

REPUBLIC OF PANAMA
SUPERINTENDENCY OF BANKS

Agreement No. 009-2005
(of October 19, 2005)

whereby Outsourcing is implemented

THE BOARD OF DIRECTORS
using its legal authority, and

WHEREAS:

According to Numeral 1 of Article 5 of Decree Law No. 9 of 1998, the Superintendency of Banks is responsible for preserving the soundness and efficiency of the banking system;

According to Numeral 2 of Article 5 of Decree Law No. 9 of 1998, the Superintendency of Banks is responsible for strengthening and fostering auspicious conditions conducive to the development of Panama as an international financial center;

According to Numeral 3 of Article 5 of Decree Law No. 9 of 1998, the Superintendency of Banks is responsible for promoting public confidence in the banking system;

Currently, in the international realm, a growing trend has been observed in banking entities regarding the use of services provided by third persons, natural or juridical;

Outsourcing entails new risks that must be considered by the supervising organizations when assessing the supervised entities.

In work sessions of this Board of Directors with the Bank Superintendent, the need and convenience of setting basic guidelines regarding the hiring of outsourcing services by banking entities has become evident.

AGREES:

ARTICLE 1: APPLICATION SCOPE. The provisions of this Agreement will apply to Official Banks, General License Banks, International License Banks and Representation Offices, except for Foreign Bank branches.

ARTICLE 2: OUTSOURCING CONCEPT. For the purposes of this Agreement, Outsourcing will be understood as the contracting by the Bank of third persons (natural or juridical), including the companies from the Economic Group of which that Bank is part, to develop and carry out activities, functions and processes that fall within the realm of their legal actions.

Under no circumstances can the banking entities outsource sensitive and significant activities or processes of the Banking Business, according to what Numeral 16 of Article 3 of Decree Law No. 9 of 1998 stipulates.

Neither will the banking entities be able to outsource activities, functions or processes that are not framed within the realm of their legal actions.

ARTICLE 3: The banking entities will be able to outsource the following activities without requesting the authorization of the Superintendency of Banks:

1. Administrative Activities: payrolls, purchasing, billing, personnel selection, training, human resources, among others.
2. General Services: surveillance, cleaning, security, maintenance and repair, messaging, public services, among others.
3. Marketing Activities: credit background investigation, offering banking services and products, customer references, advertising campaign design, among others.
4. Distribution and Logistics.
5. Transporting valuables.
6. Transportation fleet leasing services.
7. Call Centers.
8. Acquiring special training.
9. Any other activity the Superintendency of Banks authorizes through a Circular.

ARTICLE 4: THE SUPERINTENDENCY'S PREVIOUS AUTHORIZATION. Except for the activities mentioned in the previous article, all outsourcing contracts will need to be authorized by the Superintendency of Banks. The analysis of the authorization request will be done in a term not greater than thirty (30) business days, and until the banking entity has been notified of the decision made, it cannot carry out the requested outsourcing.

The outsourcings performed between banks established in the marketplace will not require authorization; however, they must be notified to this Superintendency before they begin.

ARTICLE 5: MINIMUM REQUIREMENTS. Banks must fulfill the following minimum requirements when requesting authorization to outsource their activities:

1. Setting detailed policies or specific criteria for the assessments and decision-making related to outsourcing;
2. Analyzing and assessing its feasibility;
3. Developing, implementing and supervising effective programs for the continuous and adequate management of all risks inherent to outsourcing the activity or process;
4. Not decreasing or lessening their capacity to completely fulfill the obligations to their customers and the regulatory authority;

5. Satisfying the obligations with the Superintendency of Banks regarding effective supervision. In this sense, outsourcing should not interfere with the Bank's capacity to observe the regulatory requirements;

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6. Executing the due diligence process regarding the provider and verifying that it has the necessary financial soundness, reputation, policies and controls for the management of the risks inherent to the bank and the ability to fulfill its obligations;
7. The relationship between the banking entity and the provider must be ruled by a written contract which clearly describes all relevant aspects of the service rendering agreement, including the rights, guarantees, responsibilities and expectations of both parties;
8. Establishing and keeping, jointly with the service provider, contingency plans regarding the activity or process, including recovery plans in case of disasters and the periodic tests pertinent to the provider's support systems;
9. Requiring the service provider to protect and maintain due reticence on all confidential information he is furnished, regarding the banking entity as well as its customers;
10. A viable alternate plan in case of the provider's service discontinuance.

ARTICLE 6. FOLLOW-UP OF THE OUTSOURCED ACTIVITIES AND OPERATIONS.

The bank's internal and external audit must exercise an efficient control over the outsourced activities, for which they must have access to the relevant information.

ARTICLE 7: RESPONSIBILITIES. The choice of the outsourcing alternative does not free the banking entities of their present and future responsibilities regarding the observance of the provisions of Decree Law No. 9 of 1998 and its complementary regulations. Likewise, the Bank must make sure that the outsourcing will not affect the effective supervision exercised by the Superintendency of Banks.

Outsourcing does not exempt the Bank of its own obligations and responsibilities.

Moreover, the Bank must keep all information concerning the outsourced activities and processes up-to-date and available to the Superintendency of Banks for when the latter may request it.

ARTICLE 8: CONFIDENTIALITY. The banking entity must take the adequate measures to ensure that the service provider protects the confidential information of the Bank as well as of its customers, so that said information is not intentionally or inadvertently revealed to non-authorized persons according to Panamanian law.

ARTICLE 9: OUTSOURCING CONTRACT. In those cases in which the outsourcing activity requires authorization from this Superintendency, the outsourcing contract or

agreement that the Bank holds with the company must contain in its clauses at least the following concepts:

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1. All the data that allow the identification of the contracted third party.
2. Nature and scope of the activity that is object of the contract. The contract must clearly define the activities that will be outsourced, their frequency, content and place where the service will be rendered.
3. Identification and ownership of the assets related to the outsourcing arrangement, which includes documentation, data, hardware, software, among others.
4. The confidentiality commitment from the contracted company, including an explicit recognition from the service provider regarding the bank confidentiality duty stipulated in Decree Law No. 9 of 1998.
5. The contract must allow the banking entity access to the records and information of the service the provider processes that are directly related to the outsourced activity.
6. The contract must stipulate the continuous monitoring and assessment by the banking entity towards the service provider.
7. In the cases when the service provider subcontracts, the previous approval of the banking entity will be required.
8. Warranties, Insurance and Contingency Plans, whenever applicable.

ARTICLE 10: SANCTIONS. In case of breach of the provisions stipulated in this Agreement, the sanctions stipulated in Article 137 of Decree Law No. 9 of 1998 will be applied.

ARTICLE 11: EFFECT. This Agreement will be in go into effect six (6) months after its proclamation.

Given in the city of Panama, on the nineteenth (19) day of the month of October of two thousand five (2005).

THE PRESIDENT,

Jorge W. Altamirano-Duque M.

THE SECRETARY,

Antonio Dudley A.