about the type of company (operating or equity), company size, annual income, source of funding, current equity, and other relevant details. This information is essential for assessing risk and determining the need for additional supporting documentation.

Notwithstanding the above, entities may opt for a single form that can be used for interviews, visits, and other purposes.

If the customer is referred by another person, a letter from that individual must be included, referring to the new customer and confirming that prior due diligence has already been conducted.

The Transactional Profile Form must be fully completed. It is preferable to disable fields that are not applicable to the customer's specific information. The maximum validity period for the form must be established in the bank or trust company policies for the 'Know Your Customer' forms, along with the acceptable control methods for entity validation or information verification, such as signature and form content verification using stamps or other devices. The document must be accompanied by **supporting documents** substantiating the declared information.

The document must be accompanied by **supporting documents** substantiating the declared information. *Copies of these documents must bear the 'True copy of the original' stamp, including the signature and date of the bank official processing the application.*

Reviews:

- A printout of the Taxpayer Record Number for Panamanian corporations is required, which can be obtained from <http://dgi.mef.gob.pa/defaultsecure.asp>.
- For Internet searches, World Check, World Compliance, and Prensa, the initials of the person conducting the searches must be included. The search process should not exceed the established period and should include the proper disposal of irrelevant information. If there is a potential match, the Compliance Department must be contacted for necessary clarification.
- Searches should primarily focus on high-risk customers.
- Additional Internet searches and other systems.

- Any other relevant documents that the official deems necessary and can be verified: _____

Entities should define acceptable control methods for validating or verifying information, such as signature and form content verification through stamps or other devices.

- The processing date must be within the established period.
- Any other documents that the official deems relevant for opening an account.
- Description of the document: _____

Entities should define acceptable control methods for validating or verifying information, such as signature and form content verification through stamps or other devices.

Risk Matrix:

- High
- Medium
- Low
- Other