Republic of Panama
Superintendency of Banks

RULE N°. 1-2017
(dated 14 February 2017)

"Whereby Rule 10-2015 to prevent the misuse of banking and trust services is amended"

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

WHEREAS:

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 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;

Article 36 of Law 1 dated 5 January 1984 establishes that the Superintendency of Banks will supervise and oversee the proper functioning of the trust business;

Pursuant to paragraph 1 of Article 5 of the Banking Law, safeguarding the soundness and efficiency of the banking system is an objective of the Superintendency of Banks;

Pursuant to paragraph 2 of Article 5 of the Banking Law, strengthening and fostering favorable conditions for the development of the Republic of Panama as an International Financial Center is an objective of the Superintendency of Banks;

Article 112 of the Banking Law requires banks and other entities supervised by the Superintendency to establish policies and procedures and the internal control structures to prevent their services being used improperly for criminal purposes in Money Laundering, the Financing of Terrorism and other crimes that are related or similar in nature or origin;

According to Article 114 of the Banking Law, banks and other entities supervised by the Superintendency will adopt policies, practices and procedures that will allow them to know and identify their customers and their employees with the greatest certainty possible. The Superintendency is authorized to develop the relevant standards in conformity with policies and regulations in force in the country;

By means of Law 23 dated 27 April 2015, the measures to prevent money laundering, the financing of terrorism and financing the proliferation of weapons of mass destruction were adopted;

Article 19 of Law 23 of 2015 designates the Superintendency of Banks, among others, as a Regulatory Body;

Paragraph 7 of Article 20 of Law 23 of 2015 establishes, among the duties of the supervisory bodies, issuing regulatory enforcement and feedback guidance to regulated financial and nonfinancial entities and on the activities of those professionals subject to supervision, as well as the procedures for identifying final beneficiaries, legal entities and other legal organizations;

In accordance with Law 23 of 2015 on the prevention of money laundering, the financing of terrorism and financing the proliferation of weapons of mass destruction, the Superintendency of Banks is authorized to supervise and regulate the banks and trust companies that were already under its supervision along with other newly regulated entities;

FATF's 40 Recommendations is a coherent international standard the countries must effectively adopt through legal, regulatory and operating measures in order to have a sound national system that will permit combatting money laundering, the financing of terrorism and financing the proliferation of weapons of mass destruction;

During its working sessions, the Board of Directors determined it necessary and advisable to update some articles of Rule 10-2015 to prevent the misuse of banking and trust services, in order to include some features envisioned by FATF's 40 Recommendations. Additionally, it is deemed appropriate to amend some articles to be better understood by the regulated entities.

RESOLVES:

ARTICLE 1. Article 3 of Rule 10-2015 shall read:

> **"ARTICLE 3. MANUAL FOR THE PREVENTION OF MONEY LAUNDERING.** Banks and trust companies must have a Manual for the Prevention of Money Laundering duly approved by the Board of Directors. This manual must contain the policies, mechanisms and procedures established by the bank or trust company to prevent their operations being conducted with proceeds of these activities. The policies adopted in the Manual must permit the efficient and timely functioning of the bank's or trust company's system for the prevention of money laundering and must translate into rules of conduct and procedures of mandatory compliance for the entity and its shareholders.
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> The Manual must be disseminated to all of the bank's or trust company's staff and must be continuously updated.
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> The updates made to the Manual must be presented to the Prevention of Money Laundering Committee, which will provide preliminary approval. The changes must be ratified and approved by the Board of Directors at least once a year.
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> The Manual must be submitted to the Superintendency of Banks with the appropriate updates. In the event there are no updates, the bank or trust company will submit a certification signed by the Chairman or Secretary of the Board of Directors or by the Chairman of the Prevention of Money Laundering Committee indicating the Manual for the Prevention of Money Laundering has not been updated in the last twelve (12) months. The approval of the certification must be recorded in the Committee's minutes."

ARTICLE 2. Article 4 of Rule 10-2015 shall read:

> **"ARTICLE 4. COMPOSITION OF THE PREVENTION OF MONEY LAUNDERING COMMITTEE IN BANKS.** Banks must create a Prevention of Money Laundering Committee which will report directly to the Bank's Board of Directors and must be composed of at least two (2) members of the board of directors, the general manager, and the senior executives of Risk, Compliance, Business, Operations and Internal Auditing. This Committee will have among its duties the approval of the plan and coordination of the activities related to the prevention of money laundering; they must also be aware of the work conducted and operations analyzed by the Compliance Officer, such as the implementation, progress and control of the compliance program.
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> The Committee must draft its internal regulations, duly approved by the Board of Directors, which must contain the policies and procedures to comply with its duties, as well as the frequency with which the Committee will meet, which must be at least every two (2) months. The decisions adopted by the Committee must be recorded in minutes, which must be at the disposal of the Superintendency of Banks.
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> **PROVISO:** For branch offices of foreign banks subject to the Superintendency's host supervision that cannot meet the provisions herein because their organizational structure does not have the physical presence of the members of their board of directors in the country, the Committee will be composed of, as a minimum, the general manager and the senior executives of Risk, Compliance, Business, Operations and Internal Auditing."

ARTICLE 3. Proviso 2 of Article 9 of Rule 10-2015 shall read:

> **"PROVISO 2.** Banks and trust companies must maintain their databases up to date and at the disposal of the Superintendency of Banks' supervisors."

ARTICLE 4. Article 10 of Rule 10-2015 shall read:

"ARTICLE 10. MINIMUM DUE DILIGENCE REQUIREMENTS. Due diligence on customers and their resources, whether individuals or legal entities, consists of at least the following actions:

1. Prepare a customer profile.

2. Maintain the documentation and follow-up on their customers' financial transactions.

3. Give special follow-up to those customers conducting operations equal to or greater than ten thousand balboas (B/.10,000.00), taking into account the customer's category and risk profile.

4. Establish a procedure containing the approval levels and customary amounts for any customer to conduct cash operations equal to or greater than ten thousand balboas (B/.10,000.00).

5. Review, at least every six (6) months, their customers' operations, both habitual and in cash of amounts equal to or greater than ten thousand balboas (B/.10,000.00), in order to determine if they follow the criteria for habitual operations established by the bank.

6. Pay special attention to and take pertinent measures for those high profile customers, including those identified as Politically Exposed Persons (PEP).

Banks and trust companies members of a banking group may consolidate their processes of due diligence within the compliance structure of the banking group. In these cases, the regulated entity will always remain accountable."

ARTICLE 5. Article 11 of Rule 10-2015 shall read:

"ARTICLE 11. METHOD FOR CUSTOMER RISK CLASSIFICATION. Every regulated entity must design and adopt a method for customer risk classification that must contain, as a minimum, the following elements:

1. General concept.

2. Minimum criteria or variables for analyzing the customer's risk profile.

3. Description of customer risk classification and categories.

4. Definition of models for establishing the customer's risk profile.

5. Design and description of risk matrixes.

6. Definition of a procedure for updating the customer risk classification containing the authorization process for changing a customer's risk classification. If the customer risk assessment is determined by an automated monitoring tool, the established procedure must ensure that all data on the changes made to the customer's risk profile are retained in the system.

The methodology for customer risk classification and its updates must be approved by the Prevention of Money Laundering Committee and submitted to the Superintendency of Banks annually to be verified. In the event there are no updates, the bank or trust company must submit a certification signed by the Chairman or Secretary of the Board of Directors or by the Chairman of the Prevention of Money Laundering Committee indicating the methodology has not been updated in the last twelve (12) months. The approval of the certification must be recorded in the Committee's minutes.

The Superintendency of Banks will verify that the methodology for customer risk classification is reasonable in accordance with the volume and nature of the operations conducted by the regulated entity, as well as the risk profile of the customer the entity is serving. In those cases where it is determined that the method for classification is insufficient or inappropriate, the Superintendency may ask the regulated entity to take the relevant measures to remedy or clarify them within a period the Superintendency will establish."

ARTICLE 6. Article 14 of Rule 10-2015 shall read:

"ARTICLE 14. CUSTOMER PROFILE FOR INDIVIDUALS. For individuals, banks and trust companies must prepare a customer profile that will include the form designed by the entity containing written information, as well as the documents supporting that information. As a minimum, the customer profile must contain the following information and documentation, which must be obtained before entering into the business relationship with that customer:

1. **Customer identification and verification:** Full name, age, gender, employment or employment status, marital status, profession or occupation, citizenship, residency and a suitable personal identification document.

   For the purposes of the suitable personal identification document, the personal identification card, or the official personal identification card application form while this document is being processed, will be used in the case of a Panamanian citizen. The passport will also be acceptable for those Panamanian citizens living abroad.

   The suitable personal identification document will be the passport for foreigners. To meet this requirement, it will only be necessary to keep a copy of the page(s) where the customer's picture, signature and general information appear, as well as the page bearing the "entering the country" stamp. The requirement for a copy of the pages of the passport bearing the entering the country stamp is not applicable if the customer was accepted by the bank through visits abroad or when acceptance was made by companies affiliated to the group or by international license banks. These customers may also be identified by the official identification card from their home country bearing their picture, general data and signature.

   Foreigners that have obtained residency in Panama may also be identified through the personal identification card issued by the Electoral Court of Panama.

   People in our country under a permanent residency migratory status as a refugee or asylee may be identified through the refugee identification card issued by the National Immigration Service.

   In all cases, the document must be current when submitting it for opening accounts.

   For the purposes of updating the relevant files, the bank may update expired identification cards by verifying the database of the Electoral Court without requiring the customer to physically submit the document. Expired passports must be updated by the customer.

2. **Customer recommendations or references:** This requisite must be met by one (1) customer and/or final beneficiary banking reference, as well as one reference for each accountholder and authorized signer for opening any bank account. This banking reference must be physically submitted or the bank must certify in the file that it has verified the banking reference provided by the customer on the respective form.

   If the customer is referred by an entity member of the same banking group where the customer wants to conduct the operation, this one reference will suffice.

   In those exceptional cases where the customer does not have a banking reference, this requirement can be met by submitting one (1) personal or business reference provided by companies, suppliers or information agencies, e.g. the report issued by the Panama Credit Association (APC, for its acronym in Spanish) or its counterpart from other countries.

   In the case of refugees, the requirement to submit recommendations or references can be met by obtaining a letter or resolution issued by the Ministry of Government's National Office for Refugees, where the background information on the person is kept.

3. **Source and origin of resources or equity:** It is understood that the source and origin of resources refers to written proof of the origin of funds used to conduct any transaction.

4. **Customer financial profile:** The financial profile will be understood as the result of the joint analysis of the demographic and socioeconomic characteristics and variables submitted by a customer and verified by the entity when entering into a relationship, which must be augmented by updated and historical information. For such purposes, the customer must submit at least one of the following documents: job letter, social security stub, pay stub or any other legal or contractual documentation showing the customer's income.

   Furthermore, all reasonable measures for supporting the origin of funds, frequency of movements and whether the customer pays in cash, quasi-cash, checks or wire transfers will be taken into account at the beginning and during the contractual relationship to establish the habitual behavior the customer will maintain at the regulated entity.

5. **Customer transactional profile:** It will be understood as the comparison between the expected financial profile and the frequency and amount of a customer's real transactions in one or several timeframes.

   The customer's financial information must be examined and the analysis on the quantity and volume of transactions must be documented in the hardcopy or digital file to establish the expected monthly or annual transactional profile of the customer when establishing the relationship. During the contractual relationship, the bank or trust company must review and verify that the financial operations conducted by the customer are physically consistent with the expected transactional profile determined when entering into the relationship.

6. **Other additional aspects to consider:**

   1. In cases when the customer is acting as an intermediary for the final beneficiary or owner of the operation, banks and trust companies must conduct due diligence of that final beneficiary.

   2. Banks and trust companies must understand and, as applicable, obtain information on the planned purpose and character of the business or professional relationship.

   3. Each new account or contract must conform to the assessment of the customer's financial and transactional profile, in order to measure the risk of products or services offered.

   4. Banks and trust companies must have documentation in the relevant file of all actions taken to properly identify their customer and/or final beneficiary.

   5. Any service resulting from a relationship between a bank or trust company and a foreign customer will be subject to due diligence measures that fit the risk level it represents based on the international parameters and standards and internal policies and control procedures established by the entity.

Any information required herein must be consolidated in one file, whether hardcopy or digital."

ARTICLE 7. Article 15 of Rule 10-2015 shall read:

"ARTICLE 15. CUSTOMER PROFILE FOR LEGAL ENTITIES. For legal entities, banks and trust companies must prepare a customer profile that will include the form designed by the entity containing written information, as well as the documents supporting that information. As a minimum, the customer profile must contain the following information and documentation:

1. **Customer identification and verification:** Legal entity's full name, registration data, domicile, address and phone numbers.

Trust companies must have full knowledge and understanding of the information on the purpose of the trust fund.

2. **Customer recommendations or references:** This requisite can be met by one (1) banking reference. If the customer cannot furnish a banking reference, this requirement can be met by submitting one (1) personal or business reference provided by companies, suppliers or information agencies, e.g. the report issued by the Panama Credit Association (APC, for its acronym in Spanish).

   If the customer is referred by an entity member of the same banking group where the customer wants to conduct the transaction, this one reference will suffice.

3. **Certifications verifying the incorporation and existence of the legal entity:** The requirement to obtain certifications verifying the incorporation and existence of the legal entity will be met as follows:

   a. Copy of the Articles of Incorporation for a Panamanian legal entity or its equivalent for a foreign legal entity.

   b. For a Panamanian legal entity, the original or copy of the Public Registry certification or information extracted by the customer or the legal entity from the Public Registry's database verifying the existence of and information on the legal entity.

   c. For a foreign legal entity, the documents equivalent to that of the provisions of paragraph 2 verifying the incorporation and existence of the foreign legal entity.

4. **Identification of dignitaries, directors, agents and legal representatives:** Banks and trust companies must identify dignitaries, directors, agents and legal representatives of the legal entities. For these purposes, only a copy of the personal identification card of the chairman and/or legal representative, as the case may be, the secretary and people appointed as signatories and the agents of the legal entity will be required. Trust companies must also identify the protector and advisors or other people, if any, making decisions on the trust fund equity and its distribution.

5. **Identification of the final beneficiary:** Banks and trust companies must take reasonable measures to identify the final beneficiary using relevant information obtained through reliable sources. For these purposes, banks and trust companies must understand the nature of the customer's business and its shareholding and control structure. If a legal entity is the final beneficiary, the due diligence will be expanded until the individual who is the owner or controller is identified.

   To identify the final beneficiary of corporations, regulated entities must make the necessary efforts to identify shareholders holding a percentage equal to or greater than ten percent (10%) of the issued shares of the corporation by requesting a copy of the identity document. Exchange-listed companies, public companies and banks are exempt from identifying their final beneficiary with the exception of those incorporated in countries classified as non-cooperative by the Financial Action Task Force (FATF). The bank or trust company must have the certification of exchange listing in the file.

   For public corporations (government entities) whose final beneficiary is the Panamanian state or a Foreign state, banks and trust companies must identify and take reasonable measures to verify the identity of the individual holding the highest administrative position.

   For other legal entities whose final beneficiaries cannot be identified by shareholders, the regulated entity must ensure it obtains a minute, certification or affidavit, duly signed by the representatives or authorized persons, in which the final beneficiary(ies) are listed.

   When the regulated entity is not able to identify the final beneficiary, it will refrain from entering into or continuing the business relationship or conducting

any transaction if there is any persistent doubt as to the identity of the customer or final beneficiary.

6. **Source and origin of resources or equity:** It is understood that the source and origin of resources refers to the written justification on the origin of funds used to conduct any transaction.

7. **Customer financial profile:** The financial profile will be understood as the result of the joint analysis of the demographic and socioeconomic characteristics and variables submitted by a customer and verified by the entity when entering into a relationship, which must be augmented by updated and historical information. For these purposes, the legal entity must submit at least one of the following documents: duly signed financial statements, tax returns or any other legal or contractual documentation verifying the customer's income.

   Furthermore, all reasonable measures for supporting the origin of funds, frequency of movements and whether the customer pays in cash, quasi-cash, checks or wire transfers will be taken into account at the beginning and during the contractual relationship to establish the habitual behavior the customer will maintain with the regulated entity.

8. **Customer transactional profile:** The transactional profile is understood as the comparison between the expected financial profile and the frequency and amount of a customer's real transactions in one or several timeframes."

ARTICLE 8. Article 16 of Rule 10-2015 shall read:

"ARTICLE 16. IDENTIFICATION OF THE FINAL BENEFICIARY IN CORPORATIONS. For the purposes of the provisions of paragraph 5 of Article 15 regarding the identification of shareholders holding a percentage equal to or greater than ten percent (10%) of the issued shares of the corporation, banks and trust companies must request documents verifying the name of the individual identified as the final beneficiary and holder of the shares of the corporation, regardless of whether they are nominative or bearer shares.

1. In case of nominative share corporations, banks and trust companies must require at least one of the following documents:

   a. Copy of the share certificate verifying the name of the owner of nominative shares that have been issued.

   b. Affidavit signed by the Chairman or Secretary providing the information on the owners of nominative shares and the percentage held by each.

   c. Copy of the share registry.

2. For corporations issuing bearer share certificates after the enactment of Law 47 of 2013 adopting a custody regime applicable to bearer shares, regulated entities must request the following from the customer that maintains this type of shares:

   a. Copy of the minutes of the board of directors or shareholders meeting registered in the Public Registry, authorizing the corporation to accept the custody regime created by Law 47 of 2013.

   b. Certification of the authorized custodian certifying who owns the bearer shares issued by the corporation, in order to determine the final beneficiary –i.e. the relevant individual.

3. For foreign bearer share corporations, they will be required to comply with the provisions of paragraph 2 in determining the final beneficiary – i.e. the relevant individual."

ARTICLE 9. Article 17 of Rule 10-2015 shall read:

"ARTICLE 17. SIMPLIFIED DUE DILIGENCE. Without prejudice of the risk assessment conducted by the regulated entity, the bank or trust company may conduct a simplified

due diligence in the cases set forth by the Superintendency of Banks, making sure they have gathered the following information:

1. Customer identification and verification: Full name, age, gender, employment or employment status, marital status, profession or occupation, citizenship, residency and a suitable personal identification document. The bank or trust company must verify the name and identification card number with the information held by the Civil Registry, as well as the other data furnished by the customer.

2. Any other document that the bank deems necessary to document considering the customer's type and activity.

Simplified due diligence is only applicable in the following cases:

1. Pursuant to the parameters set forth in Rule 1-2013, simplified bank accounts are included in this risk category because they are low transaction accounts with an established quantitative threshold.

2. Christmas savings accounts.

3. Bank accounts opened exclusively for payroll purposes, as long as the accountholder or employer documents the income the employee holding the account will receive, which will be understood as the financial profile information on the individual.

4. Any other product which, after the bank's risk assessment, is intended for the purpose of financial inclusion and poses a low risk level, as long as that product has been previously approved by the Superintendency for such purposes."

ARTICLE 10. Article 19 of Rule 10-2015 shall read:

"ARTICLE 19. BANK AND TRUST COMPANY RISK ASSESSMENT. Money laundering risk management must be an integral part of the bank's and trust company's risk assessment. This assessment process must be conducted by the Risk Unit along with the Prevention of Money Laundering Unit and must be approved by the board of directors of the entity.

The risk assessment process must be reviewed at least once every twelve (12) months and the results obtained must be presented to the board of directors. The management must define corrective action plans to remedy proven weaknesses, describing the actions, responsible persons and timeframe for their remedy. The minutes of the board of directors must include the mechanisms approved for the verification of their compliance. This risk assessment must be submitted to the Superintendency of Banks annually."

ARTICLE 11. Article 21 of Rule 10-2015 shall read:

"ARTICLE 21. MONITORING TOOL. Banks and trust companies must have transactional review and monitoring systems that must generate automatic and timely warnings on transactions at variance with the customer's expected behavior and other warnings permitting the identification of the different types, as well as reports including, as a minimum but not limited to, the following:

1. Customer data

2. Transaction history

3. Existing relationship between the accounts of each customer with that of other customers and other products or services within the entity.

4. Historical information on the risk category assigned to each customer.

5. Warning signs generated.

6. Statistics on the warning signs generated, processed, in progress and pending processing, with their respective supporting documentation.

The regulated entity must appoint suitable and responsible staff as the administrator of the review process.

The Bank or trust company must review all warning signs to identify unusual operations to which must be reviewed.

Discarded unusual transaction warning signs require evidence of the reason for the rejection and the retention of digital or hardcopy documentation to support it."

ARTICLE 12. Article 21A is added to Rule 10-2015 as follows:

"ARTICLE 21A. FREEZING OF ASSETS. For the purposes of the provisions of Article 49 of Law 23 of 2015, banks and trust companies must draft policies and procedures for freezing terrorist funds, assets or property once the lists issued by United Nations Security Council are received."

ARTICLE 13. Article 23 of Rule 10-2015 shall read:

"ARTICLE 23. DUE DILIGENCE FOR HIGH-RISK CUSTOMERS. Regulated entities must adopt enhanced or reinforced due diligence measures for customers and/or final beneficiaries classified as high-risk customers and must take relevant measures for these customers.

For high-risk customers, regulated entities must establish appropriate risk management systems and conduct deeper due diligence, including the following actions:

1. Obtain top management's approval to establish (or to update the profile, in case of existing customers) business relations with these customers, if applicable.

2. Conduct intensive continuous follow up on their operations throughout the contractual relationship.

Without prejudice to customers considered high risk according to the Bank's or trust company's risk assessment, the following individuals will be considered high-risk customers:

1. Politically exposed persons (PEP).

2. Customers using large amounts of cash.

3. Customers with equity or partners coming from territories or countries considered non-cooperative jurisdictions by the Financial Action Task Force (FATF).

4. Anyone else the regulated entity classifies as a high-risk customer."

ARTICLE 14. Article 27 of Rule 10-2015 shall read:

"ARTICLE 27. KNOW YOUR EMPLOYEE POLICY. Banks and trust companies must appropriately recruit their employees and supervise their behavior, especially those performing customer service, money acceptance and information control duties. Furthermore, banks and trust companies must establish an employee profile that will be updated while the labor relationship lasts.

The employees must be trained on understanding the risks to which they are exposed, the controls mitigating such risks and the impact of their actions on a personal and institutional level.

In addition, employers must provide codes of conduct guiding the actions of each of their employees, managers and directors for the proper development of the system for the prevention of money laundering, the financing of terrorism and financing the proliferation of weapons of mass destruction and the establishment of measures for ensuring the requirement for the confidentiality of the information on the system for the prevention of money laundering.

The code of conduct must contain, as a minimum, the guiding principles, values and policies highlighting the mandatory character of the procedures integrating the system for

the prevention of money laundering, the financing of terrorism and financing the proliferation of weapons of mass destruction in accordance with the existing regulations on the matter. Similarly, the code must establish that any infringement of the prevention system will be considered an infraction that will be punished according to the seriousness of the infringement."

ARTICLE 15. Article 37 of Rule 10-2015 shall read:

ARTICLE 37. INTERNAL AUDITING. The Bank's internal auditing unit is responsible for continuously assessing and reviewing the internal control system and compliance with Money Laundering risk management policies.

Internal auditing duties must be independently managed and the staff must be suitable and properly trained on issues of the prevention of money laundering, the financing of terrorism and financing the proliferation of weapons of mass destruction.

PROVISO: For the purposes of the provisions of Law 23, trust companies must have an Internal Auditing Unit responsible for the permanent assessment and review of the internal control systems for the prevention of money laundering, the financing of terrorism and financing the proliferation of weapons of mass destruction. This internal auditing unit must meet the guidelines established herein. The trust companies that are members of a banking group may rely on the auditing structure of the banking group's bank for the assessment and review of the internal control system and compliance with money laundering risk management policies."

ARTICLE 16. Article 38 of Rule 10-2015 shall read:

"ARTICLE 38. BANKING GROUPS. The holding companies of banking groups to which the Superintendency of Banks is the home supervisor must make sure to comprehensively manage group-level money laundering risk, as well as assessing the potential risks associated with the activities notified by their branch offices, affiliated companies and subsidiaries when so required. Furthermore, they must have policies and procedures that will allow them to determine the customer's risk exposure in other branch offices, affiliated companies and subsidiaries belonging to the same economic group.

The Superintendency will have access to customer information that will permit it to comply with this provision regarding the banking group's entities that conduct operations directly with the bank. The Superintendency of Banks must make sure that the banking group applies rules and procedures equivalent to those adopted by the bank, especially with respect to customer due diligence measures.

For the purposes of the provisions herein and according to the guidelines established by the FATF, banking groups subject to the Superintendency's consolidated supervision must develop corporate policies and procedures for the prevention of money laundering, the financing of terrorism and financing the proliferation of weapons of mass destruction, including:

a. Group-level policies and procedures on risk management and the prevention of money laundering, the financing of terrorism and financing the proliferation of weapons of mass destruction.

b. Group-level policies and procedures on exchanging information for the prevention of money laundering, the financing of terrorism and financing the proliferation of weapons of mass destruction.

c. Necessary criteria that must be adopted by banking group members to ensure the highest standards when recruiting employees and appointing directors and managers.

d. Training programs on the prevention of money laundering, the financing of terrorism and financing the proliferation of weapons of mass destruction.

The type and approach of the cited policies and procedures must take into consideration the risks of money laundering, the financing of terrorism and financing the proliferation of mass destruction and must be consistent with the complexity of operations and/or services provided, as well as the size of the banking group."

ARTICLE 17. Article 38A is added to Rule 10-2015 as follows:

> **"ARTICLE 38A. BRANCH, AFFILIATED OFFICES LOCATED ABROAD.** The banking groups consolidating or sub-consolidating their operations in Panama and having within their structure branch or affiliated offices located abroad must make sure that those branches and offices apply measures for the prevention of money laundering, the financing of terrorism and financing the proliferation of weapons of mass destruction at least equivalent to those measures established in Panama and in the Financial Action Task Force's recommendations when the minimum requirements of the host country are less strict than those of the home supervisor's.
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> When the domestic regulations of the country where the companies incorporate prevent them from appropriately meeting the measures for the prevention of money laundering, the financing of terrorism and financing the proliferation of weapons of mass destruction that must be at least equivalent to those mentioned above, the banking group must inform the Superintendency.
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> If the Superintendency of Banks considers that there is an important risk but has been unable to implement the necessary measures to remedy the situation, the Superintendency may take additional measures or impose additional controls, including ordering the closing of the operations of the (direct or indirect) branches or affiliated offices."

ARTICLE 18. ENACTMENT. This Rule shall become effective on 1 May 2017.

Given in the city of Panama on the fourteenth (14th) day of February, two thousand seventeen (2017).

FOR COMMUNICATION, PUBLICATION AND ENFORCEMENT.

THE CHAIRMAN, **THE SECRETARY,**

Arturo Gerbaud Jorge Altamirano Duque