

Republic of Panama
Superintendency of Banks

Agreement No. 7-2003
(of October 16, 2003)

THE BOARD OF DIRECTORS
In exercise of its legal faculties, and

WHEREAS:

Pursuant to Numbers 1 and 2 of Article 5 of Decree Law No. 9 of February 26, 1998, the Superintendency of Banks is responsible for preserving the soundness and efficiency of the Banking System, as well as strengthening and fostering auspicious conditions towards the development of Panama as an International Financial Center;

Pursuant to Number 5 of Article 5 of Decree Law No. 9 of February 26, 1998, the Superintendency of Banks is responsible for ensuring that Banks follow adequate procedures to enable the supervision and control of their national and international activities;

Pursuant to Number 7 of Article 16 of Decree Law No. 9 of February 26, 1998, the Board of Directors of the Superintendency of Banks is responsible for determining the interpretation and scope of legal and regulatory banking provisions in the administrative realm;

Pursuant to Title V of Decree Law No. 9 of February 26, 1998, regulations are established relating to the protection of banking services users;

Pursuant to Law No. 42 of October 2, 2000, measures are established for the prevention of Capital Laundering crimes;

The Superintendency of Banks deems it necessary to establish guidelines relative to the issuance, operation and use of credit cards, to serve as basis for the development of this banking service.

That in the course of joint work sessions of this Board of Directors of the Superintendency, there became evident the convenience of adopting criteria and basic procedures to safeguard the rights and ensure compliance with obligations of parties involved in credit card activities, and guaranteeing the greatest possible transparency of banking operations.

AGREES:

Article 1: SCOPE OF APPLICATION. The provisions of this Agreement apply to State Banks and General License Banks providing credit card services.

Article 2: DENOMINATION. For purposes of this Agreement, "*Credit Card*" shall be the nontransferable payment instrument granted by the bank to the holder for the purpose of acquiring goods, services or cash, under the terms of a credit card contract. Likewise, additional cards issued by the Bank to persons authorized by the holder, subject to the holder's instructions, are considered credit cards.

Article 3: DEFINITIONS. For purposes of this Agreement the following are definitions of terms:

- a. **Issuer:** The banking entity issuing credit cards.
- b. **Cardholder:** Person authorized to use the credit card.
- c. **Principal Cardholder:** Person who enters a credit card contract and assumes responsibility for all charges and use made personally or by additional cardholders authorized by him.
- d. **Additional Cardholder:** Person authorized by the principal cardholder to use a credit card, who received a credit card from the issuer following the principal cardholder's instructions.
- e. **Authorization:** Process by which the credit card issuer approves or disapproves the use of credit granted to the cardholder.
- f. **Pin or Personal Identification Number:** Confidential number for personal identification assigned to the cardholder.

Article 4: CREDIT POLICY. Banks shall incorporate into their credit and operations manual the procedures, control and internal policies regulating the analysis, approval and management of credit cards issued to clients, to ensure their control and minimization of risks associated to the use of credit cards. For this purpose, the Bank's internal policies shall cover, as a minimum, the following aspects:

- a. Credit card programs and products establishing minimum and maximum amounts, term for renovation of the credit card, as well as the bank officers' discretion to modify the terms cited.
- b. Terms and conditions for approval of credit cards, as well as required client profile.
- c. Evaluation criteria.
- d. Credit administration, to include collection situations and portfolio classification.
- e. Reasons for temporary suspension or cancellation of the credit card, as well as for termination of contracts.
- f. Procedure for delivery of credit cards and pin.
- g. Any other aspect determined by the Superintendency of Banks.

Article 5: CREDIT CARD CONTRACT. The credit card contract entered by the Bank and the principal cardholder shall contain as a minimum:

1. General information concerning both parties.
2. Detailed address where cardholder notifications concerning changes in contract conditions and account statements may be forwarded.
3. The cardholder is responsible for maintaining address and general information updated with the Bank.
4. Description of contracted service.
5. Interest rates, commissions, charges, insurance and other direct expenses for services rendered through the credit card.
6. Issuer's obligation to pay charges or acquisitions authorized to the cardholder.
7. Manner, means, and terms of payment permitted.
8. Responsibilities of each party in case of loss or subtraction of the credit card, as well as term and mechanism of claims submission.
9. Principal causes of temporal suspension or cancellation of the credit card or cancellation of the corresponding contract.
10. Frequency of issuance of account statements.
11. Terms and conditions in the acceptance of account statements.
12. Rights and responsibilities of the parties.
13. Term of contract duration and renovation procedures.
14. Contract modifications.
15. Others established by the Superintendency of Banks.

The credit card contract entered by the issuer and the cardholder shall be written out clearly and legibly.

Article 6: APPROVAL OF A CREDIT CARD REQUEST. Once a Bank has approved a request for a credit card, the Bank will notify the client, indicating the amount of the credit line. Subsequent modifications to the credit line shall be notified to the client at the address provided by the principal cardholder.

The credit card may not be activated prior to the client signing the contract and formally acknowledging receipt of the credit card.

Article 7: ACCOUNT STATEMENTS OR MONTHLY SUMMARY OF OPERATIONS. The Bank shall prepare and forward, by means agreed upon by the parties, a monthly summary providing

details of operations made by the cardholders. This summary or account statement shall contain as a minimum:

1. Identification of the banking entity.
2. Type of credit card and program.
3. Cardholder identification.
4. Account or credit card number.
5. Date of account statement.
6. Payment due date.
7. Total balance owed and previous balance.
8. Minimum amount owed.
9. Credit limit.
10. Credit available.
11. Date of transaction.
12. Date of processing of transaction.
13. Transaction identification number or reference.
14. Affiliated business entity identification where the transaction was executed.
15. Amount of each transaction.
16. Payments made by the cardholder throughout the period covered by the account statement, indicating date and amount.
17. Interest rate.
18. Amount of charges and commissions charged by the Bank.
19. Corrections to previous account statements.

In cases where the cardholder reports that he has not received his account statement, he shall be entitled to request the account statement to the Bank and the Bank shall provide him a copy, without prejudice of the cardholder's obligation to make the corresponding minimum payment within the corresponding due date.

Article 8: CHARGES FOR EXPENSES AND COMMISSIONS. Once the credit card is activated, the Bank may make charges for commissions, management expenses and post them to the corresponding account statement.

Article 9: ADDITIONAL CREDIT CARDS. Credit cards additional to the principal card may only be issued with previous written authorization by the principal cardholder, under his stipulated instructions and pursuant to the terms and conditions contained in the contract entered with the Bank. The Bank shall require the submission of all necessary information to verify the identify of additional cardholders.

Article 10: LOSS OR SUBTRACTION OF CREDIT CARDS. In order to prevent or avoid unauthorized transactions, the Bank shall make available to cardholders a 24 hour reporting system service to notify the Bank of the loss or subtraction of credit cards, pursuant to the terms and conditions of the contract.

To this effect, the date and receipt code shall be identified and registered for each report, and written documentation of this shall be provided to the cardholder immediately.

Responsibilities for unauthorized transactions resulting from the loss or subtraction of the credit card shall be subject to terms and conditions of the contract between the cardholder and the Bank.

Article 11: PREVENTION OF IMPROPER USE OF CREDIT CARDS. For the purpose of preventing the improper use of banking services through credit cards, the Bank shall ensure the existence, effectiveness and management of strict procedures and efficacious security measures for the identification and follow-up of suspicious transactions, as well as the application of the Know-Your-Client policy, of Due Diligence procedures and other provisions pursuant to Agreement 9-2000 of October 23, 2000 and any other current legal norm establishing measures for the prevention of Money Laundering crimes.

The Bank may only issue nominal credit cards.

Additionally, the Bank shall maintain effective controls and measures relating to the use of credit cards in case of online games of chance, to prevent suspicious operations taking advantage of these Internet transactions.

Article 12: INSURANCE AGAINST FRAUD OR CONTINGENCY FUNDS. The Bank may recommend to their clients the use of theft and fraud insurance policies or other protective and contingent mechanisms to cover transactions not authorized by the cardholder.

Article 13: INTERACTION BETWEEN ISSUER AND DATA PROCESSING OPERATORS AND ENTERPRISES. Banks issuing credit cards managed by a contracted operator shall clearly establish the rights and obligations originating from said management. Additionally, the Bank shall specify that data bases relative to the processes of management of credit cards are property of the Bank; and, as owner, does not authorize its use, or the information gathered therein, by third parties.

Where the Bank delegates to another enterprise the partial or total processing of data, the Bank shall ensure that such enterprise possesses the necessary financial strength, an adequate organization and personnel, as well as knowledge and experience in data processing, so that the enterprise's internal control complies with the service characteristics sought in the contract.

The information contained in the aforementioned data bases shall be available and updated and shall be provided by the Bank to the Superintendency upon request.

Article 14: EFFECTIVE INTEREST RATE. The client's request for information relative to the effective interest rate shall be answered by the Bank pursuant to Agreement 3-2002 of March 27, 2002.

Article 15: SANCTIONS FOR NONCOMPLIANCE. Noncompliance with provisions established in this Agreement shall be sanctioned pursuant to Article 137 of Decree Law No. 9 of 1998, without prejudice to the application of legislation on money laundering and financial crimes.

Article 16: TERM OF ADEQUACY. Banks not meeting compliance criteria upon the effective date of this Agreement shall have a term of adequacy ending on March 31, 2002.

Article 17: EFFECT. This agreement shall become effective upon its promulgation.

Given in the city of Panama, on the sixteenth (16th) day of the month of October two thousand three (2003).

COMMUNICATE, PUBLISH AND ENFORCE:

THE ACTING PRESIDENT

THE ACTING SECRETARY

FELIX B. MADURO

ARTURO GERBAUD