

TRANSLATION

Republic of Panama Superintendency of Banks

RULE No. 003-2015
(dated 24 March 2015)

“Whereby Articles 9 and 14 of Rule 4-2010 on External Audits of Banks are amended”

THE BOARD OF DIRECTORS
In use of its legal powers, and

CONSIDERING:

That due to the issuance of Decree Law 2 dated 22 February 2008, the Executive Branch reedited Decree Law 9 dated 26 February 1998 and all of its amendments as a consolidated text, and that this text was approved by means of Executive Decree 52 dated 30 April 2008, hereinafter referred to as the Banking Law;

That pursuant to the provisions of paragraph 3 of Article 5 of the Banking Law, promoting public trust in the banking system is an objective of the Superintendency of Banks;

That pursuant to the provisions of paragraph 7 of Article 11 of the Banking Law, establishing the accounting requirements for the financial information that banks must provide is a function of the Superintendency of Banks;

That pursuant to the provisions of Article 86 of the Banking Law, the Superintendency is authorized to request documentation and reports regarding their operations and activities from any bank, any firm in the banking group, bank holding companies and nonbanking affiliates;

That according to the provisions of Article 87 of the Banking Law, general and international license banks must submit the audited financial statements for their operations conducted in or from the Republic of Panama, as the case may be, to the Superintendency. These documents must be signed by the legal representative or a managing partner of the bank and must be duly audited and submitted according to the technical rules the Superintendency may establish;

That Rule 4-2010 dated 10 August 2010 established the general guidelines for external audits of banks;

That Article 9 of Rule 4-2010 designates the special reports that the board of directors of regulated entities must require their external auditors to submit to the Superintendency;

That Article 14 of Rule 9-2010 provides the frequency with which external auditors of regulated entities must rotate their auditing staff;

That during its working sessions, the Board of Directors determined it necessary and advisable to update the special reports that must be submitted by external auditors pursuant to the International Financial Reporting Standards (IFRS), as well as the time that must elapse before a former member of the auditing team can be reinstated.

RESOLVES:

ARTICLE 1. Article 1 of Rule 4-2010 shall read:

ARTICLE 9. SPECIAL REPORTS. When during the course of the external audit, the auditors find acts or events related to the issues delineated below, the board of directors of regulated entities shall request their external auditors prepare and submit reports on these matters as separate documents, with copies to the

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Superintendency, within the period established for the submittal of their audited financial statements. The relevant issues are:

1. Findings of alleged significant activities jeopardizing the operations of the regulated entity.
2. Questionable transactions with affiliated companies, related parties or within the banking group to which the regulated party belongs.
3. Evidence of misuse of privileged information.
4. Compliance with the recommendations made previously by the external auditors of the regulated entity.
5. When any act or irregular situation is detected during the course of the external audit.

Additionally, the regulated parties shall make available and shall submit to the Superintendency of Banks, when so required, a copy of the following documents:

- a. Letter of the Auditing Agreement entered into by and between the regulated entity and the auditing firm;
- b. External audit plan;
- c. Evidence of communication between the external auditor and the board of directors or auditing committee of the regulated entity;
- d. Meeting minutes of the auditing committee;
- e. Differences between the external auditor and top management on the implementation of IFRS or US-GAAP, as applicable;
- f. Letters to top management of the bank in which the auditor submits remarks and recommendations on internal control;
- g. Representation letter issued by the regulated entity, addressed to the external auditor;
- h. The record of auditing differences;
- i. Any other special report issued by the external auditor on a particular matter;
- j. Other documents that may be requested by the Superintendency.

The board of directors and the auditing committee of the regulated party must take cognizance of all reports issued by the external auditors and take the necessary corrective measures, documenting them in the Minutes of the meetings of the board of directors.

ARTICLE 2. Article 14 of Rule 4-2010 shall read:

ARTICLE 14. ROTATION OF THE EXTERNAL AUDITING TEAM. The regulated entities shall require their external auditors to rotate at least once every five (5) years, including managers and partners. The rotation also includes expert staff members used in audits (tax, systems and other auditors). This rotation does not necessarily imply changing the external auditing firm hired by the regulated entity.

Only one member of the auditing team that had been assigned to the regulated entity will be permitted to remain on the team, and then for only one additional year. The person remaining for the additional year may not be the auditing firm partner responsible for auditing the regulated entity.

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The members of the auditing team that were rotated out may be reinstated to the team once (a) three (3) years, for managers and partners, and (b) two (2) years, for the rest of the auditing team staff, have elapsed from the date of rotation.

During the timeframe mentioned in the previous paragraph, the external auditor must ensure that the members of the previous auditing team do not participate in the audit of the regulated entity, nor perform quality control for the job, nor receive inquiries from the auditing team or the regulated entity on technical or specific questions on the industry, transactions or events, nor directly influence the result of the audit.

ARTICLE 3. This Rule shall become effective from its promulgation.

Given in the city of Panama on the twenty-fourth (24th) day of March, two thousand fifteen (2015).

FOR COMMUNICATION, PUBLICATION AND ENFORCEMENT.

THE CHAIRMAN,

THE SECRETARY,

L.J. Montague Belanger

Luis Alberto La Rocca