



Republica de Panamá
SUPERINTENDENCIA DE BANCOS

**Agreement No. 9-2000
(of October 23, 2000)**

THE BOARD OF DIRECTORS
in use of its legal faculties, and

WHEREAS

The Superintendence of Banks has among its functions to ensure the solidity and efficiency of the banking system and to promote the propitious conditions for the development of Panama as an international financial center;

That by means of Agreement No. 5-90 of March 19, 1990, amended by Agreement No. 2-97 February 27, 1997, the National Banking Commission adopted measures for the prevention of operations in cash in Banks established in Panama with funds originating from illicit drug related activities;

That by means of Agreement No. 1-91 of January 15, 1991, amended by Agreement No. 2-97 of February 27, 1997, the National Banking Commission adopted measures for the prevention of operations with checks (banker's, travelers or others) and money orders on funds originating from illicit drug related activities;

That by means of Agreement No. 2-96 of October 31, 1996, amended by Agreements No. 1-97 of February 27, 1997, No. 2-97 of February, 27 1997 and No. 3-97 of June 12, 1997, the National Banking Commission adopted measures to regulate the registry and the communication of suspicious operations to the Financial Analysis Unit FAU)in the Banks established in Panama;

That by means of the Law No. 41 of October 2, 2000 a Chapter titled "Capitals Laundering" was added to Title XII of the Penal Code, establishing in its Article 1 the crime of capital laundering related not only to drug trafficking, but also to qualified fraud, illegal arms trafficking, traffic of human beings, kidnapping, extortion, embezzlement, corruption of public officials, acts of terrorism, and theft or international trafficking of vehicles;

That, pursuant to Executive Decree No. 234 of October 17, 1996, the duty to supervise the compliance with the measures established to prevent the unlawful use of banking services for Capitals Laundering, as well as issuing regulations for the application of the same, is assigned to the Superintendence of Banks;

That by means of Circular No. 8-98 of July 31, 1998, this Superintendence reiterated the validity of the provisions adopted by the Republic of Panama to prevent the unlawful use of the banking services and to combat the laundering of money derived from drug trafficking, contained mainly in Cabinet Decree No. 41 of 1990 and its amendments introduced by Law No. 46 of 1995; and

That the need and convenience of integrating into one single Agreement of this Superintendence the provisions contained in the Agreements issued earlier for the prevention of the unlawful use of the banking services of banks established in Panama, so that the Articles of said Agreements are adapted to the new laws in force in the Republic of Panama.

AGREES:

ARTICLE 1. PREVENTION OF ILLEGAL USE OF BANKING SERVICES. In order to prevent their operations to be used to commit Capitals Laundering or with or from funds derived from any other illicit activity, be it to hide the illicit origin of said funds or to assure their use by any person, all banks must adequately identify its clients and understand the origin of the resources employed by them in their operations with the bank, both in their archives as well as in their information systems.

The duty of adequate identification is also required in the event any person carries out transactions that may be construed to be suspicious operations, according to this agreement.

ARTICLE 2. UNDERSTANDING OF THE TERM "CLIENT". For purposes of the present Agreement, a client will be understood to be any natural or juridical person, including corporations with nominative shares or with bearer shares, having a contractual relationship with the bank, by virtue of which such person receives a service from the bank.

The duty to identify referred to in the previous Article will include the beneficial owners, including the indirect ones, of deposit accounts.

ARTICLE 3. INTERBANK OPERATIONS. The provision of the foregoing Article does not apply to operations carried out between banks.

ARTICLE 4. RULES FOR IDENTIFICATION. In order to comply with the obligations established in Article 1 of the present Agreement, the banks shall carryout the following actions:

1. Adequately identify their clients that request any kind of service, especially those holders of demand deposit or time deposits, either domestic or foreign accounts, nominative or ciphered, particularly those opened for amounts in excess of TEN THOUSAND BALBOAS (B/.10,000.00) or its equivalent in foreign currency, in cash, and its clients for checks (banker's, travelers or other) and money orders issued to bearer with blank endorsements and issued on the same date or within short periods of time and/or by the same drawer or by drawers in the same premises for sums in excess of TEN THOUSAND BALBOAS (B/.10,000.00) or its equivalent in foreign currency. For such purpose, it shall:
 - a. Require, as of the opening of the account, the name, last name, civil status, profession, job or occupation, identity document, nationality, domicile, and the permanent address of the client;
 - b. Require recommendations or references of the client in order to open the demand or time deposit account;
 - c. A record of the client's migratory procedures as stamped in his/her travel documents (for example, entry seals on passport), in the case of persons domiciled abroad but present in Panama in order to open a demand deposit or time deposit account.
 - d. Require the client to indicate if it is acting as an intermediary for another person who is the true beneficiary of the operation and, in case of an affirmative answer, to identify said person;
 - e. In the case of trusts and juridical persons, including corporations with nominative shares

or with shares issued to bearer, require the appropriate certifications evidencing the incorporation and existence of said juridical persons, as well as the identification of its directors, officers, attorneys-in-fact appointed with broad powers and legal representatives of such juridical persons, in order to adequately establish and document the identity of the beneficial owners of the account.

The information provided to the bank by its clients or their representatives, related to the identification of the beneficial owners of the accounts must be kept in strict reserve and may be disclosed only to the national judicial and administrative authorities, duly authorized by the law to request it.

- a. Keep written record in the respective file of all the efforts to identify its client.

2. To declare, in the forms provided for such purpose, information pertaining to:

- a. Any deposits or withdrawals of natural persons in or from personal accounts in amounts in excess of TEN THOUSAND BALBOAS (B/.10,000.00) in cash;
- b. The changing of money in cash from low denomination bills to high denomination bills, or vice versa, in amounts in excess of TEN THOUSAND BALBOAS (B/.10,000.00), upon request by natural persons;
- c. Any deposits or withdrawals by natural or juridical persons in or from commercial accounts in amounts in excess of TEN THOUSAND BALBOAS (B/.10,000.00) for the regular amounts in cash declared in the form indicated for item "a" above.
- d. Regular usual deposits or withdrawals by natural or juridical persons in or from commercial accounts in amounts in excess of TEN THOUSAND BALBOAS (B/.10,000.00) in cash;
- e. The changing of money in cash from low denomination bills to high denomination bills, or vice versa, in amounts in excess of TEN THOUSAND BALBOAS (B/.10,000.00) for the amounts regularly recorded in the form indicated for item be above, requested by natural or juridical persons; and
- f. Regular changes of money in cash from low denomination bills to high denomination bills, or vice versa, in amounts in excess of TEN THOUSAND BALBOAS (B/.10,000.00), upon request by natural or juridical persons;

3. To check, at the end of each week, if successive deposits or withdrawals occurring within short periods of time in amounts that, despite being below TEN THOUSAND BALBOAS (B/.10,000.00) individually considered, when added together could exceed TEN THOUSAND BALBOAS (B/.10,000.00). In such case, the bank shall register the operation for its aggregate value in the appropriate form at the end of said working week, as provided in Paragraphs a, b, c and e of Numeral 2 of the present Article.

4. To declare, in the form established for such purpose, the information relative to the operations in cash by natural or juridical persons in personal or commercial accounts for a sum in excess of TEN THOUSAND BALBOAS (B/.10,000.00) in checks (banker's or travelers or others) and money orders issued to the bearer, with a blank endorsement

or issued on the same date or within short periods of time and/or by the same drawer or by drawers in the same premises.

5. To verify every six (6) months the operations of their clients holding commercial accounts with regular operations in cash for amounts exceeding TEN THOUSAND BALBOAS (B/.10,000.00), with the purpose of determining if the criteria for regularity established by the bank for such clients remain.

Paragraph 1: For the purposes of the present Article only, successive transactions in short periods of time or, simply, short periods of time are those occurring within the same working week.

The forms containing the statements referred to in this paragraph do not require the signature of the person carrying out such operations. The form will only need the signature of the responsible bank's employee.

Paragraph 2: The requirements of the present Article shall not be applicable to operations with checks drawn against demand deposit accounts.

Paragraph 3: All the establishments of the Bank in the Republic of Panama will be considered as a single Bank, for the purposes of this Agreement.

ARTICLE 5. IDENTIFICATION OF ISSUER OF SECURITIES. In order to prevent that its operations related to the purchase or sale of securities in Panama or abroad on behalf of its clients, either from or with funds derived from unlawful activities indicated in Article 1 of the present Agreement, either to hide the illicit origin of said funds, or to assure their use by any person, all banks shall have policies, procedures and systems allowing the adequate identification of the investors, agents or intermediaries participating in the operation.

ARTICLE 6. DUE DILIGENCE REGARDING THE ESTABLISHMENT OF A REGULAR BANKING RELATIONSHIP. At the time of the establishment of a contractual banking relationship with a client, for a sum exceeding ten thousand Balboas (TEN THOUSAND BALBOAS (B/.10,000.00)), the banks shall include in their archives a profile of said client, in order to determine the type, number, volume and frequency of the banking operations, products or services that will later be reflected in the client's account. The procedures that each bank shall adopt to comply with this Article shall permit to gather sufficient information to adequately complete the profile of each client, when needed, and to monitor their operations.

ARTICLE 7. MANUAL ON "KNOW YOUR CLIENT" POLICY ". Without prejudice to the provision established in the preceding Article, the banks shall establish a written manual that will develop the implementation of the "know your client" policy of the bank, which will be periodically updated.

The banks shall establish said manual according to the level of complexity of their activities, and may contemplate different categories of clients established on the basis of the potential risk of illicit activity associated with the accounts and transactions of said clients.

ARTICLE 8. PERIOD FOR CONSERVATION OF DOCUMENTS. The banks shall conserve a signed copy of the forms referred to in the present Agreement, and maintain available to the Superintendence copies of the documents that have served to identify the client, for a period not less than five (5) years, counted as of the end of the business relationship with the client.

The forms and documents referred to in this Article must be presented at the request of the Inspector authorized by the Superintendence for this purpose.

ARTICLE 9. SUSPICIOUS OPERATIONS. All banks shall have a registry for the suspicious operations originated in or linked with the laundering of assets.

The banks shall comply with the tasks that are established below when, in the course of their activities, they learn of operations carried out in their establishments that qualify as suspicious:

1. Register the information pertaining to the operation. The information shall contain the detail(s) of the account(s) that originate the(se) transaction(s), the date(s) of said operation(s), the amount(s) and the type of operation;
2. Notify the Compliance Officer of the suspicious operations. The Compliance Officer will review the operation to verify its suspicious character;
3. Write down in the Registry, in a succinct manner, the observations of the employee that recorded the operations and of the Compliance Officer;

A record of said notation there shall also be placed in the file of the person(s) and the account(s) that originated the transaction(s);

4. When required, notify the suspicious operation to the Director of the Financial Analysis Unit (FAU) in the forms established for this purpose. The notice shall be channeled by way of the Compliance Officer, within thirty (30) days following the notation mentioned in the previous numeral;
5. Write down in the Registry the date and the form for the notice to the FAU, as well as the date and the number of the reply letter from this Unit; and
6. Update the respective client's profile, when relevant.

ARTICLE 10. EXAMPLES OF SUSPICIOUS OPERATIONS. For the exclusive purposes of the present Agreement, detailed below are, by way of examples, some operations that deserve more careful observation by each bank to determine, together with other elements of analysis, if they constitute suspicious operations:

1. Operations that are not consistent with the type of activity of the customer:
 - a. Funds deposits and withdrawals from corporate accounts usually made in cash, instead of checks;
 - b. Lack of withdrawal of funds against checks deposited, from a customer who operates a retail business and provides the service of buying checks. This suggests that said customer has another source of funds;
 - c. Purchase of a great amount of payment orders, checks or other negotiable instruments in large quantities, using cash;
 - d. Accounts that have a large volume of deposits in checks, money orders, transfers, and other negotiable instruments, that have no relationship to the nature of the business;
 - e. Accounts that show frequent transactions with high quantities (deposits, withdrawals, purchase of monetary instruments), that have no relationship to the nature of the business;
 - f. Accounts that show frequent cash transactions, for a business that generally do not handle large amounts of cash;

- g. One single cash deposit made up of many US\$50.00 and US\$100.00 bills;
- h. Frequent change of low denomination bills for high denomination bills, and viceversa;
- i. A small number of deposits using considerable amounts of checks, in which, however, withdrawals are rarely made for the daily operations;
- j. Sudden or inconsistent changes in the transactions and ways the money is handled;
- k. Deposits made during the same day in different branches of the Bank or in other Banks, of which there is awareness;
- l. Accounts from which cable transfers are made and received without any apparent commercial reason, inconsistent with the history of the business of the customer; and
- m. Accounts in which many small transfers of money are received, or deposits of checks, or payment orders, and immediately almost all the funds are transferred to another city or country, with the activity is not consistent with the history or the business of the customer.

1. Operations with characteristics which are notably unusual

- a. Accounts for clients whose addresses are outside the area of service of the bank;
- b. Loans that have time deposits or other investment vehicles as collateral;
- c. Clients who frequently visit the safe deposit box area immediately before making a deposit in cash whose amount is just under the limit required to generate a report;
- d. Accounts or customers who deposit large amounts of money in cash frequently wrapped in paper bands from other banks;
- e. Accounts or customers who frequently deposit dirty or moldy bills;
- f. Customers who suddenly pay out a problem loan, without any explanation regarding the source of the money;
- g. Customers who buy foreign checks, payment orders, etc., with large amounts of cash;
- h. Commercial, fiduciary, escrow accounts, etc., which show substantial deposits of cash;
- i. Accounts opened in the name of money exchange houses in which cable transfers and/or structured deposits are received;
- j. Clients who purchase banker's checks, money orders, or traveler's checks in large quantities, just below the amount required to generate a report, without any apparent reason;
- k. Accounts with deposits by mail of money orders with strange signs or symbols.

1. Clients who try to avoid compliance with the requirements to provide information or fill out registers:

- a. Customers who, for no apparent reason, request to be included in the banks list for "regular" regarding the report the cash transactions;
- b. Customers who frequently request increases in the limit for transaction reports;

- c. Customers who refuse to provide the necessary information for the report or to proceed with the transaction, once they are informed that the corresponding report must be presented;
- d. Individuals or groups who force or try to force a Bank employee to keep the report of a transaction out of the file;
- e. Accounts that show various deposits under the top amount made through an automatic teller machine.

1. Funds transfers with the following characteristics:

- a. Deposits of funds in several accounts, generally in amounts under the limit to be reported, which are later consolidated in a key account and transferred abroad;
- b. Instructions to the Bank for transferring funds abroad and then wait for the same amount to be transferred back from other sources;
- c. Deposits and withdrawals of large amounts of money by transfers, through countries whose level of economic activity, using the criteria of the intermediary bank, does not justify the amounts and frequencies of such transactions;
- d. Transfers of money or earnings from deposits to another country, without changing the type of currency.

1. Insufficient or suspicious information:

- a. Companies that refrain from providing complete information regarding the purpose of the business, previous banking relationships, location, or name of the directors and officers;
- b. Businesses that refuse to provide information to qualified customers for credit or other banking services;
- c. Reluctance to provide personal background information when they open an account or purchase monetary instruments above the limit specified;
- d. Request to open an account without references, local address, or identification (passport, foreign registration, driving license, or social security card) or any other appropriate document, or who refuse to provide any other information that the bank requires to open an account;
- e. Display of identification documents that are strange or suspicious, which the bank is unable to have a prompt verification;
- f. Impossibility of communication with the client through the telephone number provided;
- g. Lack of documents regarding previous or current jobs for a loan request;
- h. Absence of a job history, past or present, but makes frequent transactions of money in large quantities;
- i. Businesses that do not want to reveal details regarding their activities nor provide the financial statements to support activities;
- j. Businesses that present financial statements that are considerably different from other businesses with similar activities;
- k. Unsatisfactory explanations, according to the bank's criteria, regarding the significant variations of the operations with the bank in relation to the initial profile.

1. Change in the patterns to make some transactions
 - a. Important changes in the pattern for sending cash between correspondent banks;
 - b. Increase in the amount of cash handled, without reporting the increase in the corresponding number of transactions;
 - c. Significant movements of high denomination bills, unrelated to the area where the bank is located;
 - d. Large increases in the use of small denomination bills and the corresponding decrease in the use of large denomination bills, without any record of the transactions being reported;
 - e. Rapid increase in size and frequency of the deposits in cash, without the corresponding decrease in the deposits not in cash.

ARTICLE 11. NOTIFICATION TO THE FINANCIAL ANALYSIS UNIT. The Superintendent shall notify the Director of the Financial Analysis Unit of the suspicious operations that come to his knowledge in the course of inspecting the banks.

ARTICLE 12. PROHIBITION OF ACCOUNT CLOSING AFTER NOTIFYING THE FAU. In the particular instances of reporting suspicious operations to the Financial Analysis Unit in the form foreseen in the present Agreement, that originate in a deposit account, the bank will abstain, for the three (3) months following the notification, from closing any account that the bank maintains with any person related to the suspicious operation which was the subject of the operation, except with the express approval of the Financial Analysis Unit.

ARTICLE 13. TRAINING IN MATTERS OF PREVENTION ON UNLAWFUL USE OF BANKING SERVICES. The banks will undertake from time to time the necessary steps to train its employees on compliance procedures related with contents of this Agreement.

ARTICLE 14. SANCTIONS FOR NONCOMPLIANCE WITH THE AGREEMENT. Without prejudice to the preventive measures in Articles 38, 76 and 95 of Law Decree No. 9 of 1998, noncompliance with the requirements of the present Agreement shall be sanctioned by the Superintendence with a fine of FIVE THOUSAND BALBOAS (B/.5,000.00) up to a maximum of ONE MILLION BALBOAS (B/.1,000,000.00), according to the gravity of the fault or the level of relapse.

For the exclusive effects of this Agreement, the actions and conduct of the bank's directors, officers, executives, managers and operators, shall be charged to the bank as a juridical person.

ARTICLE 15. SANCTION FOR CONTEMPT. The noncompliance or contempt of the instructions imparted by the Superintendence with regard to the provisions contained in this Agreement, shall be sanctioned with a fine of at least TEN THOUSAND BALBOAS (B/.10,000.00) for each day of noncompliance, according to the gravity of the noncompliance or the level of relapse.

For the exclusive effects of this Agreement, the actions and conduct of the bank's directors, officers, executives, managers and operators, shall be charged to the bank as a juridical person.

ARTICLE 16. REPEAL OF AGREEMENTS ISSUED BY THE BANKING COMMISSION.

Agreement No. 5-90 dated march 19, 1990; Agreement No.1-91 dated January 15, 1991; Agreement No. 2-96 dated October 31, 1996; Agreement No. 1-97 dated February 27, 1997; Agreement No. 2-97 dated February 27, 1997; and Agreement No. 3-97 dated June 12, 1997 are henceforth repealed.

ARTICLE 17. DATE OF ENFORCEMENT. The present Agreement shall be in force from November 2 of 2000.

Adopted in Panama City, on October 23, 2000-

BE IT KNOWN AND COMPLIED WITH.

THE PRESIDENT

Eduardo Ferrer

THE SECRETARY

Felix Maduro