

Republic of Panama Superintendency of Banks

**RULE N°. 5-2019
(dated 30 April 2019)**

“Whereby the guidelines for banks and trust companies providing alternative marketing channels for insurance policies are established”

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 re-edited Decree Law 9 dated 26 February 1998 and all its amendments as a consolidated text, and this text was approved by means of Executive Decree 52 dated 30 April 2008, hereinafter referred to as the Banking Law;

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;

In accordance with Article 4 of the Banking Law, the Superintendency of Banks will have exclusive competence to regulate and supervise the banks, the banking business and other entities and activities assigned to it by other laws;

According to paragraph 5 of Article 11 of the Banking Law, establishing the administrative interpretation and scope of the legal provisions and regulations on banking matters is among the technical duties of the Board of Directors;

By means of Law 1 dated 5 January 1984, the trust business in Panama is regulated;

Law 21 dated 10 May 2017 provides rules for the regulation and supervision of trustees and the trust business and amends Law 1 of 1984;

Pursuant to Article 1 of Law 21 of 2017, the Superintendency of Banks will have exclusive competence to regulate and supervise trustees holding trust licenses or those entities authorized by law to engage in the trust business;

According to paragraph 3 of Article 5 of the Banking Law and paragraph 3 of Article 4 of Law 21 of 2017, the Superintendency of Banks will promote public trust in the banking and trust businesses;

Is it a customary practice in the Republic Panama for some banks and trust companies to enter into alliances to offer and promote financial products and/or services related or complementary to the banking and trust businesses, respectively, and in some cases they may be acting on behalf of other financial or commercial entities;

Pursuant to Law 12 dated 3 April 2012 “That regulates the insurance business and other provisions are prescribed,” general license banks, as well as trust companies and commercial companies, may become alternative marketing channels for insurance companies with which they enter into marketing agreements to promote products on the insurance company’s behalf among the alternative channel company’s customers;

According to Article 192 of the Banking Law, banks are obligated to provide their services to their customers with transparency, integrity and equity, in accordance with the norms and principles in Title V of that Law;

Considering the previous point and the provisions established in Law 12 of 2012 permitting some financial entities to become alternative marketing channels, and taking into consideration that the Superintendency of Banks of Panama has exclusive powers to regulate the banking and trust

businesses, during the working sessions of the Board of Directors it was determined that it was necessary and advisable to provide guidelines that banks and trust companies must follow in providing and promoting products on the insurance company's behalf, in order to avoid their being confused with banking and trust business activities.

RESOLVES:

ARTICLE 1. SCOPE. The provisions herein will be applicable to the following reporting entities:

1. General license banks;
2. Trust companies.

ARTICLE 2. ALTERNATIVE MARKETING CHANNELS. Banks and trust companies providing their services as alternative marketing channels (of companies that are not part of their economic group), under an agreement entered into with the insurance company according to the terms and conditions established in Law 12 dated 3 April 2012, must, without prejudice to the precise compliance with the applicable laws and regulations, ensure they are taking the necessary precautions to:

1. Manage and provide the products or services referred to herein in a delimited physical space in the front office area, using specific and previously-trained staff to perform these duties, in such a way that the customer can clearly recognize, at all times, that he is conducting a transaction with an insurance company and not with the bank or trust company; and
2. The stationery used for managing the products offered to the public must bear the letterhead of the insurance company, such that the customer can clearly see that the entity with which he is entering into a contract is not the entity providing the product or service, i.e. not the bank or trust company;

PROVISO: In case the bank or trust company offers the products through electronic means, it must make sure that the recipient can correctly deduce that the bank or trust company is acting as an alternative marketing channel for insurance policies and that should he decide to procure the insurance policy, he will be entering into an agreement with the insurance company identified by the bank or trust company.

ARTICLE 3. PENALTIES. Failing to comply with the provisions herein will be penalized according to the provisions of Title IV of the Banking Law and its relevant regulation.

ARTICLE 4. ENACTMENT. This Rule will become effective upon its promulgation.

Given in the city of Panama on the thirtieth (30th) day of April, two thousand nineteen (2019).

FOR COMMUNICATION PUBLICATION AND ENFORCEMENT.

THE CHAIRMAN,

THE SECRETARY,

Luis Alberto La Rocca

Joseph Fidanque III