

TRANSLATION

Republic of Panama Superintendency of Banks

BOARD OF DIRECTORS' GENERAL RESOLUTION SBP-GJD-0003-2015 (dated 22 December 2015)

“Whereby the technology guidelines and requirements for inspections conducted on regulated financial entities supervised by the Superintendency on the prevention of money laundering, the financing of terrorism and financing the proliferation of weapons of mass destruction are established”

THE BOARD OF DIRECTORS

In use of its legal powers and,

WHEREAS:

Due to the issuance of Decree Law 2 dated 22 February 2008, the Executive Branch reedited Decree Law 9 dated 28 February 1998 and all of its amendments as a sole text, and that this text was approved by means of Executive Decree 52 dated 30 April 2008, hereinafter referred to as the Banking Law;

Pursuant to Paragraphs 1 and 2 of Article 5 of the Banking Law, safeguarding the soundness and efficiency of the banking center and strengthening and fostering favorable conditions for the development of the Republic of Panama as an international financial center are among the objectives of the Superintendency of Banks;

In accordance with Paragraph 4 of Article 6 of the Banking Law, discharging such functions as may be assigned to it by this Decree Law or by other laws is a function of the Superintendency of Banks;

Paragraph 6 of Article 11 of the Banking Law dictates that establishing the rules for onsite inspections of banks and banking groups under this Decree Law and those other inspections that the Superintendency considers necessary, are technical duties of the Board of Directors;

Article 59 of the Banking Law establishes that all banks that engage in the banking business in the Republic of Panama are subject to inspection and supervision by the Superintendency to confirm their financial stability and their compliance with the provisions of this Decree Law and its enabling regulations;

Article 86 of the Banking Law authorizes the Superintendency to request banks, firms in banking groups, bank holding companies and nonbanking affiliates provide documentation and reports regarding their operations and activities;

Chapter XIII of Title III (The Banking Regime) of the Banking Law establishes the provisions for the Prevention of Money Laundering, the Financing of Terrorism and Related Crimes;

Article 113 of the Banking Law establishes that banks and other entities supervised by the Superintendency will submit the information required by law, decrees, and other regulations in force in the Republic of Panama for the Prevention of Money Laundering, the Financing of Terrorism, and other crimes that are related or similar in nature or origin. Furthermore, they are obligated to submit this information to the Superintendency whenever it may so require;

The measures to prevent money laundering, the financing of terrorism and financing the proliferation of weapons of mass destruction were adopted by means of Law 23 dated 27 April 2015;

Pursuant to Paragraph 4 of Article 2 of Law 23 of 2015, the provisions of Law 23 of 2015 are applicable to regulated financial entities, their branches, and the majority-owned affiliates and subsidiaries of the financial group;

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In accordance with Paragraph 1 of Article 20 of Law 23 of 2015, supervising regulated financial entities, regulated nonfinancial entities and activities performed by professionals subject to supervision to ensure they have the internal control policies, mechanisms and procedures for each of the individuals and legal entities subject to their supervision in order to verify due compliance with the provisions of this Law and its regulations, is among the duties of the supervisory entities;

Paragraph 4 of Article 20 of Law 23 of 2015 establishes that having access to financial information related to the crimes of money laundering, the financing of terrorism and financing the proliferation of weapons of mass destruction associated with customers, products and services of the regulated financial entities is among the duties of the supervisory entities;

Additionally, Paragraph 9 of Article 20 of Law 23 of 2015 establishes that the issuance of guidelines for the implementation of this law that are applicable to branches, subsidiaries and affiliates of the regulated financial entities is among the duties of the supervisory entities;

Pursuant to Paragraph 1 of Article 22 of Law 23 of 2015, the Superintendency of Banks of Panama is the supervisory body responsible for supervising regulated financial entities on the prevention of money laundering, the financing of terrorism and financing the proliferation of weapons of mass destruction, including banks and banking groups as defined by the Superintendency of Banks; trust companies, including any other activities that they perform; financial companies; financial leasing companies; factoring companies; issuers or processors of debit, credit and prepaid cards, whether individuals or legal entities, including those issuing and operating their own cards; entities providing payment methods and electronic money;

In accordance with the second statement of Paragraph 1 of Article 22 of Law 23 of 2015, the Superintendency of Banks may request the identity of depositors when necessary for compliance with the regulations for the Prevention of money laundering, the financing of terrorism and financing of the proliferation of weapons of mass destruction as part of the supervision conducted by the Superintendency in these matters;

The measures to prevent the misuse of services provided by regulated entities under the supervision of the Superintendency of Banks were established by means of Rule 5-2015;

The Warning Signs Catalog for the detection of suspicious transactions related to money laundering, the financing of terrorism and financing the proliferation of weapons of mass destruction were established by means of Rule 7-2015;

Rule 10-2015 establishes the measures to prevent the misuse of banking and trust services;

In accordance with Article 185 of the Banking Law, the Superintendent will impose penalties of up to one million balboas to anyone not complying with the provisions of Chapter XIII of Title III on the prevention of money laundering, the financing of terrorism, and related crimes;

That during its working sessions, the Board of Directors determined it was necessary and advisable to establish the supervisory requirements that would permit the Superintendency to verify the proper compliance and effectiveness of the prevention and risk control mechanisms adopted by the regulated financial entities in accordance with the provisions of Law 23 of 2015, its regulation and other legal provisions on the matter.

RESOLVES:

ARTICLE 1. VERIFICATION OF THE PREVENTION AND CONTROL OF MONEY LAUNDERING RISK. In accordance with the powers ascribed in Article 20 of Executive Decree 363 dated 13 August 2015, whereby Law 23 dated 27 April 2015 is regulated, the Superintendency will conduct risk-based onsite inspections of regulated financial entities, their branches, and the majority-owned affiliates and subsidiaries of the financial group, in order to verify compliance with the mechanisms for preventing and controlling the risks inherent in money laundering, the financing of terrorism and financing the proliferation of weapons of mass destruction established in the Law and other legal provisions, hereinafter referred to as prevention of money laundering.

ARTICLE 2. NOTICE OF EXAMINATION. For the purposes of Law 23 of 2015 and pursuant to the provisions of General Resolution SBP-RG-0001-2014, the Superintendency will submit a

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“notice of examination” to regulated financial entities in advance, in which the SBP will state the date of the inspection, the name of the supervisors that will conduct the examination, and the description of the information that must be at the disposal of the supervisor when starting the examination.

ARTICLE 3. INFORMATION REQUESTED DURING THE EXAMINATION. Besides the information required through the “notice of examination,” the supervisors may request, in writing, any other information they may require for the verification and assessment of the effectiveness of due diligence processes, controls and measures applied to manage the prevention of money laundering risks. For this, the supervisors will notify the regulated financial entities of the specific information to be provided and the deadline by which it must be submitted.

ARTICLE 4. CHARACTERISTICS OF THE COMPUTER EQUIPMENT TO BE USED DURING THE SUPERVISORY PROCESS. For the purposes of assessing compliance with the laws and rules in the prevention of money laundering regime, the regulated financial entities must provide the computer equipment meeting the minimum technology requirements established in the Appendix to this Resolution to the Superintendency examiners conducting the onsite inspection.

If at the start of the onsite inspection, the regulated financial entities do not meet the requirements in the Appendix of this Resolution, the onsite examination will be conducted using the Superintendency’s computer equipment, which will remain at the facilities of the regulated entities until the customer list review is completed.

Once the customer list review conducted with the Superintendency’s computer equipment is finished, supervisors must ensure they delete the file containing that list in the presence of the regulated financial entities.

As part of the onsite examination, the regulated financial entity must provide supervisors with access to the files containing the information in the requested format.

ARTICLE 5. TOOLS TO BE USED DURING THE SUPERVISORY PROCESS. During the supervisory process, the regulated financial entity must permit the use of communication channels and equipment such as: telephones, faxes, printers, the Internet, etc. permitting adequate management of the supervisory process.

ARTICLE 6. SUPERVISORY APPROACH. The Superintendency shall determine the degree and scope of the examination to be conducted, according to the risk profile of each regulated entity and in accordance with the mechanisms for money laundering prevention and control in Title V of Law 23 of 2015, Executive Decree 363 dated 13 August 2015, Rules 5-2015 and 10-2015..

During the onsite examination, regulated entities will be required to provide information deemed appropriate and relevant, whether it be individual cases or representative statistical samples from the assets and liabilities portfolio, in order to assess the effectiveness of the due diligence processes, controls and measures for managing the prevention of money laundering risks.

For such purposes, the Superintendency shall request the information and documentation on the client’s profile that will enable it to understand and assess the elements making up his/her financial inflow and outflow (i.e. income and expenditures) and transaction profiles, as well as other control and due diligence elements established in money laundering prevention standards.

Consequently, within the supervisory process for the prevention of money laundering, the Superintendency’s supervision team shall have access to and shall obtain from the regulated entities, any information on the identity of its depositors, clients, and final beneficiaries, the origin of funds, the client’s fixed and variable income, the frequency of his/her monthly movements, the methods used to receive income or make deposits (cash, quasi-cash, checks or wire transfers), the products or services used by the client and any information relevant to due diligence measures and follow-up of the client’s business; as well as a data file on depositors regarding the clientele of the bank’s, trust company’s or other regulated entity’s assets and liabilities related to the prevention of money laundering.

The inspection and verification of information data files on the bank’s deposits will be conducted at the entity’s facilities with the computer equipment it provides, as long as the equipment meets the characteristics and technological specifications in the Appendix of this Resolution.

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If at the start of the examination, the entity does not provide the technology equipment that fully meets the characteristics and specifications in the Appendix of this Resolution, the Superintendency's examination team will start the inspection using the Superintendency's computer equipment, and the regulated entity must provide the files with all the required information.

ARTICLE 7. REPORTING. The regulated financial entities must provide the information requested in the "notice of examination and its attachments," as well as any information requested by the supervisor during the onsite inspection. This information must be submitted for onsite review on the date and time and in the form required, i.e. original documents, photocopies, digital or electronic files, or any other form requested, permitting the supervisor to obtain a clear and realistic view of the situation and facts under examination.

When, as a result of findings or any specific investigation during the onsite inspection for the prevention of money laundering, the Superintendency requires any of the information described herein, the regulated financial entities must provide the requested information in a timely manner through the reporting method required by the supervisor to support the situation and facts subject to examination, ensuring confidentiality when using the collected information.

ARTICLE 8. NONCOMPLIANCE. , Once the examination has started, the failure of the regulated entities to provide the information requested in the "notice of examination" referred to in Article 1 herein will be understood as Noncompliance or Failure to Comply. In addition, if, during the onsite inspection, the regulated financial entity does not provide requested information on the date and in the form required, with either failure causing a delay, this also will be understood as Noncompliance or Failure to Comply.

If the requested information provided is incomplete or includes errors or inconsistencies affecting its quality, the regulated financial entity will be understood to be delaying the reporting of information, resulting in the corresponding sanctions.

ARTICLE 9. PENALTIES. Failure to comply with the provisions herein will result in pecuniary penalties of up to one million balboas (B/.1,000,000.00) in accordance with the provisions of Article 185 of Title IV of the Banking Law.

ARTICLE 10. CONFIDENTIALITY. The information obtained by the Superintendency's Prevention staff during the onsite examination will be maintained under strict confidentiality as provided for in Article 110 of the Banking Law and Article 55 of Law 23 of 2015.

ARTICLE 11. ENACTMENT. This Resolution shall become effective upon its promulgation.

Given in the city of Panama on the twenty-second (22nd) day of December, two thousand fifteen (2015).

FOR COMMUNICATION, PUBLICATION AND ENFORCEMENT

THE CHAIRMAN,

THE SECRETARY,

Luis Alberto La Rocca

Arturo Gerbaud

APPENDIX

TECHNOLOGY REQUIREMENTS FOR THE INSPECTIONS OF REGULATED FINANCIAL ENTITIES

When the regulated entities are notified of the onsite inspection to be conducted by the staff of the Division for the Prevention and Control of Illicit Operations to verify compliance with the measures in Law 23 of 2015 and other enabling Anti-money Laundering regulations, the entities must have the following technical specifications and software tools:

I. One PC or Laptop with the following characteristics:

Processor: Inter Core i7, 3MB of Cache
RAM: 4GB
HDD: 500GB 5400 RPM
Screen: 15"
Port: USB 3.0
Keyboard: in Spanish

II. SOFTWARE with the following characteristics:

1. 32 or 64 bit Operating System:
 - Windows 7 SP1 or Windows 8, 8.1, 8.1 SP1
2. Microsoft Windows Components:
 - Microsoft Office 2013 (Word, Excel, PowerPoint)
 - Microsoft Office Access Database Engine 2010 optional
 - Microsoft Visual C++ Redistributable Package
 - Microsoft Net Framework 4.0 (full)
 - Microsoft Core XML Services (MSXML) 6.0 optional
3. CaseWare IDEA (data analysis tool), version 9 as a minimum or a specialized data mining system permitting the preparation of prediction models by analyzing databases and sources of information.

III. DATA furnished by the Bank:

A complete, consolidated list of customers both from lending and deposit operations. This report must be generated in the presence of the auditors of the Superintendency and must be filed in Excel format.

The Excel chart must have the following columns:

- Branch office code
- Client number
- Personal identification card or passport number, legal entity's identification
- Client's name
- Country (specify the country in case of a foreigner)
- Type of person (individual or legal entity)
- Business activity or profession
- Type of product (savings account, checking account, time deposit, loan, TD, credit card, etc.)
- Account number
- Opening date
- Initial amount
- Current Balance
- Expiration date (TDs and loans)
- PEP (yes or no)
- Risk level (high, medium or low)
- Authorized signatures
- Final beneficiaries

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- Names of legal representatives, dignitaries and directors (only for legal entities)
- Exchange-listed company (yes or no)
- Number of debit transactions (two years)
- Total of debit transactions (two years)
- Number of credit transactions (two years)
- Total of credit transactions (two years)