Superintendencia de Bancos de Panamá

FREQUENTLY ASKED QUESTIONS

Regulations Division

JUNE 5, 2020

The information contained herein is for reference exclusively. It is intended to provide a query tool for users of the banking system on the regulatory criteria adopted by the Superintendency of Banks of Panama, using the frequently asked questions made by banks, bank customers and the general public handled by the Regulations Division.

The Superintendency reserves the right to update, amend, or delete the information contained herein, as well as its presentation and configuration, at any time.

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Banking Law

1. What is the minimum paid-in capital that banks must comply with?

Answer: *According to the provisions of Article 68 of the Banking Law, the minimum amount of paid-in or assigned capital banks must maintain is ten million balboas for general license banks, and three million balboas for international license banks.*

2. What are the minimum and maximum annual and/or monthly interest rates permitted on loans?

Answer: *Banks may freely set the interest on lending and deposit operations in accordance with the provisions of Article 79 of the Banking Law; however, according to Rule 1-2011, banks are required to inform their customers and disclose to the general public the interest rates set for each product or service provided.*

3. Is there any procedure for notifying the Superintendency of any change in the board of directors (Chairman) of a bank's subsidiary?

Answer: *In compliance with Article 86 of the Banking Law, the bank must inform the Superintendency of any changes that may occur in the bank's subsidiary.*

4. Is the inclusion of the effective interest rate required on loan payment receipts/slips?

Answer: *According to the provisions of Article 80 of the Banking Law, banks must clearly and unequivocally indicate the effective interest rates on their loans and deposits on the statements of account and in contractual documents with their clients, or whenever the client requests this information.*

In this regard, the bank must comply with the provisions above and it will be up to the bank's discretion to indicate the effective interest rate on the loan payment receipts/slips.

5. How much time after the closing of the fiscal period do banks have to submit their audited financial statements to the Superintendency?

Answer: *Article 87 of the Banking Law provides that banks must submit their audited financial statements to the Superintendency within three months following the close of each fiscal year.*

6. How much time do banks have to publish their audited financial statements?

Answer: *As provided for in Article 88 of the Banking Law, the banks will publish an unsigned copy of the audited financial statements with their respective explanatory notes, if*

any, in a newspaper with nationwide circulation in the Republic of Panama, within thirty days following their submittal to the Superintendency.

7. Is a bank permitted to lease part of a property to a third party?

Answer: *According to Article 9 of Rule 3-2009, attending to the economic interests of the bank and the maintenance and protection of the assets, the Superintendency, upon a prior and duly substantiated request, may authorized a bank to lease part of a property to a third party, but only if the bank acquired the property as payment on a defaulted loan and the bank has been unable to place it for sale as required by Article 101 of the Banking Law due to specific reasons, such as asset deterioration, among others.*

8. What does paragraph 9 of Article 196 of the Banking Law and Rule 1-2011 mean on the requirement for indicating in lending and deposit operations agreements the formula to calculate the nominal and effective interest rate?

Answer: *The bank must clearly include in writing on its lending operations agreements the interests, fees and/or charges applied in calculating the nominal and effective interest rates, in such a way that the client can understand the elements of the value of money over time.*

9. For overdraft, credit card and lines of credit agreements, must the effective interest rate be shown? If the calculation must be shown, does it have to be on a hypothetical flow scenario?

Answer: *In the case of lines of credit such as credit cards, overdraft credits and revolving credit accounts, the bank must include in writing in the respective agreements the formula for determining the applicable effective interest rate, as well as the requirement for indicating the components applied for the nominal and effective interest rate calculation, so the client can understand the elements involved in the value over time.*

Additionally, the bank must inform the banking services user of the amounts paid in interest, as well as the relevant effective interest rate, according to the real flow of income and expenses through time to the expiration of the loan. In addition, and at the solicitor or borrower's request, it must calculate the effective interest rate based on a hypothetical cash flow scenario, as provided for in Article 6 of Rule 3-2002.

10. From the point of view of Panamanian regulations, what is the best type of corporation for conducting second-tier lending operations what are the possible implications for the corporations receiving these funds?

Answer: *Considering the banking regulations, and from the Superintendency's point of view, there is no specific type of corporation that could be considered appropriate or recommendable for conducting second-tier lending operations, whether a corporation or any type of legal entity.*

In this regard, corporations conducting second-tier lending operations are subject to the regulations applicable to that type of financial entity.

11. What are the possible implications for the corporations receiving funds from corporations conducting second-tier lending operations?

Answer: *For banks, there are no limits to their funding their operations with second-tier corporate funds, as the Banking Law is broad in providing that funds for funding banking operations may come from the public and from financial institutions, as established in paragraph 30, Article 3 of the Banking Law.*

12. Can international license banks issue credit cards? If so, can their clients be domestic or international cardholders?

Answer: *An international license bank can issue credit cards, as long as the bank complies with the provisions of Article 41 of the Banking Law and the customers meet the required characteristics for customers of this type of banks.*

In the case of clients (individuals), the international license banks must make sure that these clients do not reside in the Republic of Panama and in case of clients (legal persons) the bank must make sure that these entities do not generate taxable income in Panama.

13. Are agreements written in English valid for opening bank accounts?

Answer: *Paragraph 3 of Article 202 of the Banking Law provides that the agreements drafted in a language other than Spanish shall not be considered invalid as long as the language was requested by the user of the banking services. Likewise, the drafting of agreements in a language other than Spanish is permitted in those cases in which the international nature of the contract requires it. Therefore, while the banks of the market must draft their agreements in Spanish, if any client or user of the banking services requires his/her contract be written in a language other than Spanish, the agreement shall be considered valid.*

14. Is there any regulation permitting or prohibiting the publication of a bank's delinquent clients in domestic newspapers?

Answer: *We have not issued any specific regulation governing the publication of a bank's delinquent clients in local newspapers. However, considering the principle of banking confidentiality enshrined in Article 111 of the Banking Law, any information the bank wishes to publish on any client or his/her activities must be framed within the parameters established in the above Article.*

15. Can a bank provide information on its foreign customers to the tax authority of the country of origin of its clients?

Answer: *Article 111 of the Banking Law provides the grounds on which the bank may disclose client information to third parties without requesting the client's prior consent; if the third party is not covered by the grounds in Article 111, the bank would breach banking secrecy [if it disclosed the information,] regardless of the nature of the information to be provided.*

16. Can a bank provide client information to its parent company, without the clients' consent, for a banking group risk assessment by an auditing firm?

Answer: *Article 111 of the Banking Law provides that banks may only release information about their clients and their operations with their client's consent. However, the law provides some cases that do not require client consent.*

Notwithstanding the above, we consider that the bank may submit information on its clients to its parent company, without its client's consent under paragraph 4 of Article 111, which provides that when the information is supplied to data processing centers for accounting and operating purposes, the bank does not require client consent. The above is without prejudice to the requirement that the information be used only for accounting purposes in order to assess the risk to which the bank will be exposed.

17. Could someone appoint a Private Interest Foundation as beneficiary for a fixed-term deposit account?

Answer: *Pursuant to the provisions of Article 219 of the Banking Law, banks may permit their clients to appoint beneficiaries for any deposit account, be they savings, demand or fixed-term.*

Similarly, the bank may determine the formalities under which the clients may appoint the beneficiary(ies), be they individuals or legal entities, including private interest foundations.

18. When setting the interest rate, should the bank conform to the provisions of the Banking Law or to special laws such as Law 6 of 1987, the Preferential interest rate law, and the consumer weighting rate established by the Superintendency?

Answer: *Banking regulations are a substantiated provision of special characteristics that cover the legal framework on which the engagement in the banking business in or from the Republic of Panama must be governed. For determining the interest rates, it provides that banks may freely set the interest rate on lending and deposit operations, regardless of any other regulation on that matter, as provided for in Article 79 of the Banking Law.*

In this regard, we must indicate that the aforementioned special laws are not incompatible with the provisions on the interest rate enshrined in the Banking Law. Therefore, the preference of one law over another is not viable.

19. According to the institution's experience, is there any benefit, in practice, for an entity conducting a bank's representation business to be established as a branch office instead of a subsidiary?

Answer: *According to the institution's experience, there are no obvious benefits for the establishment of a representative office, as either a branch office or a subsidiary; even in cases where the examinations are conducted onsite, the depth and seriousness of the examination is applied equally to both types of entities.*

20. In accordance with Paragraph 10 of Article 75 of the Banking Law, are mutual funds liquid assets?

Answer: *On this particular case, we confirm that mutual funds cannot be part of other liquid assets authorized by the Superintendency of Banks, since we are not sure that the underlying assets of the funds meet the requirements established in Paragraph 2 of Article 10 of Rule 4-2008 on the legal liquidity index.*

21. According to Article 219 of the Banking Law, is there a requirement to appoint deposit account beneficiaries and are there any restrictions on their appointment?

Answer: *The aforementioned Article authorizes but does not require banks to provide the service of appointing deposit account beneficiaries to their clients, or to determine the formalities for such an appointment.*

The bank that decides to provide this service to its clients is required to establish a procedure for notifying account balances, which should be provided to the holder(s) appointing beneficiary(ies) or the beneficiaries.

The Banking Law does not provides any restriction whatsoever for the appointment of deposit account beneficiary(ies) and, when referring to them as "person(s)" without further detail, leaves open the possibility of their being national or international individuals or legal persons.

Banking Rules

Rule 8-2005 on Banking Confidentiality

1. Regarding the provisions of Article 3 on Privacy of information: according to the Law, who should be considered a law enforcement agency?

Answer: *A law enforcement agency is one authorized by a specific Law to conduct certain activities, according to their ability to administer justice or to request or gather information regarding a particular topic. Each request for information for which the bank is required to maintain confidentiality must be duly substantiated, and it will*

be the bank's responsibility to analyze [the request] on a case-by-case basis to determine whether the requesting law enforcement agency is authorized to request the client's information [and that the information is] required during the course of specific proceedings or the relevant context.

Rule 7-2006 on Client Credit Records

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1. **What is the scope of the contents of Article 3 on the requirement to notify updates to the clients' credit record and Article 4 on the requirement to inform credit information issued voluntarily or upon a third party's request? Is it legal to publish a client's credit record every six months in a newspaper with nationwide circulation?**

Answer: *According to Articles 3 and 4, the sense and spirit of the rule is that banks inform their clients of the dates on which their credit record is updated. In this regard, the Superintendency has no objection to the bank's publishing a notice every six months in a newspaper with nationwide circulation informing its clients that their credit records are updated on a monthly basis and are at their disposal free of charge in the bank or the* Asociación Panameña de Crédito *(Panamanian Association of Credit Records), if the client wants it.*

Rule 1-2007 on the Minimum Security Standards for Banks (as amended by Rule 1-2012)

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1. **Is there any legal provision permitting banks to record telephone calls with their clients for security or quality of service reasons?**

Answer: *To this date the Superintendency has not issued any rule or regulation on the recording of telephone calls because the regulation of that topic is not within the powers granted to the Superintendency in the Banking Law.*

2. **Is there any legal provision, issued by the Superintendency, limiting the use or operation of mobile telephones by clients or consumers entering bank establishments?**

Answer: *Rule 1-2007 establishes the minimum security standards for banks. In this regard, the provisions of the Rule are only the minimum security requirements; therefore, any bank may establish in its policies any provision that does not contravene the aforementioned rule, whose purpose is to prevent risk.*

In this case, "the limitation or prohibition of the use of mobile phones by customers" would be one of the measures established and adopted at the bank's discretion.

3. Can customers and users be prohibited from parking their vehicles backed in while visiting the branch offices of a bank?

Answer: *Rule 1-2007 includes the minimum security standards and guidelines banks must apply, regardless of any other measure the bank establishes in its policies and procedures to safeguard its facilities.*

The rule cited above does not address this type of issue in great detail. However, banks may include the measures they deem appropriate to protect their facilities, properties, customers and employees in their manuals and internal security and safety policies.

4. With the installation of the *"Anti-skimming"* security device in automated teller machines (ATMs), does the bank meet the requirement of regularly inspecting its ATMs for the installation of unknown objects?

Answer: *Although the anti-skimming device permits detecting any unknown object attempted to be placed on the ATM to commit crimes, its installation does not exempt banks from regularly checking that there are no unknown objects, devices or other mechanisms installed on the ATMs pursuant to the provisions of Rule 1-2007.*

Rule 4-2008 on the Legal Liquidity Index (as amended by Rules 9-2008, 10-2009, 2-2011, 6-2015, and 9-2018)

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1. Pursuant to Article 16 of Rule 4-2008, are the deposits of subsidiaries or affiliates domestically registered, i.e. domiciled in Panama, excluded from the minimum legal liquidity index?

Answer: *The provision refers to the exclusion of those deposits allocated by the parent company, branch office, subsidiary or affiliate abroad; therefore, the exclusion will not be applicable to deposits coming from the domestic parent company, branch office, subsidiary or affiliate.*

2. Should we consider as liquid assets all those notes issued and secured by the Panamanian government, such as Panamanian treasury notes, domestic notes, domestic bonds and Eurobonds for calculating the legal liquidity?

Answer: *In accordance to paragraph 4 of Article 75 of the Banking Law and Article 10 of Rule 4-2008, Treasury Notes could be considered liquid assets for calculating the legal liquidity index, as long as their expiration is within one year, as provided for in the Banking Law. Similarly, treasury notes, domestic bonds and Eurobonds may be considered liquid assets as long as they meet the conditions provided for in paragraph 4 of Article 10 of Rule 4-2008 on the legal liquidity index.*

3. Does the 30% legal liquidity index referred to in Article 73 of the Banking Law apply to general and international license banks?

Answer: *General and International License banks, whose home supervisor is the Superintendency of Banks of Panama, must comply with the minimum legal liquidity index at all times.*

However, pursuant to Article 21 of Rule 4-2008, International License banks whose host supervisor is the Superintendency of Banks, must also comply with presenting the report, without this being due to a requirement to comply with the legal liquidity index established in Article 73 of the Banking Law.

Rule 3-2009 on Awarded Assets

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1. What is the mechanism for reporting properties acquired by the bank to be sold to group affiliates?

Answer: *As long as the transfer has been made after the cancellation of the full property sale amount and the property is no longer registered on the bank's books, the bank will only be required to obtain a certification from its parent company verifying that the acquired property has been effectively transferred.*

2. What is the application of Rule 3-2009 for foreign bank branch offices established in Panama, specifically related to property acquired by the bank and transferred to group subsidiaries that do not consolidate in Panama?

Answer: *The provisions of Article 7 of Rule 3-2009 are applicable to group subsidiaries keeping the acquired property on their books as payment for the Bank's nonperforming loans. Therefore, these subsidiaries must create the equity reserve to which Article 6 of the aforementioned Rule refers.*

When the bank acquires a property that is not effectively transferred, i.e. to third party individuals or legal entities, the bank, its subsidiaries or affiliates must meet the guidelines provided in Rule 3-2009, as appropriate.

Rule 5-2009 on Inactive Assets (as amended by Rules 3-2013, 2-2014, and 5-2017)

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1. Are there any documentation or rules for certified checks and what are the responsibilities the bank acquires when certifying the check?

Answer: *The Superintendency has not issued any rules applying specifically to regulating or expanding on this issue of certified checks; i.e. the guarantee that the bank provides the holder that there are sufficient funds available in the drawer's account to pay.*

However, Rule 5-2009 dated 24 June 2009 that develops Article 215 "Inactive Assets" of the Banking Law and Resolution SBP-GJD-005-2014 dated 27 May 2014 that authorizes the transfer of certified checks and cashier checks without payer or final beneficiary as inactive assets, are the only regulations on inactive assets that refer to certified checks.

At the same time, it is convenient to refer to Law 52 dated 13 March 1917 on negotiable instruments, which is the legal regulation establishing the rules applicable to negotiable documents in general, and particularly to Articles 187, 188 and 189 referring to certified checks specifically.

2. Can funds be transferred to Banco Nacional [de Panamá] before the expiration of the five-year period?

Answer: *The provisions of Rule 5-20009 establish the specific requirements that must be met for the funds to be considered inactive and for proceeding with the transfer to Banco Nacional [de Panamá], pursuant to Article 215 of the Banking Law. These terms must be met, because they are contained in the banking regulations.*

3. After learning that the accountholder is deceased, should the bank ask the relatives or the contact person for the death certificate? How should the bank act, if the [relatives and contact] person decline to provide the certificate? How should the bank proceed when the accountholder has not appointed a beneficiary and his/her assets are included in probate?

Answer: *In accordance with Rule 5-2009, funds, assets or securities that are held by the bank, have remained inactive for five years and belong to persons whose whereabouts are unknown after making reasonable attempts to locate them are considered inactive. These can be reported as inactive assets to the Superintendency in accordance with Article 4 of this Rule.*

If during the attempt to notify the holder of inactive funds, assets or valuables, the bank finds out the accountholder is deceased and there is no appointed beneficiary, the bank must proceed to document this fact as stipulated in Article 3 of Rule 5-2009, amended by Rule 2-2014, in order to comply with informing the Superintendency using the Inactive Account Form (SB_ CUIN).

4. Does the bank have to report on a quarterly basis using the Inactive Account and Valuables Format (BAN11), those deposit accounts held as loan collateral that remain blocked during the term of the obligation, as well as the inactive accounts and/or property and securities that have been seized and remain blocked as required by law enforcement agencies?

Answer: *According to the banking framework, the basic elements for considering an account inactive and reporting it as such are:*

- *The holder has not made any deposits or withdrawals in the past five (5) consecutive years, exclusive of the deposit of paid interest.*
- *The accounts belong to persons whose whereabouts are unknown.*
- *The bank has made verified, reasonable attempts to locate them.*

In answering your inquiries, we must note that the issues [you raise] are not expressly included in the rules on inactive assets.

In this regard, both deposit accounts securing loans and seized accounts and/or property and securities must strictly adhere to the parameters agreed to in the contracts with the customers, the legal rules and the policies approved by the bank for that purposes.

5. How should inactive simplified accounts, specifically the new product called "M-wallet," be handled"?

Answer: *Special guidelines to address inactive simplified accounts have not been included. Therefore, the procedure to follow will be that established in Rule 5-2009 that further develops Article 215 of the Banking Law on inactive accounts.*

6. How should inactive securities and funds, specifically those generating fees and interest after [the account has been reported using] the Inactive Account and Valuables Format (BAN11), be handled?

Answer: *According to the provisions of Article 2 of Resolution 3-2009, the cashier's check transferring the inactive liquid funds to Banco Nacional de Panamá must be for the amount authorized by the Superintendency in the report.*

The bank should stop the generation of fees and interest when it prepares and reports the BAN11 to the Superintendency and, in the event the Superintendency determines that an account reported does not meet the conditions provided in the legislation to be considered as "inactive assets," the Bank must reverse that action and continue paying the relevant interests.

7. Can the ordering party of a transaction be contacted to locate the beneficiary? For wire transfers, can one proceed to return the funds to the ordering party?

Answer: *Rule 5-2009 and its amendments establish that the bank is required to **try to locate** the beneficiary; however, we deem that this effort could include finding the ordering party or the bank's client, who could provide information on the beneficiary.*

*The party ordering these payment instruments would be legally able to demand the **refund** only if he/she is in possession of the original documents.*

*The above explanation excludes wire transfers, which can only be **claimed** by the beneficiary, and not the ordering party, unless the wire transfer was made by mistake and both parties, the ordering party and the beneficiary, agree in writing to the return of the funds.*

8. How are checking and savings accounts and certified and cashier's checks be reported when the holders have been located but they do not go to any branch office to claim their funds?

Answer: *In this circumstance, the bank has located the client. Therefore, the requirement for the whereabouts of the accountholder to be unknown has not been met in accordance with the standard. As a result, the bank cannot report them as inactive funds.*

In this regard, the lack of account operational activity, which for the purposes of the Superintendency will be considered little or no movement, will attach to the parameters agreed on with the customer, as well as the policies approved by the Bank.

9. Can the notification of the inactivity of the funds, assets or valuables be made within the 12 months before or after the end of the 5-year period of inactivity?

Answer: *For the Superintendency of Banks to consider and authorize an account, asset or valuable [to be handled] as inactive, certain conditions must be met, including the bank's verification of its reasonable attempts to locate the holders of these. [These attempts] must be conducted during the fourth year, prior to the completion of the 5-year period of inactivity. It is noteworthy that according to the provisions of the proviso in Article 3, the notification is not applicable to those accounts whose amounts are equal to or less than twenty balboas (B/.20.00).*

10. Has the Superintendency of Banks issued any Circular, Resolution or Rule, which in any way is applicable to safe deposit box contracts?

Answer: *The Superintendency has so far not issue specific regulations to regulate safe deposit box contracts. However, Article 2 of Rule 5-2009 provides that when by virtue of the leasing contract entered into by and between the parties, the bank has proceeded to opening a **safe deposit box**, the goods and valuables that have been found inside the latter will be deemed inactive goods and valuables, when the goods and valuables have not been claimed by the interested party after five (5) years have elapsed counted from when the bank opened the safe deposit box.*

For the purposes of the safe deposit box contracts, these shall be governed by the terms and conditions agreed on between the parties, as well as the provisions established in the policies and procedures approved by the corresponding instances of the bank for this matter.

Rule 6-2009 on Risk Concentration of Economic Groups and Related Parties (as amended by Rules 5-2013, 5-2016 and 10-2019)

1. **If a bank's customer, Mr. X, is also the owner of 51% of the shares (with voting rights) of ABC Corporation and of 50% of the shares (with voting rights) of DEF, Inc., when are they considered to be part of the same economic group?**

   Answer: *Mr. X and ABC Corporation are one economic group, based on the provisions of paragraph 1, Article 6 of Rule 6-2009, amended by Rules 5-2013 and 5-2016, given that Mr. X holds control of ABC Corporation with 51% (over 50%) of the shares of that company. For there to be an economic group including Mr. X and DEF, Inc., considering he holds 50% of the shares of the latter, at least one of the assumptions established in paragraph 1.2, Article 2 of the above Rule should be present, and the bank must use due diligence to verify whether this is the case.*

2. **Is there any Rule or standard expressly indicating that banks cannot render their services to related parties or groups at the operational and technological levels?**

   Answer: *Title III, Chapter X of the Banking Law, specifically, Articles 94, 95, 96, 98, and 99, provide the prohibitions and limitations on concentration applied to loans, collaterals or any other obligation the banks enter into with economic groups and related parties. Coupled with it, this matter is regulated by Rule 6-2009, amended by Rules 5-2013 and 5-2016.*

3. **Can a bank invest its liquidity surpluses in investment funds administered by a brokerage house which, at the same time, is its subsidiary?**

   Answer: *There is no prohibition, as long as it conforms to the concentration percentages for economic groups and related parties established in Articles 95 and 96 of the Banking Law and Rule 6-2009 and its amendments.*

4. **Could the amount of loans granted to companies belonging to the same economic group be taken individually for the purposes of establishing the concentration limit in one person, as provided for in Article 95 of the Banking Law?**

   Answer: *The percentage to which Article 95 of the Banking Law refers to should be applied overall to the entire economic group and not individually or proportionally as you have indicated in your inquiry.*

5. **Do the concentration limits in related parties referred to in Rule 6-2009 apply to loans granted to banking or financial subsidiaries?**

   Answer: *According to Articles 1 and 12 of the cited Rule, the holders of shares in banks to which the Superintendency is the home supervisor are included in the scope of application of the rule, as are, therefore, the loans granted by them to their*

consolidating banking or financial subsidiaries, with the latter having the duty of applying the concentration limits when granting loans to third parties and strictly adhering to the prudential parameters established in the bank's loan policies.

However, the holding company must monitor that the loans jointly granted by the consolidating subsidiaries to one person, economic group or related parties to ensure they do not exceed the concentration limits established in Articles 95 and 96 of the Banking Law.

Rule 9-2009 on Fixed-term Deposits and Domestic Savings Accounts (as amended by Rules 3-2010, 5-2018 and 12-2018)

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1. Can an authorized signatory make movements in a bank account after the decease of the holder?

Answer: *The holder of a bank account is the owner of the funds deposited, while the authorized signatory could be the same holder or a third party appointed by him/her to dispose of and administer the funds.*

In the case provided, the administration of the funds will be governed by the banking deposits regulations prepared by each bank, the agreement signed by the holder and the authorized signatory and the applicable legal provisions on the nature of the relevant agreement.

2. What are the criteria used for classifying deposits as domestic or foreign?

Answer: *Referring to the terms "domestic deposits" and "foreign deposits," there are no criteria formally established than what is in subparagraph h of Article 2 of Cabinet Decree 238 of 1970.*

The above regulation provides that domestic deposits are those deposits belonging to individuals residing in Panama, as well as those deposits belonging to legal entities incorporated according to Panamanian Laws and obtaining taxable income in Panama, and the deposits of foreign legal entities with branch offices enabled to run operations in Panama that are under effective control of the Panamanian branch office.

If the clients have a permanent residence in Panama, the deposits must be considered domestic regardless of their physical address and the place where their income comes from.

At the same time, for clients who do not have a permanent residence in Panama, the deposits will be considered foreign regardless of their physical address and the place where their income comes from.

For further reference, please refer to the table below:

Type of client	*Migratory status*	*Income*	*Type of deposit*
Individual	*Has permanent residence in Panama*	*n/a*	*DOMESTIC*
Individual	*Does not have permanent residence in Panama*	*n/a*	*FOREIGN*
Legal entity	*n/a*	*Generate taxable income in Panama*	*DOMESTIC*
Legal entity	*n/a*	*Generate taxable income outside of Panama*	*FOREIGN*

3. Can a fixed-term deposit change its holder, maintaining all the other conditions, e.g. a fixed-term deposit opened in the name of an individual transferred to a private interest foundation owned by the same individual?

Answer: *In this case, according to the provisions of Article 1 of Rule 9-2009, fixed-term deposits cannot be cancelled, decreased or increased before the expiration of the agreed period.*

After the expiration of the agreed period, the holders of the agreement can be changed; this situation is subject to the procedures and policies the bank has established for this purpose.

4. Can overnight deposits be agreed to for periods greater than 24 hours?

Answer: *Although Article 6 of Rule 9-2009 does not establish a maximum limit on the lapse of overnight deposits, it is important to consider that these deposits are agreements whose main feature is, as its name stands for, "to be conducted during nighttime," i.e. 24 hours. However, a period greater than that could be agreed to for long weekends or consecutive holidays.*

In connection with the above, the time agreed to for an overnight deposit can be greater than 24 hours as long as that deposit maintains the nature of this type of agreement.

5. Can a fixed-term deposit be cancelled for humanitarian reasons (disease, death, among others) or extreme cases (accident, force majeure) if it is a domestic account?

Answer: *As provided for in Rule 9-2009, fixed-term deposits cannot be withdrawn, decreased or increased before the expiration of the agreed period.*

However, the Superintendency recognizes that certain exceptions (force majeure), duly verified, deserve the establishment of bank policies to make the prior cancelation of a fixed-term deposit viable in the cases it deems so.

6. Is there any regulation governing the placement of new deposits?

Answer: *To this end, the Superintendency has issued the following Rules:*

- *Rule 9-2009 by means of which the provisions on fixed-term deposits and domestic savings account are compiled, adjusted and updated;*
- *Rule 5-2012 by means of which the regulations on interbank deposits are compiled and updated and whose Article 3 provides the parameters for the placement of interbank deposits.*

7. Can we modify the interest rate of fixed-term deposit agreements?

Answer: *It is possible only in those fixed-term deposit agreements that provide the express power of the parties to vary the interest rate, whether during the capitalization of interest or a new contribution, and that require the depositor to be notified beforehand in all cases in which that power is exercised.*

However, if the agreement does not establish that power and the client requests an increase in capital, in those cases when the agreed period is equal to or greater than one (1) year, and as long as there is a mutual agreement, a new applicable [interest] rate could be established in an addendum.

Rule 2-2010 on "Bank Ratings" (as amended by Rule 6-2010)

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1. Are the updated bank ratings posted on the website required by regulation or is it an initiative to keep the public informed?

Answer: *Based on the regulation, Article 7 of Rule 2-2010 only provides that the rating issued by a Risk Rating Agency be published by the bank in a newspaper with national circulation, that a copy of that publication must also be submitted to the Superintendency of Banks, and another copy must be placed in a place accessible to the public in all of the bank's establishments for the entire year.*

2. Is a bank whose home supervisor is the Superintendency of Banks of Panama, without a physical presence or any legal establishment abroad, required to submit an international risk rating when it grants a loan to a corporation lawfully incorporated and based abroad?

Answer: *Article 2 of Rule 2-2010 establishes the parameters for submitting a bank's risk rating without its business with foreign customers entered into in Panama being a determining factor in the requirement for an international risk rating.*

Rule 8-2010 on "Comprehensive Risk Management" (as amended by Rule 9-2017)

1. Can the Risk Manager hold the position of Acting Compliance Officer when the Compliance Officer is absent?

Answer: *The staff responsible of the Risk Management Unit must comply with the requirements established in Article 12 of Rule 8-2010. The duties of the Compliance Officer and the Risk Manager have a different nature and purpose. These duties must be conducted separately at all times. In connection with the above, the Superintendency does not deem it advisable to appoint the Risk Manager as Acting Compliance Officer in the temporary absence of the Designated Officer.*

2. Does the provisions of Rule 8-2010 on Comprehensive Risk Management apply to an international license bank whose host supervisor is the Superintendency? How does the annual Board of Directors, Risk Committee and Risk Management Unit certification apply to it?

Answer: *The provisions of Rule 8-2010 are not applicable to international license banks whose host supervisor is the Superintendency. However, the Superintendent may require the domestic top management of any bank to comply with the risk management provisions of Rule 8-2010 when he/she deems it advisable.*

Regarding the annual Board of Directors, Risk Committee and Risk Management Unit compliance certification, the bank is required to meet the requirements on comprehensive risk management provided by the home supervisor. However, the Superintendency thinks it is positive for banks to conduct an appropriate risk management pursuant to the requirements established by the home supervisor, without precluding their being able to apply the sound risk management practices established by Rule 8-2010.

3. How does the annual Board of Directors' Compliance Certification, established in Article 7 of Rule 8-2010, apply to branch offices of foreign banks?

Answer: *The banks that are branch offices of foreign banks are permitted to demonstrate this compliance certification with the annual certification of the Risk Management Unit of the parent company. It must be submitted to the Superintendency of Banks within sixty (60) days following the [bank's] fiscal closure.*

4. What are the criteria used by the Superintendency to apply the waiver contained in Article 9 of Rule 8-2010 and the requirements the bank must comply with to obtain that waiver?

Answer: *The waiver in Article 9 [of the requirement] to have a Risk Committee will only be granted on a case-by-case basis, using as criteria the results of the technical assessment of the bank made in a prior examination permitting the Superintendency*

to verify that the duties of the waived committee are covered by a responsible unit in the bank.

The bank that wishes to request that waiver must submit a written request to the Superintendency including the reasons for the request for the waiver and effectively demonstrating that the responsibilities and duties of the risk committee are covered by a responsible unit in the bank. If deemed necessary, the Superintendency may call for a meeting with the bank to request clarifications or expand on issues associated with the waiver request, or the Superintendency may schedule visits to the requesting bank.

5. Who should be the members of the Risk Committee?

Answer: *According to Article 9 of Rule 8-2010 it is understood that the members of the Risk Committee should be:*

- *Two members of the Board of Directors, one of whom is a member of the Auditing Committee;*
- *The person responsible for the Risk Management Unit;*
- *The person responsible for the Business Unit; and*
- *Any other executive appointed by the Board of Directors*

Rule 1-2011 on "Transparency of Information for the use of banking products and services" (as amended by Rule 3-2011)

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1. According to the provisions of Circular SBP-DR-0042-2011 are banks required to describe the calculation for the nominal and effective interest rates? Does the bank have to indicate the formula for determining the applicable interest rate in the contract for lines of credit?

Answer: *As provided in the cited Circular, the bank must clearly indicate in its lending operations contracts the interests, fees and/or charges applied in the calculation of the nominal and effective interest rate so the client understands the elements involved in the value of money over time.*

Article 196 of the Banking Law states that for lines of credit, including credit cards, overdrafts and revolving credit accounts, the bank must include the formula for determining the applicable effective interest rate in the relevant contract, for the client to be informed on the elements involved in the value of money over time.

2. Must the cost of fees from third parties be itemized, what is the process for potential customers when the bank does not have the information at the moment? How long must the bank keep the information on the payment record of active account customers?

Answer: *For the edification of the customer, each of the expenses for third party fees must be clearly identified. If that information cannot be provided for operational reasons when the relationship is entered into with the customer, it must be made available as soon as possible.*

For potential customers, Rule 1-2011 provides that if the amount of the third party fees cannot be determined when signing the contract, at least the criteria applicable for its calculation and collection must be included.

According to the provisions of paragraph 1 of Article 194 of the Banking Law, the information related to the customer payment record made to capital, interest, balance to date, and any other relevant information must be made available to the customer during the contractual relationship and, once it is terminated, the records must be kept for 5 years, as provided for in Article 25 of Rule 10-2015.

3. Can the messages for the collection of fees for using ATMs when the card is not issued by the bank owning the ATM be placed in the screen advertisements in the transactions?

Answer: *As long as the advertisement meets the purpose of Article 10 of Rule 1-2011, i.e. the customer can know what the total cost of the transaction is in a timely manner and has the change to cancel the transaction without cost, the message on the charge for using an ATM can appear in the screen advertisement between transactions.*

4. In relation to the fees, can the bank provide a general rate index and establish that they rate can vary depending on the negotiation?

Answer: *In fact, the bank must have a general rate index in its facilities, as provided for in Article 8 of Rule 1-2011.*

Article 5 of Rule 1-2011 permits the bank to inform the general public of its fees, whether fixed, in ranges or for reference, as may be the case, as long as the disclosure is explicit and comprehensible, in order to avoid its text being confusing or misinterpreted.

5. Should the detail of the information that must be provided to the customer when the relationship commences be included in the terms and conditions?

Answer: *Article 6 of Rule 1-2011 provides that before signing of any contract, the bank must provide all of the information the potential customers need to know before entering into the contractual relationship, in writing, regardless of the name of the document the bank uses to provide the information in advance.*

6. Based on the provisions of the last paragraph of Article 7 of Rule 1-2011, is the addition of the customers' frequently asked questions and the relevant answers pertaining to the products and services offered on the website a bank's decision or will the Superintendency issue guidelines on this issue?

Answer: *According to the provisions of the rule, it is up to each bank to make the information available to the stakeholders, as part of the education program for the bank customer, thus promoting transparency of information in using the bank's products and services.*

7. For loans in which the customer must have effective access to the record of payments made, interest and balance, does this mean that the payment plan must be posted on online banking or can the changes be provided to the customer upon request?

Answer: *Rule 1-2011 refers to means of access the bank makes available to the customer, including online banking. However, this does not prevents the bank from providing the information upon customer request, complying with the rights emanating from Article 194 of the Banking Law.*

Rule 5-2011 on "Corporate Governance" (as amended by Rules 4-2012, 5-2014 and 8-2019)

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1. Is the creation of a Corporate Governance Committee required pursuant to the provisions of Rule 5-2011 that updates the provisions on Corporate Governance, and what would be the frequency of the required committee meetings?

Answer: *According to Article 18 of the cited Rule, creating a Corporate Governance Committee is optional. Therefore, its creation is up to the bank. However, the SBP may require a bank to create this or other committees, depending on the bank's risk profile.*

2. Is it the responsibility of the board of directors of the bank to approve all of the bank's procedures? In connection with credit cards, teller, online banking, wire transfers, among others, must they be approved by the board of directors or can they be approved by the top management based on powers granted by the board of directors?

Answer: *According to Article 13 of Rule 5-2011, among the responsibilities of the board of directors is approving and reviewing the objectives and procedures of the internal control system, as well as the organization and duties, policies and procedures, risk control manuals and other bank manuals at least once a year. Therefore, all procedural manuals implemented in the bank must be approved by the board of directors.*

3. Does the annual review of policies and procedures apply only to those directly inherent on the validation of internal control measures or to all of the bank's policies and manuals?

Answer: *All procedural manuals implemented by the bank must be reviewed annually by the board of directors, regardless of whether or not they are related to the internal control system.*

4. Does the SBP have any legislation requiring banks to continuously train their staff in an integral manner?

Answer: *Rules 5-2011, 6-2012 and 10-2015 provide as a responsibility of the entity to continuously train their staff in an integral manner.*

5. Are international license banks, whose home supervisor is abroad that has not regulated the participation of women on board of directors and all of their dignitaries are foreigners, are required to comply with the provisions of Article 6 of Executive Decree 241-A dated 11 July 2018, by means of which Law 56 dated 11 July 2017 is regulated, which in turn prescribes provisions on the participation of women on boards of directors?

Answer: *The banks engaging in banking business in and from the Republic of Panama under the supervision and regulation of the Superintendency, holding the corresponding license (including International License Banks), are required to apply, without distinction, the provisions of Law 56 of 2017 and Executive Decree 241-A of 2018 that regulates it, since both regulations do not establish exceptions on the matter.*

However, understanding the difficulties that some banks may face when implementing the provision of the aforementioned Law, we have deemed it appropriate to underscore the provisions of Article 8 of Executive Decree 241-A of 2017, which allows regulated entities to use compliance reports or questionnaires to expose operational or other difficulties that prevent the Board of Directors to comply with these legal provisions.

Rule 6-2011 on "E-banking and the management of related risks" (as amended by Rule 9-2014)

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1. What is the scope of the phrase "duly qualified personnel or company" contained in Article 9 of Rule 6-2011 that provides guidelines on e-banking and the management of related risks?

Answer: *The external reviews required by Article 9 of Rule 6-2011 must be made by independent personnel or companies with knowledge of e-banking and its related risks, in order to permit an objective evaluation of the potential risks to which the bank's e-banking service is exposed. Along those lines, the external reviews must be conducted by personnel or companies not belonging to the same economic group to which the bank belongs.*

2. For selling certain banking products, is the electronic customer's acceptance or consent taken at face value, without needing his/her holographic signature?

Answer: *The bank may obtain the electronic customer's acceptance without his/her holographic signature agreeing to the contract, as long as the bank complies with the prior authorization of the Superintendency. For this, the bank must request the inclusion of the new service in the electronic channel or instrument and have the security measures and controls established in Rule 6-2011.*

3. What type of regulatory actions has the Superintendency of Banks of Panama implemented to avoid banking fraud through credit and debit cards?

Answer: *The Superintendency of Banks has issued Rule 6-2011 addressing security controls the bank must implement.*

4. What are the technology rules the banks must comply with in Panama?

Answer: *The technology rules banks must comply with in Panama are:*

- *Rule 3-2012 on Information technology risk*
- *Rule 7-2011 on Operational risk*
- *Rule 6-2011 on E-banking*

5. What rule regulates online banking transactions?

Answer: *Rule 6-2011, as amended by Rule 9-2014, providing the guidelines on e-banking and the management of related risks. Additionally, Rule 2-2017 on wire transfers.*

6. Are the provisions related to smart cards contained in Rule 6-2011 applicable to *Clave* cards?

Answer: *The provisions on smart cards contained in Rule 6-2011 will be applied to all debit or credit cards offered exclusively by banks in Panama.*

7. Is there any regulation on online banking and nonbanking correspondents?

Answer: *Rule 6-2011 as amended by Rule 9-2014 establishes the provisions on e-banking or online banking and the management of related risks, and Rule 2-2012 as amended by Rule 11-2015 provides [rules] on nonbanking correspondents.*

8. Does the development of a mobile payment or mobile points of sale platform require a license or authorization from Panamanian regulators?

Answer: *General or international license banks may request the Superintendency authorize them to offer their products or services through various electronic channels, including mobile payments, pursuant to the provisions of Rule 6-2011.*

However, the corporations wishing to develop a mobile payment or mobile points of sale platform to be provided to banks in our market do not require an express

authorization from the Superintendency. In these cases, the bank is required to request an authorization from the Superintendency to provide its products and services through this electronic channel, ensuring that the contractual relationship and the outsourced service meet the parameters established in Rule 9-2005 on outsourcing.

9. How should the Superintendency be notified of the security measures that will be implemented prior to the installation of point of sale (POS) equipment?

Answer: *The bank must provide a formal letter of notification to the Superintendency on the security measures that the points of sale have, including specifications such as brand, model, whether it is CPI certified, has chip and strip readers or a video camera, among other security measures (physical, digital and network).*

10. Who will be the person responsible of signing the authorization request for electronic channels referred to in Article 3 of Rule 6-2011?

Answer: *The request can be signed by the bank's CEO, as well as by the person responsible for the process, as long as this person is duly authorized within the Bank to make this type of request.*

11. Does every transaction carried out through electronic banking require that an e-mail or confirmation message of the transaction be sent to our customers?

Answer: *According to the provisions of subparagraph d of Article 16 of Rule 6-2011 the bank must provide a confirmation of the execution of the transactions conducted through the service. In this sense, we confirm that all transactions conducted through electronic banking require a confirmation message of the transaction.*

12. What is the period for which banks must keep a tape, digital video discs or other means as security measures in the ATMs?

Answer: *Twelve months is the minimum period for storing information gathered through closed-circuit cameras in ATMs, pursuant to subparagraph f, paragraph 4 of Article 15 of Rule 6-2011.*

13. What are the criteria used by the Superintendency for an e-mail to be supervised as a means through which banking services are provided?

Answer: *Paragraph 1 of Article 2 of Rule 6-2011 provides that e-banking is the rendering of banking services through electronic means or channels. Additionally, it provides that e-banking includes the services provided through e-mail.*

For its part, paragraph 11 of the cited article establishes that e-mail refers to the technology access means or channel through which the customer exchanges information with the bank through the Internet and requests or provides information through the bank's authorized representative.

14. Is there any draft regulation on payments or wire transfers made from bank accounts to third parties, conducted through the Internet that would impose a fee for every transaction?

Answer: *The current regulation does not include any provision regulating the fees for these operations. Nor is there a draft Rule whose purpose is to regulate those issues.*

However, Rule 4-2011 dated 4 May 2011, which provides the rules for banks on collecting certain fees or surcharges, does not provide any restriction on collecting fees for rendering wire transfers or electronic payment services. Therefore, it is up to each bank to set the fees, according to alliances, agreements, business models and other characteristics that must be considered for providing this service.

15. How is the use of *tokens* or any other digital instruments regulated for the 2-step security verification?

Answer: *Subparagraph b, paragraph 18 of Article 2 of Rule 6-2011 dated 6 December 2011 defines the category 2 factor, including, among other characteristics, the single-use passwords (tokens). Additionally, paragraph 2 of Article 15 establishes that among the security controls for Internet Banking and Mobile Banking is the requirement to ensure the implementation of customer authentication, imposing, as a rule, that it will be necessary to have category 2 authentication measures that meet the implementation parameters of a dynamic validation in order to access the above service. At the same time, subparagraph 6 of the cited article establishes that the bank's telephone banking audio response system must include implementation of the use of category 2 authentication factors as a minimum security measure.*

16. What plans does Panamanian banking have for m-wallet or the implementation of payment instrument technologies?

Answer: *Panamanian banking has legal tools for the development and implementation of various technologies to facilitate and improve the quality of access to banking services. This tool consists of Rule 6-2011 issued by the Superintendency, by means of which the guidelines on e-banking and the management of related risks were provided.*

In addition, the Superintendency issued Rule 1-2013 dated 8 January 2013 on simplified process accounts, which complements the legal framework to foster the expansion of banking services through electronic channels.

Rule 2-2012 on "Nonbanking correspondents rendering certain services on behalf of banks" (as amended by Rule 11-2015)

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1. What are the differences between an outsourcing and a nonbanking correspondent?

Answer: *According to Article 2 of Rules 9-2005 and 2-2012, a nonbanking correspondent is a type of outsourcing whose agreement has more specific characteristics that differ from a common outsourcing agreement, such as limitations on services they can render, the requirement to have a business establishment, the requirement for the operation to be conducted in real time, the ability to not only receive payments but to accept deposits and the authorization to open simplified accounts, among others.*

2. Does the word "real time" included in Article 3 of Rule 2-2012 refer to transactions affecting customer online accounts? How does it affect payments to public entity accounts?

Answer: *The word "real time" included in the above provision is aimed at technology systems used by the bank to conduct transactions permitted through electronic channels that are capable of registering the transaction when it is executed, avoiding the risk that a delayed or dropped registration would entail.*

The above does not preclude the total processing of that transaction taking more time.

Regarding the collection of payments for public entities, it is understood that total processing of an operation cannot be made at once. However, the payment instruction must be duly registered, such that the system avoids the subsequent availability of funds that were debited in previous transactions.

3. What are the requirements stipulated by the Superintendency of Banks for providing services through nonbanking correspondents?

Answer: *The bank that wishes to venture into providing banking services or products through nonbanking correspondents must formally request an authorization from the Superintendency, along with the documentation established in Article 15 of Rule 2-2012.*

4. Can companies contracted for these services run operations in establishments whose main and general activity is not related to banking services?

Answer: *Article 2 of cited Rule 2-20012 (as amended by Rule 11-2015) provides that the nonbanking correspondents must engage in a main commercial activity. However, that provision does not specify the particular type of business, permitting the main commercial activity to be of any nature.*

5. Will the examinations or audits conducted by the Superintendency associated with Rule 2-2012 be made at the banks or at the facilities of the correspondent and who must take on the cost of such examinations?

Answer: *Referring to Article 16 of Rule 2-2012 the examinations will be conducted at the bank and will review whether or not the bank meets the required policies, controls and*

procedures for the proper operations of the nonbanking correspondent. However, the rule does not establish any prohibition on conducting inspections at nonbanking correspondents, which could be made in the event the result of the examinations conducted at the bank deem it prudent to make visits to the correspondent in order to ensure that the bank has complied with the provisions established in the rule.

As for who must take on the costs of the examinations, Article 2 of the rule clearly states that nonbanking correspondents are under the bank's responsibility.

6. Can nonbanking correspondents provide the service of depositing checks drawn against the bank itself or against other banks of the market? If this is possible, what would be the procedure for obtaining the Superintendency of Bank's approval?

Answer: *The new service could conform to paragraph 13 of Article 3 of Rule 2-20012, as amended by Rule 11-2015, which provides that banks can offer "other operations and services the Superintendency of Banks may authorize," through their nonbanking correspondents, because the service they want to offer is not defined within the specific services provided for in that article.*

However, they must submit the request to the Superintendency for authorization to use nonbanking correspondents, along with all the requirements listed in Article 15 of Rule 2-2012.

In addition, they must provide a description of all of the characteristics of the new product they wish to offer through the nonbanking correspondent, as well as its operational model, so that once the request for [use of a] nonbanking correspondent is approved, the Superintendency of Banks can analyze the feasibility of the service the bank wishes to offer through this electronic channel.

Rule 1-2013 on "Simplified Process Accounts"

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1. Can a specific product consisting of prepaid cards for payroll deposits be offered to simplified process accounts?

Answer: *There is no impediment to the use of simplified process accounts for the new service you wish to offer your customers, as long as you meet all of the minimum requirements listed in Article 2 of the cited Rule.*

2. How should the bank proceed when a simplified process account customer wishes to make a deposit greater than B/.1,500.00 due to dismissal/resignation, bonus, proceeds from selling a property, etc.?

Answer: *As provided for in paragraphs 4 and 5 of Article 2 of Rule 1-2003 whereby the rules for simplified process accounts are established, the balance cannot be greater than*

one thousand balboas (B/.1,000.00) at any time and cumulative monthly deposits and withdrawals cannot be greater than one thousand five hundred balboas (B/.1,500.00).

In the case provided in your inquiry, it will not be necessary for the bank to close or reclassify the account because the bank's own system should not permit the simplified process account holder to make a deposit greater than that established in Article 2 of Rule 1-2013.

Rule 4-2013 on "Credit Risk" (as amended by Rules 8-20014 and 11-2019)

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1. Should the transactions under Law 81 of 2009 on *credit cards and other financing cards* be considered restructured, applying the criteria established in Article 19 of Rule 4-2013 and reported as such to the Superintendency of Banks?

Answer: *Transactions under Law 81 cannot be considered restructured without first reviewing the cardholder's category and conditions as provided in Article 18 of Rule 4-2013. Therefore, for a transaction to be considered restructured, it must meet the provisions established in paragraph 8 of Article 2 of the cited Rule.*

As for the way in which these operations should be reported to the Superintendency, as the products are part of the loan portfolio, they should be reported according to the provisions of Rule 4-2013 and in the form and frequency required by General Resolution SBP-RG-2-2017.

2. According to the provisions of Article 27 of Rule 4-2013, can the bank write off collateralized and uncollateralized loans that were classified as unrecoverable? If 100% collateralized and involved in legal processes, can that loan be written off after one year has passed from the date it was classified as unrecoverable?

Answer: *Article 27 of Rule 4-2013 provides that banks have the obligation to write off all loans classified as unrecoverable within a period not greater than one year, regardless of whether the loan is collateralized or not.*

However, in cases where the loan is collateralized, i.e. it has a guarantee acceptable to the Superintendency as a risk mitigator exceeding the amount of the debt amount and meeting the valuation parameters established in the regulation, the Superintendency will evaluate, during the examination process, whether or not there is any justification for not writing off the loan.

3. Must the appraisal of commercial property be renewed every 3 years or would it be permissible, according to the provisions of subparagraph d of Article 41 of Rule 4-2013 on "Collateral Appraisal," to document the renewal with an appraisal certification issued by an expert acceptable to the Bank?

Answer: *The Superintendency deems it acceptable for the bank to comply, with the provisions of the cited rule with a renewal of the appraisal for commercial property through a certification, which will only be accepted for the first renewal, made by an expert unrelated to the debtor and acceptable to the bank. [This is acceptable] as long as it is the first renewal of the appraisal and it is formally documented in the loan files. A new appraisal must be issued after the subsequent three-year period.*

4. Can commercial loans be granted for personal use or does the Superintendency place an impediment on this because personal loans should be for consumption?

Answer: *The loans are classified according to the destination of the funds. In this sense, if a loan is granted to an individual and the proceeds are destined for a commercial activity, the loan must be classified as commercial, pursuant to the provisions of Rule 4-2013.*

5. Is the dynamic provision considered a part of the tier one capital or tier two capital described in the Rule on Capital Adequacy, and under what concept would it be accepted?

Answer: *This provision is considered part of the tier one capital due to the fact that the provision is ascribed or credited to the retained earnings account and cannot be decreased, as established in Article 37, paragraph c of Rule 4-2013.*

6. Is the dynamic provision considered a part of regulatory capital and how is it deducted from the capital adequacy index calculation?

Answer: *The dynamic provision is part of the regulatory capital but it cannot replace or compensate for the capital adequacy requirements, as stated in Article 38 of Rule 4-2013. Therefore, when calculating the capital adequacy index, the bank must make sure that this provision is not used to comply with the minimum required for its capital funds, as provided in the Rule on capital adequacy. Consequently, the bank will consider the amount of the dynamic provision in finally obtaining the capital adequacy index, making sure it conducts the above verifications both with and without the dynamic provision.*

7. Can dynamic provisions be considered a part of the bank's tier one or tier two capital for the concentration limits by economic group and related parties?

Answer: *Dynamic provisions are part of the tier one capital. Therefore, they will be considered for the concentration limits by economic group and related parties.*

8. Is Rule 4-2013 applicable to finance companies whose loan operations are related to an economic group to which the bank belongs and the SBP is the home supervisor, even when these companies are regulated and supervised by the Directorate of Finance Companies of the Ministry of Commerce and Industry?

Answer: *According to paragraph 4 of Article 1 of Rule 4-2013, these provisions are applicable to "banking group's companies whose activities consist of providing services related to the banking or finance sector" (such as finance companies and those engaged in the business of factoring or leasing), meaning that if one of these companies belongs to a banking group, it will be necessary to apply the provisions in the cited Rule. So, a bank's finance companies and subsidiaries consolidating with the banking group must calculate their (specific and dynamic) provisions and classify their loans in accordance with Rule 4-2013.*

9. Is the difference between a loan refinancing and its restructuring is only the debtor's capacity to pay?

Answer: *That assumption is not the only component to be considered in each case. In this sense, in addition to the provisions of the regulation, each bank should take into consideration their own manuals and policies, duly approved by the relevant bodies.*

10. Does the restructuring or refinancing of an existing loan generate a new obligation distinct from that of the main loan that originates it or, for operational purposes, is it considered the same obligation but reclassified as a restructuring or refinancing?

Answer: *Regardless of the existing loan being restructured or refinanced, a new loan operation is produced which must be duly documented in the loan file and operationally registered in the bank's computer systems as a new account under the "restructured" or "refinanced" classification. Added to this, the information on the existing account and the new refinanced or restructured account must be reported using the loan atom form (AT03) of the Superintendency for the effective supervision of the bank's loan portfolio.*

11. Are there any regulations stating that banks must accept appraisals of any company, as long as the person responsible for that appraisal is a suitable person?

Answer: *In accordance with the provisions of Article 44 of Rule 4-2013, is up to banks the contracting of certain appraisal companies based on the their policies and procedures. In this regard, banks may provide in their internal policies which are the parameters and requirements for contracting these companies.*

12. What are the requirements for registering an appraisal company?

Answer: *The requirements to register an appraisal company are established by banks, in accordance with their internal policies and procedures.*

13. What should be understood by an updated appraisal and how old should the appraisal be in the case of a loan for a new home, as well as for a pre-owned home?

Answer: *Updated appraisals are those that allow the bank to have a current and accurate information regarding the value of the assets held in guarantee as a risk mitigator*

at a given time, based on the prevailing market values and other elements established in the aforementioned Article 41 of Rule 4-2013.

In the case of new homes, nothing forces the bank to require a technical and formal appraisal, since the bank can rely on the sale prospect offered by the real estate developer. The aforementioned will be at the discretion of each bank as established in the bank's credit risk policies. In the case of pre-owned homes, an updated appraisal will be required, allowing the bank to have the technical information of the current value the property given as collateral has at the time of granting the loan.

The maximum validity that an appraisal can have for a new home, as well as for a pre-owned home, is established by the bank in accordance with its policies and procedures for prudent credit risk management.

Rule 1-2014 on "Standardization of Personal and Commercial Checks in Panama" (as amended by Rules 10-2014, 8-2015 and 7-2017)

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1. **Do the provisions of Rule 1-2004 on the standardization of personal and commercial checks in Panama apply to cashier's checks?**

   Answer: *Pursuant to the provisions of paragraph 2, Article 5 of Rule 1-2014, cashier's checks must conform to the standards in the regulation.*

2. **Do the outsourcing services for printing checks requires the Superintendency's authorization?**

   Answer: *Based on the provisions for Article 4 of Rule 1-2014 and paragraph 9, Article 3 of Rule 9-2005, outsourcing services for printing checks can be made without requesting prior authorization.*

3. **Can the insertion of the caption "tax stamps paid according to Article 40 of Law 45 dated 14 November 1995," on the bank of the checks be dispensed with, since the aforementioned Rule does address this issue?**

   Answer: *The caption on the stamp tax payment on the back of the check is not one of the required elements of checks.*

4. **Can the bank's checks have a background or a hologram for security?**

   Answer: *Article 6 of Rule 1-2014 does not cover including any background on the checks. Holograms can be included as an additional security measure, as provided for in Article 3 of the cited Rule.*

5. Can one put the name of the company, followed by the amount in numbers, in the space destined for the amount in words?

Answer: *No, the elements of the check must be strictly placed in the positions provided for in Rule 1-2014 and its appendixes.*

6. Must the bank's logo appear at the bottom left of the checks or would it be sufficient to have the bank's name?

Answer: *Yes, the name and logo of the bank are essential elements that all personal and commercial checks must have on the bottom left, as stated in Article 6 of Rule 1-2014.*

7. Can the corporation use its own printers to print the logo/name and account number, bank logo, check number and the security numbering on check security paper?

Answer: *No, the checks with the specifications provided in Rule 1-2014 must be printed using a professional printing press.*

8. What are the correct ways to print a check?

Answer: *Rule 1-2014 stipulates the standardized characteristics and patterns that must be borne by all of the checks printed in the market. Therefore, banks must make sure that they comply with these characteristics and patterns when printing.*

9. Is it up to banks to print checks by themselves or can banks outsource printing to charge a fee?

Answer: *In accordance with Articles 3 and 4 of Rule 4-2014, it is up to banks to print checks by themselves or through a third party.*

Should the bank decides to outsource these services, it will depend on the bank's policies, the mechanism through which the bank will print out the checks, as the bank is responsible for the check to meet the standards contained in the Rule.

10. Can personal checks be printed in continuous format?

Answer: *Rule 1-2014 does not limit the method or modality banks decide to use for printing checks, as long as the checks meet the standards and characteristics contained in the aforementioned Rule and its amendments. Therefore, banks must make sure that checks meet the standards established in the Rule and its amendments.*

Rule 7-2014 on "Consolidated supervision of banking groups" (as amended by Rule 2-2016)

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1. Is Rule 7-2014 applicable to the bank holding company that, at the same time, is the shareholder of a bank and its subsidiaries?

Answer: *According to the provisions of Article 1 of Rule 7-2014, the consolidated supervision of banking groups established in that rule will be applied to banking groups to which the Superintendency is the home supervisor, including the bank holding companies.*

2. Are the risk tolerance levels referred to in Article 23 of Rule 7-2014 applicable to banking group companies even though these companies do not belong to the financial sector?

Answer: *Pursuant to Article 2 of Rule 7-2014, a banking group is one formed by the bank holding company and its subsidiaries at all levels, whose predominant activities consist in providing services to the banking and financial sectors, including nonbanking subsidiaries of the latter that, in the Superintendency's opinion, run operations under common management, whether through a bank holding company or participations or agreements.*

At the same time, Article 23 of the aforementioned Rule states that banking groups must establish risk tolerance levels for the entire group, which must be reported to and understood by the board of directors holding banking shares and the main departments and employees of the banking group.

In this regard, we consider that all companies belonging to ta banking group must apply the conditions prescribed in Article 23 of Rule 7-2014, taking into consideration the nature of the activities and risk factors associated with the activity and that could affect the banking group's financial condition and reputation.

3. Must a new Auditing Committee be created with members of the board of directors of the bank holding company, in addition to the Auditing Committee the bank currently has in order to comply with Article 6 of Rule 7-2014?

Answer: *The banking group must have an Auditing Committee other than the one the bank currently has. It must perform the duties established in Article 7, as well as all of the requirements established in Article 6 of the aforementioned Rule; i.e. the committee must include members of the board of directors holding banking shares and assess the compliance with the risk management policy at the corporate level.*

4. How many persons should conform the banking group's Auditing Committee, pursuant to the provisions of Rule 7-2014?

Answer: *Rule 7-2014 does not provide a specific number of participants. However, according to Article 6 of the cited Rule, the Auditing Committee will consist of members of the board of directors of the holding company and senior executives of the group's banking or financial companies can attend Committee meetings, so the number of members will depend on the complexity of the banking group and the activities in which it engages.*

5. According to the provisions of Rule 7-2014, must a new regulation be created for the Auditing Committee of the bank holding company with the duties specified in the Rule, and must the Auditing Committee decisions be recorded in separate meeting minutes?

Answer: *In connection with corporate governance rules, the Auditing Committee of the banking group must have an internal work regulations containing the policies and procedures for complying with its appointed duties.*

As for record handing, we state that in fact two different minutes must be drafted, given that the Auditing Committee of the banking group is a committee different from and independent of that of the bank.

Rule 4-2015 "Whereby the procedure for registering the custodians of bearer shares is established" (as amended by Rule 10-2018)

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1. What should banks and trust companies do if they want to be registered as authorized bearer shares custodians?

Answer: *The banks and trust companies should request the prior authorization of the Superintendency, fulfilling the requirements in Rule 4-2015. The Superintendency will subsequently issue a resolution by means of which the request will be authorized or denied.*

Rule 5-2015 on the "Prevention of the misuse of services provided by other reporting entities under the supervision of the Superintendency of Banks" (as amended by Rule 8-2017)

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1. According to Article 7 of Rule 5-2015, how can the bank identify the final beneficiary of a private interest foundation whose beneficiaries are an association?

Answer: *Once it understands the purpose for which the private interest foundation was created, knows whether the foundation will be responsible for funds management or will transfer it to the relevant association for the association's activities or purposes, and determines what bodies will control the foundation and the association, the bank must conduct its due diligence on those persons in the controlling body and those authorized to sign and to conduct transactions with the bank account.*

Nevertheless, paragraph 7 of Article 28 of Law 23 of 2015 states that when a reporting entity is unable to identify the final beneficiary, the entity will refrain from starting or continuing the business relationship. This applies, specifically to due diligence of legal entities.

2. Are the provisions of Rule 5-2015 applicable to credit, debit and prepaid card processors?

Answer: *Taking into consideration the definition of issuer and operator provided in Law 81 of 2009, Rule 5-2015 is applicable to debit, credit and prepaid card issuers and processors that maintain a direct relationship with the cardholder and not those providing cards to financial or nonfinancial entities providing this type of products to their customers.*

Rule 10-2015 on the "Prevention of the misuse of banking and trust services" (as amended by Rules 1-2017, 13-2018, 2-2019 and 4-2020)

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1. Can the Articles of Incorporation downloaded from the Public Registry's website be used as backup of the information gathered for the due diligence process for opening accounts for a legal entity?

Answer: *In compliance with the provisions of paragraph 3 of Article 15 of Rule 10-2015, the bank can use the Public Registry's certificate, either in original or copy, or the information downloaded from the Public Registry's website by the customer or the bank itself, verifying the legal entity's existence and data.*

2. What is the scope of the recordkeeping period included in the Rule 10-2015 on the prevention of the misuse of banking and trust services?

Answer: *The recordkeeping duty established in Rule 10-2015 applies only from when the customer cancels a specific product or service, irrespective of other contractual relationships he/she has with the bank.*

Likewise, banks and trust companies must keep for at least five (5) years from the date the contractual relationship with the customer was terminated, any documentation supporting the previous relationship, as provided for in Article 25 of the aforementioned Rule 10-2015.

3. Are the operations conducted through promissory notes subject to the 5-year period included in Rule 10-2015 and can they be kept in a file other than the original file?

Answer: *Any document verifying bank operations is subject to the recordkeeping term of five (5) years referred to in Article 25 of Rule 10-2015.*

Maintaining the documents in a file other than the original file does not breach the spirit of the requirement to retain the documents. Under the provisions of Article 93 of the Commercial Code, it is intended that the bank keep these documents by any means authorized by Law as evidence of its commercial operations and subject to the supervision or examination by competent authority, when required.

4. What are the duties of the Board of Directors in connection with Rule 10-2015?

Answer: *The duties of the Board of Directors are:*

a. *Approval of the manual for the prevention of money laundering (Art. 3);*
b. *Approval of internal work regulations of the Committee for the prevention of money laundering (Art. 4);*
c. *Approval of the bank's risk assessment process (Art. 19);*
d. *Approval of the Know your customer and/or final beneficiary manual (Art. 26);*
e. *Ensure that the bank establishes mechanisms and controls for the proper compliance with rules for the prevention of money laundering;*
f. *Ensure that the bank has the necessary controls for mitigating money laundering risk;*
g. *Participate in the Prevention Committee and follow up on the Committee reports, as provided for in Article 4 of Rule 10-2015.*

5. Can a financial reporting entity rely on the due diligence conducted by a third party that, at the same time, is a reporting entity?

Answer: *Law 21 of 2017 by means of which Article 37 of Law 23 of 2015 is amended provides that a bank, as a financial reporting entity, can rely on the due diligence of another financial reporting entity belonging to the same economic group, as long as appropriate measures are taken to ensure that the third party supplies all of the relevant documentation associated with the due diligence requirements.*

6. Can one deposit an amount greater than USD 1.5 million and have only a verbal agreement with the bank receiving the deposit, i.e. there is no obligation of writing down a document with the deposit terms, origin and others securing the operation?

Answer: *Deposits cannot be verbally agreed to; there must be a written contract defining the terms and conditions the bank is agreeing to with its customer. The bank is required to conduct due diligence to know the origin of funds and to prepare the customer's profile, as provided for in Rule 10-2015.*

7. Does the Tax Identification Number apply to national employees, and if so, what is the number that should be taken as a reference?

Answer: *According to Rule 10-2015 and its amendments, when conducting the customer due diligence the bank must obtain and collect from the Panamanian employees the tax identification number used by the competent national tax authority to collect taxes.*

Rule 11-2018 on "Operational Risk" (as amended by Rule 3-2019)

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1. **Does the Superintendency of Banks of Panama, as regulator and overseer of the soundness, security and reliability of the International Banking Center, require by Law that banks must have appropriate contingency plans in place?**

   Answer: *The Rules listed below require banks to have contingency plans in place:*

   (i) Rule 5-2011 on Corporate Governance
   (ii) Rule 6-2011 on E-banking and the management of related risks
   (iii) Rule 11-2018 on Operational Risk
   (iv) Rule 3-2012 on Information Technology risk management

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(Covid-19) Rule 2-2020 "Whereby additional, exceptional and temporary measures to comply with the provisions of Rule 4-2013 on credit risk are established"

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1. **Does the provisions of Article 4 apply to loans affected by COVID-19 that meet the provisions of Paragraph 1 of Article 3?**

   Answer: *Article 3 of Rule 2-2020 on the rules for modified loans provide that only the loans classified as pass and special mention, as well as restructured loans in arrears, may be modified. Therefore, Article 4 is applicable only to this type of loans.*

2. **Is there any special treatment for loans not complying with the provisions of Paragraph 1 of Article 3 of Rule 2-2020?**

   Answer: *The Rule does not cover a special treatment for the loans not meeting the provisions of Paragraph 1 of Article 3 of Rule 2-2020. Therefore, the bank must make sure that the provisions of Rule 4-2013 are applied to these loans (substandard, doubtful or loss).*

3. **Does Article 4 refer also to substandard and doubtful loans affected by Covid-19 or only to pass and special mention loans contained in Paragraph 1 of Article 3?**

   Answer: *In this regard, Paragraph 1 of Article 3 of Rule 2-2020 specifically refers to the loans classified as pass and special mention, as well as restructured loans without arrears.*

4. **Does the 120-day period established in Article 4 of Rule 2-2020 refer to the period the bank has to extend modified loans or to the period the bank has to assess the granting of modified loans?**

   Answer: *Article 4 of Rule 2-2020 refers to the 120-day* ***assessment period*** *the bank has to grant modified loans and not to the extension period of modified loans.*

*This means, the bank will have a 120-day period to **assess** the loans of the debtors whose cash flow or payment capacity is affected by the Covid-19 situation or the debtors that have an arrears of up to 90 days. Having said that, and having explicitly established that the 120-day period referred to in the Rule is for "**Assessing"** the loans, the bank will modify, within the referred to period, the loans for the time it deems appropriate on a case-by-case basis and the customer analysis to determine if the customer's situation is related to lack of liquidity or the loan itself.*

5. Does the contagion apply to the portfolio as a whole or to modified loans only?

Answer: *According to the provisions of Article 6 of Rule 2-2020 contagion is not applied to the portfolio as a whole.*

6. How many times could the bank modify a loan? If the customer needs another extension, should the operation be classified as restructured?

Answer: *Article 4 of Rule 2-2020 refers to the 120-day **assessment period** the bank will have to assess and agreed on the modifications it deems convenient with the debtors whose cash flow or payment capacity was affected by the Covid-19 situation or the debtors that have an arrears of up to 90 days. Therefore, the bank may modify a loan as many times as it deems convenient (once or more times), taking into consideration the debtor's cash flow or payment capacity. These modified loans will maintain the classification the loan had at the time of modification.*

In this regard, if the customer needs another term extension within the 120-day assessment period provided for in Rule 2-2020, the loan will not be considered a restructured loan. Nevertheless, if the modified loans fail to comply with the agreed terms and conditions and require changes in the terms and conditions, then they will be known as restructured loans, pursuant to the provisions of Paragraph 3, Article 2 of Rule 2-2020.

Miscellaneous Inquiries

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1. Is there any regulation that give banks a maximum period to process the deed closure of their customers?

Answer: *The Superintendency has not issued any rule on this topic. The parties must strictly follow the agreement of the involved parties and the bank must be governed by the approved policies and procedures approved by the relevant bodies for this type of proceeding.*

2. What is the process to be followed to extend collection and home visit hours throughout the Republic of Panama?

Answer: *We advise you that Article 230 of the Commercial Code establishes that commercial obligations cannot be executed outside regular business hours.*

As a result, banks must take these measures into consideration in managing the collection or recovery of their lending operations in order to respect the personal time and space that persons share in the privacy, quietude and peacefulness of their own home.

3. Can a bank keep the originals of the loan and collateral documents at its parent company abroad for security reasons, establishing continuous and immediate access through digital means?

Answer: *For written documents, the bank can keep the original loan and collateral documents at its parent company, as long as it keeps an authenticated copy of those documents in Panama, as provided for in General Resolution 1-99.*

The bank can also keep them in Panama in electronic form, as long as banks meet the provisions of Law 51 dated 22 July 2008 and make them available to the Superintendency of Banks when it so requires or during the onsite examinations conducted to the bank located locally.

4. Is a general license bank with a parent company and "little or no cash deposits or withdrawals" required to maintain a person discharging the duties of "teller" exclusively?

Answer: *To date, the Superintendency has not issued any rule on the different areas making up a bank. However, the Superintendency thinks that the absence of teller services in a general license bank may limit the services that must be provided to customers under its license. The bank must include appropriate mechanisms to provide teller services to customers.*

5. Does the Superintendency of Banks object to granting working capital by means of a long-term loan?

Answer: *The Banking Law and Rules issued by the Superintendency do not cover any prohibition in this regard, so the bank should follow its own policies and procedures, consistent with the provisions of Rule 4-2013 that establishes the obligation for all banks to adopt manuals for credit risk management, to include markets and products for their loan business.*

6. Is a Panamanian corporation whose directors, dignitaries and shareholders do not reside in nor are U.S. citizens required to fill out the *W-8BEN* and *W-8BEN-E* of the Department of the Treasury's Internal Revenue Service to open an account in a bank of the market?

Answer: *Banks, in compliance with the Agreement between the United States of America and Panama to improve international tax compliance and to execute the FATCA and, according to the provisions of their internal policies, can request their customers*

provide the information contained in the aforementioned forms, in order to confirm that the individuals or legal entities are not US citizens, residents or corporations.

7. Does banks have to comply with the schedule established by the Superintendency or is it up to each bank to establish customer service hours?

Answer: *By means of Resolution SBP 124-2006 dated 4 December 2006, posted in Official Gazette 25724, the Superintendency determined that setting a customer service schedule is up to the banks. In this regard, the business hours chosen by the bank must be disclosed to customers and reported to the Superintendency in accordance with Articles 2 and 3 of this Resolution.*

8. Does the Superintendency of Banks supervise the insurance companies incorporated by banks?

Answer: *the regulation and supervision of the insurance and reinsurance activity in all of the different areas is the responsibility of the Superintendency of Insurance and Reinsurance. However, if a bank has a subsidiary holding an insurance license, the supervision of the subsidiary by the Superintendency will be consolidated. Nevertheless, the Superintendency of Insurance and Reinsurance will have the primary responsibility for supervising the insurance activity.*

9. Is Law 3 of 1985 and all its amendments (preferential interest law) applicable to foreign individuals?

Answer: *The provisions contained in Law 3 of 1985, Executive Decree 39 dated 3 June 2009 that regulates the law and all its amendments do differentiate borrowers benefiting from a mortgage by nationality or migratory status.*

Law 3 and Executive Decree 39 establish the procedures that must be met to benefit from them.

10. What is the regulatory and supervisory scope of the Superintendency of Banks on a holding company consolidating operations of financial entities located abroad?

Answer: *The legal and regulatory provisions governing the banking activity in Panama are not applicable to the holding companies consolidating operations of financial entities located abroad, since those corporations are not holding companies for any bank with a physical presence in Panama.*

11. What is the fiscal closing date for banks in Panama?

Answer: *Each bank can choose their closing date.*

12. What bank area (Compliance or Technology) should be responsible for the overall validation and submittal of information of all atoms and BAN charts through the ITBANK system to the SBP?

Answer: *The manager of the relevant operational area will be responsible for validating and verifying the quality of information in these reports. At the same time, the compliance officer will be responsible for ensuring their timely reporting to the SBP. In connection with the above, the degree of responsibility given to the technology area or any other area of the bank for the overall validation and submittal of the information of all atoms and BAN tables through the ITBANK system to the SBP will be determined by the bank according to its internal policies and procedure manuals.*

13. Does an entity that wants to quote auditing services to a bank should be registered at the Superintendency of Banks?

Answer: *The Superintendency of Banks does not keep a registry of bank external auditors; however, it is worth noting that the Superintendency issued Rule 4-2010 "Whereby the provisions on external audits to banks are updated," that provides the general guidelines banks must take into consideration when contracting external auditors.*

14. A bank's decision for not granting a mortgage to a foreigner holding a "temporary resident permit" status, who have served for over 2 years as an international company executive, comes from a legal provision or is it an internal policy adopted by the bank?

Answer: *In regards to the customer – bank relationship and the granting of loans, the Superintendency provides guidelines for the management and administration of credit risk that must be followed by banks to protect the interest of depositors and the stability of the banking system, none of them restrict, limit, discriminate or prevent any national or foreigner to have access to banking services or operations.*