



Republica de Panamá  
SUPERINTENDENCIA DE BANCOS

**Agreement No. 3-2001**  
(of September 5, 2001)

**The Board of Directors**  
Duly exercising its legal powers

**WHEREAS:**

According to Article 5 of Law Decree No. 9 of February 26, 1998, among the functions of the Superintendency of Banks are to watch over the maintenance of the firmness and efficiency of the banking system, and to promote the proper conditions for Panama's development as an international financial center;

According to Numeral 1 of Article 17 of Law Decree No. 9 of 1998, the Superintendent of Banks must approve the granting of bank licenses within the framework given by said Law Decree;

According to Article 23 of Law Decree No. 9 of 1998, foreign banks must previously obtain authorization from their Foreign Supervising Entity to exercise the Banking Business in or from Panama, or to set up Representation Offices;

According to Article 32 of the same Law Decree No. 9, it is a duty of the Board of Directors to establish the requirements and other conditions that the applicants must meet to obtain a banking license; and

That, in work sessions of this Board of Directors with the Superintendent of Banks, the need and advisability has been brought up of updating the basic criteria for granting bank licenses, established in Agreement No. 4-81 of January 20, 1981, modified by Agreements No. 14-89 of September 12, 1989, 17-89 of October 31, 1989 and 19-89 of December 13, 1989,

**AGREES:**

**ARTICLE 1. APPLICATION SCOPE.** The present agreement establishes the basic criteria for considering applications for General, International or Representation Licenses by the Superintendent of Banks, the minimum requirements for granting the requested license, and the essential documents that must be submitted with the license application.

**ARTICLE 2. MORAL AND FINANCIAL SOLVENCY.** The natural persons that apply for a banking license to the Superintendency for a foreign-formed Bank or as promoters of a new Bank in the process of being formed, as also their directors, officials and main stockholders, must

possess a renowned moral and financial solvency. Therefore, the requested banking license will not be granted if any of the previously mentioned persons:

- a. Has been convicted of money laundering, illicit traffic of drugs, fraud, illegal traffic of arms or persons, kidnapping, extortion, embezzlement, corruption of public servants, acts of terrorism, international traffic of vehicles, or of any crime against property or legal authority;
- b. Is disqualified to practice commercial activities, in Panama or in another country;
- c. Has been declared bankrupt or in civil contest of creditors;
- d. Has been identified by the Superintendency as responsible in the Bank for the acts that lead to the compulsory liquidation of the Bank.

**ARTICLE 3. EXPERIENCE.** The applying Bank or its promoting group must have proved experience in the operations for which they request banking license, with a history that shows the gradual increment of their financial capacity, without major or repeated drawbacks.

The Superintendent will obtain the necessary information about the directors, officials and executives who have been proposed for managing the bank institution for which they are applying, to consider individually and collectively their experience in financial businesses, professional competence, moral integrity and relevant background.

**ARTICLE 4. CORPORATE GOVERNANCE.** The applying Bank or its promoting group must prove that the bank institution for which they are applying will have an administrative structure that clearly takes into consideration the separation of responsibilities in various functions, an independent audit, the execution of the functions related to abiding by the laws, regulations and applicable internal policies, and a Board of Directors capable of carrying out an independent vigilance over the Bank management.

The applying Bank or its promoting group may prove the elements stated in the previous paragraph, by the presentation of documents that clearly describe the responsibility assignment and of the authorities that make the decisions in the Bank, the hierarchical line of approvals required in all levels of the Corporate Government structure, starting with the Board of Directors, and also the mechanism for its interaction and cooperation between itself, the Upper Management and the internal and external auditors.

**ARTICLE 5. EXCLUSION OF BEARER STOCKS IN PANAMANIAN BANKS.** No license of any kind will be issued to the Banks in process of being formed, constituted according to Panamanian legislation, whose capital is represented in whole or in part by bearer stocks.

Neither will licenses of any kind be issued to the Banks in process of being formed, constituted according to Panamanian legislation, if the capital of legal person who has the control of the Bank is represented in whole or in part by bearer stocks.

For the effects of applying this article, it will be understood that a corporation has the control of another, if he individually has the needed votes to elect on his own most of the directors of that corporation, or for designating the Legal Representative or General Attorney - in - fact or the highest level Executive of that corporation.

**ARTICLE 6. EXCLUSION OF BEARER STOCKS IN FOREIGN BANKS.** No license of any kind will be issued to the Banks constituted according to with a foreign legislation, whose capital is represented in whole or in part by bearer stocks.

**ARTICLE 7. DISCRETIONAL AUTHORITY OF THE SUPERINTENDENT.** The superintendent will meet with representatives of the applying bank or of the promoting group, or with the attorney designated by them for that purpose, before the formal presentation of the application for banking license.

It will be left to the Superintendent's discretion to grant the respective license, attending to the analysis of the documents submitted by the applicant or its promoter, the meetings he/she holds with the applicant and/or its promoting group before the presentation of the license application, and the investigations that lead to that effect.

In the cases when he deems it convenient, the Superintendent may condition granting the license to the fulfillment of particular quantitative or qualitative conditions, with the previous signing of a commitment by the applicant or his promoting group.

**ARTICLE 8. RESTRICTION ON STOCK ISSUING.** In case of Banks in process of being formed that are constituted as a corporation according to the legislation of the Republic of Panama, they will not be able to issue stocks before being definitely granted the banking license.

**ARTICLE 9. DOCUMENTS REQUIRED FROM BANKS TO BE CONSTITUTED IN PANAMA.** The application for banking license of a Bank in process of being formed, which will be organized as a corporation according to with the legislation of the Republic of Panama, must be carried out through a Lawyer or Lawyer Firm qualified to provide legal services in the Republic of Panama.

The applying Bank or its Promoting Group will prove the fulfillment of the necessary criteria and requirements for the evaluation of the license applications, by attaching the following documents to the application:

- a. **Articles of Incorporation:** Draft project of the Articles of Incorporation and of the statutes of the legal person in process of being formed who would be the legal owner of the license applied for;
- b. **Authorization of the Board of Directors:** Minutes, extract of minutes or secretarial certificate of the Board of Directors Meeting of the applicant or its financial promoter that states the financial support, the authorization to practice the banking business, as also the assignment or investment of capital needed to practice the banking activity in Panama;
- c. **General information of the stockholders, directors and officials of the applicant and its Promoter:** Detailed and precise information to confirm irrefutably the identity, residence, address, nationality (identity cedula and/or passport), occupation and participation percentage in the capital of the stockholders of the applicant, its promoter and the promoter's directors and officials, and their stock participation.

In case the applicant or promoter's stocks are frequently traded in the stock market, the required information will fall on the five (5) stockholders with the greatest participation percentage;

- d. **Résumés of the Bank's responsible personnel:** Résumés of the officials, directive, executive and administrative personnel who will be responsible for the banking institution in Panama, banking, commercial and personal references, giving the source so the information can be verified or more can be requested;
- e. **Personal financial statements:** Personal financial statements which detail the financial solvency of the directors, the dignitaries and the major stockholders or the ones with capacity to exercise control of the Bank;

- f. Economic Group or Financial Conglomerate:** Information about the Economic Group or Financial Conglomerate of which the Bank forms part, presenting in particular a flowchart that shows the links between the applicant, the corporations that have control over the applicant and/or promoter, and any subsidiary or affiliate corporations; existing kin, property, control or management relationships; the directors, officials and responsible personnel they have in common;
- g. Financial activities of the Economic Group or Financial Conglomerate:** Description of all the financial activities carried out by the companies integrating the Economic Group or Financial Conglomerate of which the Bank forms part, including a list of the jurisdictions under which those companies operate;
- h. Applicant's major investments:** List of all the corporations in which the applicant and the subsidiaries that are consolidated with him possess by themselves or together with somebody else, an equity investment of more than 25% of the capital or more than 10% of the respective voting rights;
- i. Minimum capital:** Evidence that it possesses the minimum initial capital amount for the Bank in Panama, three million Balboas (B/.3,000,000.00) if applying for an International License, and ten million Balboas (B/.10,000,000.00) if applying for a General License.
- j. Capital distribution:** Participation percentage of the applicant or its promoting group in the paid capital of the projected institution;
- k. Consolidated and audited financial statements:** Comparative consolidated and audited financial statements of the applicant and/or its promoting group corresponding to the last two closed fiscal years, together with temporary Financial Statements;
- l. Auditors' registration and authorization:** Name of the external auditor of the institution that will own the respective license, along with a certification from the Technical Committee of the Ministry of Commerce and Industries of the Republic of Panama, which states that the external auditor that endorses the Financial Statements of the applicant and/or its promoter is duly authorized to practice that profession;
- m. Publications and memories:** The most recent annual memories or similar publication that contains information on the applicant and/or its promoting group, or of the Economic Group to which it belongs, its constitution, changes in the trade name, mergers or consolidations, turn of the operations, local and foreign banking institutions (subsidiaries, branches, representing offices and agencies), relations with other financial institutions and in general about the result of its management, its indicators of profitability, growth and risk over its assets, its liabilities and its equity;
- n. Project of activities to be developed / Business plan:** Description of the plans the applicant proposes to develop once the License has been granted (short, medium and long term objectives), indicating the Bank's viability, and its contribution to the Panamanian economy;
- o. Feasibility study:** The applicant's financial projections, projected organizational functions and expected profitability of the bank;
- p. Risk management:** Procedures, policies, manuals and other documents that develop the implementation of the management of important banking risks, such as credit risks, interest rate risks, and operation, liquidity and legal risks; and
- q.** Any other document, information or requirement demanded by the Superintendent.

**ARTICLE 10. DOCUMENTS REQUIRED FROM FOREIGN-FORMED BANKS.** The application for banking license for a Bank organized, as a corporation according to with foreign legislation must be carried out through a Lawyer or Lawyer Firm with suitability to provide legal services in the Republic of Panama.

The applying Bank or its Promoting Group will prove the fulfillment of the necessary criteria and requirements for the evaluation of the license applications, by attaching the following documents to the application:

- a. **Articles of Incorporation:** Authenticated copy of the deed that contains the Articles of Incorporation and the statutes of the applicant;
- b. **Authorization of the Board of Directors:** Minutes, extract of minutes or secretarial certificate of the Board of Directors Meeting of the applicant or its financial promoter that states the financial support, the authorization to practice the banking business, as well as the assignment or investment of capital needed to practice the banking activity in Panama;
- c. **Certification from the authorities (monetary, supervising or regulating) of the country of origin:** Certification issued by the authority of the country of origin of the applicant or its promoter indicating his proper registration and authorization to practice the banking business in his country, as also the authorization to practice the banking business in or from Panama or to establish a Representing Office in Panama.

In case the applicant operates as a Bank in his country of origin, or he forms part of a financial conglomerate that includes Banks that operate in his country of origin, the Superintendency of Banks could require a certification of the Bank Supervising Entity of the mentioned country, indicating that the mentioned entity will carry out the consolidated and over-the-boundaries supervision of the applicant, and the frequency and extent of the inspections, in case the Banking License is granted in Panama;

- d. **General information of the stockholders, directors and officials of the applicant and its Promoter:** Detailed and precise information to confirm irrefutably the identity, residence, address, nationality (identity cedula and/or passport), occupation and participation percentage in the capital of the major stockholders, or the ones with capacity to exercise control of the Bank and of its directors and officials, and the stock participation of the latter.

In case the applicant or promoter's stocks are frequently traded in the stock market, the required information will fall on the five (5) stockholders with the greatest participation percentage;

- e. **Résumés of the Bank's responsible personnel:** Résumés of the officials, directive, executive and administrative personnel who will be responsible for the banking institution in Panama, banking, commercial and personal references, giving the source so the information can be verified or more can be requested;
- f. **Economic Group or Financial Conglomerate:** Information about the Economic Group or Financial Conglomerate of which the Bank forms part, presenting in particular a flowchart that shows the links between the applicant, the corporations that have control over the applicant and/or promoter, and any subsidiary or affiliate corporations; existing kin, property, control or management relationships; the directors, officials and responsible personnel they have in common;

- g. Financial activities of the Economic Group or Financial Conglomerate:** Description of all the financial activities carried out by the companies integrating the Economic Group or Financial Conglomerate of which the Bank forms part, including a list of the jurisdictions under which those companies operate;
- h. Applicant's major investments:** List of all the corporations in which the applicant and the subsidiaries that are consolidated with him possess by themselves or together with somebody else, an equity investment of more than 25% of the capital or more than 10% of the respective voting rights;
- i. Minimum capital:** Evidence that it possesses the minimum initial capital amount for the Bank in Panama, three million Balboas (B/. 3,000,000.00) if applying for an International License, and ten million Balboas (B/. 10,000,000.00) if applying for a General License. The capital assigned for a Bank established as a subsidiary in Panama must be constituted with additional funds to the main branch capital, and not as part of the main branch capital;
- j. Capital distribution:** Participation percentage of the applicant or its promoting group in the paid capital of the projected institution;
- k. Legal representation:** In case of branches, name of the persons designated as General Attorneys - in - fact of the Bank, who must be residents of Panama and at least one of them must be of Panamanian nationality;
- r. Consolidated and audited financial statements:** Comparative consolidated and audited financial statements of the applicant and/or its promoting group corresponding to the last two closed fiscal years, together with temporary Financial Statements no more than sixty (60) days old. The financial statements referred by this paragraph must be prepared in conformance with the International Accounting Standards or the United States Generally Accepted Accounting Principles (US-GAAP);
- s. Other financial information:** In case of branches, reports on the classification of asset portfolio and the expiry structure of assets and liabilities, and also about the position of the bank or promoter in the place of origin, according to the main financial indicators (total assets, portfolio, deposits and equity) and the most recent rating of the supervising authority;
- l. Auditors' registration and authorization:** Name of the external auditor of the institution that will own the respective license. At the Superintendent's discretion, a certification must be provided from the corresponding foreign authority, which states that the external auditor that endorses the Financial Statements of the applicant and/or promoter is duly authorized to practice that profession;
- m. Agents:** List of the Bank's main agents divided by geographical region;
- n. Publications and memories:** Annual memories and other publications that contain information on the applicant and/or its promoting group, or of the Economic Group to which it belongs, its constitution, changes in the trade name, mergers or consolidations, turn of the operations, local and foreign banking institutions (subsidiaries, branches, representing offices and agencies), relations with other financial institutions and in general about the result of its management, its indicators of profitability, growth and risk over its assets, its liabilities and its equity;

**o. Project of activities to be developed / Business plan:** Description of the plans the applicant proposes to develop once the License has been granted (short, medium and long term objectives), indicating the Bank's viability, and its contribution to the Panamanian economy;

**p. Feasibility study:** The applicant's financial projections, projected organizational functions and expected profitability of the bank;

**q Risk management:** Procedures, policies, manuals and other documents that develop the implementation of the management of important banking risks, such as credit risks, interest rate risks, and operation, liquidity and legal risks; and

**r.** Any other document, information or requirement demanded by the Superintendent.

**ARTICLE 11. PRE-OPERATIVE INSPECTION.** Every Bank that has been granted a banking license in conformance with the present Agreement must start operating within the six (6) months following the date of the Resolution granting the license.

To verify the Bank's capacity to offer its services, the Banks will be object of an inspection by the Superintendency personnel before they start their operations under the protection of the granted license, therefore the Banks will communicate in writing when their operations begin and the place where their main offices will be located at least sixty (60) days before the opening.

Within the same communication, the Banks will submit the list of their main executives, and from then on, they must inform the Superintendency about any change to that list.

**ARTICLE 12. FOREIGN APPLICANTS AND PROMOTING GROUPS.** Without detriment to the other requirements established in the present Agreement, the Banks constituted outside the country and their promoting groups must have a verified and recognized strength in the banking system they proceed from and must meet, at least, the following conditions:

- a. The legislation of the Bank's main branch must allow the consolidated supervision by the Supervising Entity of the establishment in Panama of the mentioned main branch;
- b. The operating structure of the bank institution aimed by the application must allow an adequate access to the Superintendency for the performance of its supervising duties;
- c. The applicant or its promoting group must present an express authorization of the Banking Supervising Entity of the jurisdiction of origin to the Bank institution in Panama, or at least a "no objection" declaration issued by the same entity;
- d. The applicant or its promoting group must present a declaration of the Banking Supervising Entity of the jurisdiction of origin, which shows the entity's will to hold a Memorandum of Understanding with the Superintendency, to facilitate the inter-institutional cooperation, the information exchange and the in situ inspection of the institution in Panama, by their personnel; and
- e. The applicant or its promoting group must prove that the Bank to be the owner of the respective license maintains physical presence, management and substantial operations in its country of origin, as well as the fulfillment of the requirements of capital adjustment, liquidity and other prudential norms established by the legislation and/or the respective Foreign Supervising Entity.

**ARTICLE 13. APPLICANTS OF REPRESENTATION LICENSE.** Representation licenses can only be granted to Banks with physical presence and main branch constituted outside the country, with management and substantial operations in their country of origin, which must be subject to the control and supervision of a Foreign Supervising Entity.

A Representation License will not be granted to the Banks that cannot prove the fulfillment of the requirements of capital adjustment, liquidity and other prudential norms established by the legislation and/or the respective Foreign Supervising Entity.

The owners of a Representation License will not be able to perform, under the protection of the mentioned license, any banking operation in or from **their** office in Panama, whether it be assets or liabilities, operations with Banks with General or International License, with residents or non-residents, of credit mediating, of mediating in collections and/or payments, or of capital or trust goods management.

**ARTICLE 14. TERMINATION OF AGREEMENTS ISSUED BY THE NATIONAL BANKING COMMISSION.** Leave without effect Agreement No. 1-70 of September 7, 1970, Agreement No. 5-70 of December 15, 1970, Agreement No. 2-72 of June 7, 1972, Agreement No. 6-72 of October 25, 1972, Agreement No. 5-73 of March 30, 1973, Agreement No. 7-73 of May 2, 1973, Agreement No. 1-80 of August 4, 1980, and Agreement No. 4-81 of January 20, 1981, modified by Agreements No. 14-89 of September 12, 1989, 17-89 of October 31, 1989, and 19-89 of December 13, 1989.

**ARTICLE 15.** The present Agreement will be in force from its own date.

Given in the city of Panama, on September five (5), two thousand one (2001).

**THE PRESIDENT**

Felix B. Maduro

**THE SECRETARY**

Jorge W. Altamirano-Duque M.