

TRANSLATION

LAW N° 15 (dated 21 April 2015)

Whereby Articles of Law 4 of 1994, which establishes the preferential interest rate system for the agriculture sector, are amended and other provisions are adopted

THE NATIONAL ASSEMBLY

DECREES:

Article 1. Paragraph 1 of Article 1 of Law 4 of 1994 shall read:

Article 1. ...

To be entitled to these discounts, the loans will be subject to the following conditions:

1. Maximum amount per productive cycle per item: five hundred thousand balboas (B/.500,000.00) except for those loans granted to agriculture production associations.

For those activities of the qualified agriculture sector whose production cycle cannot be determined due to their nature, the period will be understood to be one year.

...

Article 2. Article 2 of Law 4 of 1994 shall read:

Article 2. Interest rate for domestic personal and commercial loans greater than five thousand balboas (B/.5,000.00), granted by banks and finance entities as of the enactment of this Law, will include and withhold an annual amount equal to one percent (1%) of the base amount used for calculating the interest rate. The same withholding will be applied to factoring contracts, except that the one percent (1%) withholding will be applied to the total amount of the invoice transferred by the grantor to the finance entity.

Fifty percent (50%) of these amounts will be given to the National Treasury to pay for the preferential interest rate prescribed for the preferential mortgage loans referred to in Subparagraph e of Paragraph 2 of Law 3 of 1985; 12.5% will be remitted to the Agriculture Development Bank; 12.5% to the Ministry of Agriculture; 5% to the Agriculture Insurance Institute and the remaining 20% to the Special Interest Compensation Fund to be administered by the Superintendency of Banks of Panama.

Excluded from the surcharge in this article equivalent to one percent (1%) are:

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1. Loans granted to cooperative associations granting loans to their members and to agriculture production association groups recognized by Law 17 of 1997.
2. Interbank loans, loans secured with bank deposits, external loans, financing through the issuance of bonds and securities duly registered with the Superintendency of the Securities Market, as well as loans granted to finance entities regulated by Law 42 of 2001. This Law has effect on loans secured with bank deposits made before the enactment of Law 49 of 2009, and banks are ordered to return the FECI rate applied as of 18 September 2009 on loans secured with bank deposits.
3. Loans granted to companies engaged in operating credit card systems, as long as these funds are for direct financing that will subsequently be subject to the withholding.
4. Loans granted to retirees, pensioners or the elderly, as defined by Law, when those loans are paid by direct discount to their pensions or are secured by mortgages and/or anticretic charges on properties occupied by those borrowers as their primary residence.
5. Loans agreed as automatic loans on life insurance policies secured with the actuarial or cancellation value of the product and used to pay the premiums of this insurance policy to avoid its premature cancellation.
6. Loans, lines of credit or factoring agreements aimed at partially or totally financing the execution of Government contracts awarded for works, property and/or services, as long as the Ministry of Economy and Finance requires it, agrees that they are in full compliance with Law 34 of 2008 on Fiscal Social Responsibility and confirms that the project represents social interests. This exemption will be applicable only in cases in which the contractor receives the funding. The Ministry of Economy and Finance reserves the right to reject it if the funding does not conform to the usual terms and conditions agreed to in the Republic of Panama in financings having similar characteristics.
7. Factoring contracts in the amount of up to five thousand balboas (B/.5,000.00) entered into by and between micro, small and medium enterprises duly registered with the Authority for the Micro, Small and Medium Enterprise, as long as they can verify their eligibility.

Proviso 1. After creating the necessary technical reserves, the Superintendency of Banks will send the remaining funds to programs to promote the production and modernization of agriculture activity. The Ministry of Agriculture will hold seventy-five percent (75%) and the cooperatives of agriculture credit the remaining twenty-five percent (25%), provided as loans at an annual interest rate of one percent (1%) under the terms and conditions these entities agreed on with the Superintendency of Banks.

Payments made to current loans granted to the Agriculture Development Bank and granted by the Superintendency of Banks before the enactment of this Law will also go through the Ministry of Agriculture, as long as there is a surplus in the technical reserve created by the Superintendency of Banks.

Proviso 2. The application of this Law will be determined by a committee consisting of the Minister of Economy and Finance, the Minister of Agriculture and the Superintendent of Banks or by the persons appointed by them.

Proviso 3. The funds of the Special Interest Compensation Fund on 31 December 2008 that are not required for the technical reserves of the Interest Compensation Fund will be automatically transferred to the National Treasury upon the enactment of this Law. The funds remaining at the end of July and December of each year and not required for the technical reserves of the Interest Compensation Fund will be transferred to the National Treasury by the Superintendency of Banks within ten days of the month following the period in question, with a report justifying the relevant technical reserves.

Article 3. Article 6 of Law 4 of 1994 will be read as follows:

Article 6. The following activities for the purposes below qualify to receive the interest rate discount referred to in Article 1 herein:

ACTIVITIES:

1. Agriculture
2. Livestock
 - 2.1. Cattle: Breeding, fattening and dairy
 - 2.2. Swine, sheep and goats
3. Poultry farming
4. Pisciculture
5. Forestry and afforestation
6. Beekeeping
7. Salt harvesting
8. Agroindustry for exporting non-traditional products
9. Artisanal fisheries

PURPOSES:

1. Purchase of raw materials
 - 1.1. Capital goods
 - 1.2. Workforce
 - 1.3. Raw materials
 - 1.4. Others
2. Planting and farming
3. Enhancement of production facilities
4. Purchase of livestock
5. Purchase of land destined exclusively to the above activities and territorial order to carry out those activities.

Article 4. Article 7 of Law 4 of 1994 will be read as follows:

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Article 7. Infractions of the provisions herein will be penalized by a fine between five thousand balboas (B/.5,000.00) and twenty-five thousand balboas (B/.25,000.00), depending on the seriousness of the infraction.

The offender will be required to consign the total amount that should have been withheld plus the interest corresponding to the domestic market rate in the Special Interest Compensation Fund.

The Superintendency of Banks is the competent authority for imposing the penalties established herein.

The penalties collected will be deposited in the Special Interest Compensation Fund.

Article 5. Subparagraph 4 of Article 10 of Law 4 of 1994 will be read as follows:

Article 10. For the purposes of this Law and its regulatory provisions, the following definitions will apply:

- ...
4. Personal and commercial loans: Those loans to sectors other than the agriculture, industrial, household, nonprofit entity and public sectors.
- ...

Article 6. The Ministry of Agriculture, the Agriculture Development Bank and the Agriculture Insurance Institute will be exempt from any payment covering examination costs or examination fees charged by the Superintendency of Banks of Panama.

In compliance with the constitutional mandate, the monies provided to each will be used by those institutions for loans, payments and projects for the low income sectors and its organized groups, with special attention being made to micro, small and medium producers.

Article 7. The National Assembly, through the Department of Proofreading and Style of the Technical Secretariat for Economic Affairs, along with the Ministry of Agriculture and the Agriculture Development Bank, will draft a consolidated text of Law 4 of 1994 containing all reforms made to date and the provisions of this Law, as well as any amendments made prior to its publication.

This consolidated text will be renumbered beginning with Article 1 and will include the elements of legislative technique and thematic classification.

Once the consolidated text is drafted, the National Assembly will order its publication in the Official Gazette.

Article 8. This Law amends paragraph 1 of Article 1 and Articles 2, 6 and 7 and paragraph 4 of Article 10 of Law 4 dated 17 May 1994.

Article 9. This Law shall take effect the day after its promulgation.

TRANSLATION

FOR COMMUNICATION AND ENFORCEMENT.

Bill 129 of 2014 approved in its third reading in Palacio Justo Arosemena, city of Panama, on the sixteenth (16th) day of April, two thousand fifteen (2015)

The President,

[Signed]

Adolfo T. Valderrama R.

The Secretary General,

[Signed]

Franz O. Wever Z.

NATIONAL EXECUTIVE BRANCH. PRESIDENCY OF THE REPUBLIC.
PANAMA, REPUBLIC OF PANAMA, 21 APRIL 2015

[Signed]

JUAN CARLOS VARELA
President of the Republic

[Signed]

JORGE ARANGO
Minister of Agriculture