

PRACTICAL GUIDELINES ON DUE DILIGENCE

This document is just a guide compiling the most frequently asked questions submitted to the Superintendency and the findings of the examinations, and is intended to help reporting entities facilitate and standardize the account opening process.

The basic elements provided in this document are an illustrative and voluntary guide that should not be interpreted as minor, additional or supplementary requirements to meet the existing regulation on the prevention of money laundering, the financing of terrorism and financing the proliferation of weapons of mass destruction.

The regulations on AML/CFT provides that reporting entities must develop and keep current the policies and procedures to know their customers, related to those with whom they maintain a contractual relationship, to prevent the misuse of banking and trust services.

The policies, procedures and forms will cover the individuals that are part of the linking process. As provided for in Article 31 of Law 23 dated 27 April 2015, [the reporting entity] “must make sure to understand, identify and verify the identity of the settlor and the final beneficiary of a trust. Due diligence will continue until confirming the natural person that is the final beneficiary...”

When the customer does not facilitate compliance with the relevant due diligence measures, the regulated financial entities must not open or start a business relationship or must not conduct any transaction, and shall report the suspicious transaction as provided for in Article 36 of Law 26 dated 27 April 2015.

The information, data or documents collected during the due diligence process must be kept current by reviewing the records maintained by the entity, satisfying the frequency established in Rule 10 of 2015 on updating of information.

I. INDIVIDUALS

DOCUMENTS FOR OPENING AN ACCOUNT:

Each bank must design a “Know your customer” form that must be fully filled out, preferably disabling the fields that are not applicable to the customer, and establishing in its policies, maximum periods for retaining the “know your customer” form, as well as the control methods acceptable to the entity to validate or verify the information, such as signature and form contents verification through stamps or other devices. Furthermore, the forms must be completed with the documents and requirements each entity requires to meet the provisions of Law 23 dated 27 April 2015 whereby the measures to prevent money laundering, the financing of terrorism and financing the proliferation of weapons of mass destruction are adopted, Executive Decree 363 dated 13 August 2015 and Rule 10 dated 27 July 2015 for preventing the misuse of banking and trust services and Rule 5-2015 on the prevention of the misuse of services provided by other reporting entities under the supervision of the Superintendency of Banks.

The documents must be in **SPANISH**. If the documents are in English or another language, they must be duly translated by a certified public translator. This item specifically refers to the Linking Form to open an account.

LEGAL DOCUMENTS:

(LEGIBLE AND CURRENT) personal identification document must be applicable to all individuals that are accountholders, including signatories.

For domestic customers: (one of the 3 choices)

- Copy of the Personal identification card (we suggest, but is not mandatory, that for all new customers, the copy should be zoomed out and legible) or the official ID card application form, while the document is being processed.
- In the case of a Panamanian individual residing abroad, a copy of the passport can be accepted.
- In the case of underage individuals, the birth certificate or the child identification card must be provided.

For foreign customers: (one of the 3 choices)

- Copy of the main page of the passport containing the customer’s general data, picture and signature and copy of the page where the “Entrance” seal is stamped.
- The foreigners that have obtained a Panamanian residence card may be identified by the personal identification card issued by the Electoral Court of Panama.

- The foreigners that hold a “permanent resident status” as a refugee or asylee may be identified by the refugee ID card issued by the National Immigration Service.
- In the case of underage individuals, the birth certificate or the current passport must be provided.

It is recommended that the copies bear the “True copy of the original” seal, including the signature and date of the bank official processing the application or checking the information in the system, because this will prove the bank has checked and confirmed [the data]. The period within which documents can be accepted should also be established, e.g. it should not be longer than the established period.

Without prejudice to the above, banks may establish other acceptable control mechanisms for the validation or verification of the documents.

*We recommend the Electoral Court system be used **only** to verify the personal identification document and to update files on domestic customers.*

REFERENCES:

- A bank reference for the customer and/or final beneficiary and for each account signatory: must be submitted in hardcopy; otherwise, the bank must record on the form that it has confirmed the bank reference provided by the customer.
- Exceptionally, if the customer has no bank reference, he/she must satisfy the requirement by means of a personal reference or a business reference provided by companies, suppliers or data information agencies, e.g. APC.
- In the case of refugees, the reference could be a letter or resolution issued by the National Office of Refugee Resettlement of the Ministry of Government containing the background data on the individual.

DUE DILIGENCE:

Banks must design forms permitting them to gather Due Diligence information on an individual to facilitate the process (enclosed is an example that can be used as a guide), but each bank or reporting entity must design its own forms according to the complexity, size and risk of the entity.

Banks may create Interview forms for their customers that will permit the bank to obtain information on the customer’s income, whether he/she is an employee, freelancer or retiree, his/her nationality and any other relevant information to be checked, to establish the risk profile and to determine what type of due diligence must be conducted on the customer.

Exceptionally for low risk profile customers, if the Bank has exhausted all its efforts in documenting the customer’s profile without being able to obtain an employment letter, social security slip or proof of payment of wages, the bank may, with prior

authorization from the Superintendency of Banks, request an Affidavit that will permit the bank to document the low risk profile customer's income up to a maximum monthly transaction movement of \$5,000.00. The bank must have previously established policies and procedures delineating the exceptional cases, including cases related to the informal economy, which the bank could consider, establishing strict controls to alert on operations exceeding the established parameter.

Banks may design Visit and Appearance Report Forms (a proof of the visit made by the customer to the bank must be kept on file). The form must be fully completed without blank spaces and the form's period of currency must be established. This form must include information on the person preparing the document and must provide a space for his/her signature, including the signature of the person approving it and the "Verified signature" seal. The document must be updated when there is contact with the customer.

Without prejudice to the above, banks may use one form that could be applicable to interviews and visits, among others.

Financial Profile (*Article 5 of Executive Decree 363 dated 13 August 2015; Article 6, paragraph 4 and Article 7 paragraph 7 of Rule 5-2015 dated 26 May 2015; Articles 4 and 9 of Rule 10-2015 dated 27 July 2015*). The information must be duly completed, with copies of the **supporting documents** substantiating the answers, which may be delivered in electronic format as long as the bank has the authorizations and security measures for each case. *All copies must bear the "True copy of the original" seal, the official's signature and the date. **The date must fall within the established period.***

The Transactional Profile Form must be fully completed, without blank spaces and the period of validity for the form must be established. This form must include information on the person preparing the document and must provide a space for his/her signature, including the signature of the person approving it and the "Verified signature" seal. The document must be accompanied by the **supporting documents** substantiating the declared information.

If the customer is referred by another person, a Letter from that person must be included referring the new customer and indicating that he/she has already conducted prior due diligence.

The verification of the domicile can be conducted through documents, information or data obtained from other sources in cases where the customer risk profile merits and in cases where the verification is required, documents could be requested to verify the procurement of utilities, such as:

- Water
- Electricity
- Telephone
- Other document: _____

Depending on the risk profile, it may be advisable to have control mechanisms on the validation or verification, such as stamps or other devices. The processing date must fall within the established period.

Review:

- Control mechanisms must be established for the review of searches conducted through the Internet, World Check, World Compliance, Prensa, which could include the initials of the person doing the checking, should not take longer than the established period and should have the respective discarded information. If there is a potential match, the Compliance Department must be contacted for the relevant disambiguation. The searches must be conducted primarily on high risk profile customers.
- Internet searches, other search engines.
- Any other document the official deems relevant or required by the parent company's internal policies or guidelines and that could be verified: _____ (establishing in the policies, the maximum periods to keep the "know your customer" form, as well as the control mechanisms acceptable to the entity to validate or verify the information, such as signature and form contents verification through stamps or other devices.

Risk Matrix:

- High
- Medium
- Low
- Other

POLITICALLY EXPOSED PERSONS, HIGH-RISK CUSTOMERS, GOVERNMENT ORGANIZATIONS (If applicable)

Banks must design forms for Politically Exposed Persons and High-Risk Customers, preferably disabling the fields that are not applicable to the customer and establishing in its policies maximum periods for retaining the "know your customer," "politically exposed person" or "high-risk customer" forms, as well as the control methods acceptable to the entity to validate or verify the information, such as signatures and form content verification through stamps or other devices. This form must include all information on the person preparing it and provide a space for his/her signature.

In addition to the abovementioned documents, the form must include, but is not limited to:

- Results of the investigation of the name (whether there is information on accusations/criminal convictions, corruption or bad business practices/activities related to the customer or any of his/her relatives)

- Results on negative news/negative searches in the media
- Does any member of the customer's top management, owners, controllers, or relatives or close associates of any of these persons hold or has held any government position? Or does any government organization hold 10% or more of the customer's shares?
- Politically exposed person's reputation and family background
- Position held by the politically exposed person
- Current source of funding of the politically exposed person
- Information on the income/assets of the politically exposed person
- Year in which the politically exposed person started serving as a public employee
- Current position
- Last year the politically exposed person held office
- Information on whether the politically exposed person was appointed or elected
- Identification and explanation of other jobs and positions of the politically exposed person
- Whether the politically exposed person has access and the authority to move government funds

Without prejudice to the above, banks may consider negative information as red flags that could permit them to check family backgrounds, additional information on the origin of his/her wealth, business, among others.

The information must be duly complemented with the **supporting documents**. Control mechanisms must be put in place for checking search engines or tools consolidating domestic or international information related to AML, such as Internet, World Check, World Compliance, Prensa, Factiva. This could include initialing, as well as establishing control mechanisms acceptable to the bank to validate or verify the information, such as signature and form contents verification through stamps or other devices.

The document must be approved by the top management of the bank.

SIMPLIFIED DUE DILIGENCE:

Is applicable to the following cases, as provided for in Rule 10-2015:

- Simplified process accounts that can be opened by domestic persons or foreigners residing in Panama. The balance cannot be greater than one thousand balboas at any moment. Cumulative monthly deposits and withdrawals cannot exceed one thousand five hundred balboas.
- Christmas savings
- Accounts opened for payroll
- Any other product, with the prior authorization of the SBP.

The following information shall be collected, as a minimum:

- Customer identification and verification. Full name, age, sex, employment or employment situation, marital status, profession or occupation, nationality, residence.
- Any other document, according to the customer type and customer activity that the bank deems appropriate to document.

OPENING ONLINE ACCOUNTS:

Digital media may be used to open accounts, but the same requirements for the face-to-face account opening process will be applicable. The banks are responsible for validating all information received from the accountholders. Additionally, banks must have submitted the method and procedure to be used for this verification to the SBP and have obtained the SBP's prior approval. This will only be applicable to low risk customers.

II. LEGAL ENTITIES

DOCUMENTS FOR OPENING AN ACCOUNT:

Each bank must design a "Know your customer" form that must be fully filled out, preferably disabling the fields that are not applicable to the customer, and establishing in its policies, maximum periods for retaining the "know your customer" forms, as well as the control methods acceptable to the entity to validate or verify the information, such as signature and form contents verification through stamps or other devices. The forms **MUST NOT** be altered with correction fluid. Furthermore, the forms must be completed with the documents, forms and requirements each entity requires to meet the provisions of Law 23 dated 27 April 2015 whereby the measures to prevent money laundering, the financing of terrorism and financing the proliferation of weapons of mass destruction are adopted, Executive Decree 363 dated 13 August 2015 and Rule 10 dated 27 July 2015 amended by Rule 1 dated February 2017 for preventing the misuse of banking and trust services.

The documents must be in **SPANISH**. If the documents are in English or another language, they must be duly translated by a certified public translator. This item specifically refers to the Linking Form to open an account.

LEGAL DOCUMENTS:

1. Corporations:

Articles of incorporation of the corporation applicable to all legal entities that will be accountholders of the account (Legal entities such as Holders, Signatories, Directors, Dignitaries (Chairman, Secretary), Members of the Foundation Council, Protectors, Founders, Administrators, Partners or their equivalent, Legal Representative, Agents and Beneficiaries/Shareholders). The articles of incorporation of the corporation are applicable only to the legal entity, not to the holders, signatories, directors and dignitaries.

Two different requirements are involved here: The articles of incorporation, applicable to the legal entities and, on the other hand, the identification of dignitaries, directors, agents and legal representatives.

a) For Panamanian corporations:

- Copy of the Articles of Incorporation, its amendments and powers of attorney, if any
- Certification issued by the Public Registry, in original or copy, or information obtained from the Public Registry's database verifying the existence and data of the legal entity. Each financial reporting entity must establish validity periods for the corporation's documents, e.g., the certification issued by the Public Registry must fall within the established period and can be printed from the new Public Registry's Platform (SIR)

b) For foreign corporations:

- Copy of the Articles of incorporation
- Copy of Good Standing, Incumbency, Certificate of Incorporation, appointment of directors and dignitaries.

In the case of Panamanian corporations, it is recommended that the Public Registry of Panama's electronic identifier be checked.

It is recommended that the copies bear the "True copy of the original" seal, including the signature and date of the bank official processing the application or checking the information in the system, because this will prove the bank has checked and confirmed [the data]. The period within which documents can be accepted should also be established, e.g. should not to be longer than the established period of validity.

2. Private interest foundations:

Articles of incorporation of the private interest foundation that must be applicable to all persons that are part of the account opening process (holder, signatories, members of the Foundation Council, Protectors, Administrators, Founders, Legal Representative, Agents and Beneficiaries).

a) For Panamanian private interest foundations:

- Copy of the founding charter of the private interest foundation, as well as its amendments and powers of attorney, if any.
- Certificate issued by the Public Registry, in original or copy, or information obtained from the Public Registry's database verifying

the existence and data of the legal entity. Each financial reporting entity must establish validity periods for the foundation's documents, e.g., that the certification issued by the Public Registry must fall within the established period and can be printed from the new Public Registry's Platform (SIR)

- Copy of the foundation's regulations, if any

b) For foreign foundations:

- Copy of the Charter of incorporation of the foundation
- Copy of Good Standing, Incumbency, Certificate of Incorporation, appointment of members, founders and beneficiaries.
- Copy of the foundation's regulations, if any

It is recommended that the copies bear the "True copy of the original" seal, including the signature and date of the bank official processing the application or checking the information in the system, because this will prove the bank has checked and confirmed [the data]. The period within which documents can be accepted should also be established, e.g. it should not be longer than the established period.

3. Trust funds:

- Copy of the trust fund agreement
- Information on the trust company (the same legal documentation requested for the legal entity). It is important to know the entity that regulates them. Request additional information in the case of foreign trustees. E.g. are they FATF members.
- Information on the settlor (the same legal documentation requested of individuals or legal entities). In the case of legal entities, information on the directors, dignitaries, legal representative, agents, shareholders holding 10% or more of the stock.
- Information on the trustee or beneficiary (the same legal documentation requested of individuals or legal entities). In the case of legal entities, information on the directors, dignitaries, legal representative, agents, shareholders holding 10% or more of the stock.
- Information on the final beneficiaries (the same legal documentation requested of individuals)

Information on protectors, committees or any other individual or legal entity that is part of the trust fund or that holds decision-making or controlling power over the assets, management rights or that can provide instructions to the trust company.

Control methods acceptable to the entity must be put in place to validate or verify the information, such as signature and forms content verification through seals or other methods.

It is recommended that document validity periods be established, e.g. no longer than the established period.

*In the case of domestic customers, the Electoral Court will be used **only** to check the identification card and to update files.*

*In the case of foreign customers referred by intermediaries (the customer did not visit the country), the requested legal documents **must be duly legalized** (authenticated by Consulates or Embassies) or must bear the Apostille (for member countries of The Havre Convention).*

Without prejudice to the above, entities may establish control methods permitting the reasonable authentication and validity of the document coming from abroad, other than authentication by consulates/embassies or apostille.

As a minimum, customer profiles must be signed by the customer and by a responsible person at the entity.

4. Banks:

In addition to the required information on legal entities, a form for Financial Entities can be created, especially in cases of cross-border banking correspondent services or for banks having operations in non-cooperative jurisdictions, that will permit obtaining, as a minimum, the following information:

- Percentage of shares listed on an exchange
- List of the stock exchanges where they are listed
- Type of bank
- Type of business conducted/Country where the business activities are mainly conducted
- Information on the license, license issuing country and regulatory body
- Information on whether it is a local bank, foreign bank, central bank or development bank
- Number of offices/branches
- Number of employees

The form must be fully completed without blank spaces and the period of validity of the form must be established. This form must include information on the person preparing the document and must provide a space for his/her signature, including the signature of the person approving it and the "Verified signature" seal.

REFERENCES:

- A bank reference for the customer and/or final beneficiary and for each account signatory: must be submitted in hardcopy; otherwise the bank must record on the form that it has confirmed the bank reference provided by the customer.
- Exceptionally, if the customer has no bank reference, he/she must satisfy the requirement by means of a personal reference or a business reference provided by companies, suppliers or data information agencies, e.g. APC.

IDENTIFICATION OF THE FINAL BENEFICIARY (depending on the type of legal entity):

Banks and trust companies must do their utmost to identify the shareholders holding a percentage greater or equal to ten percent (10%) of the stock issued for the relevant corporation, and if the final beneficiaries cannot be identified by means of the shares, the reporting entity must make sure to obtain the following:

For registered shares companies, the bank or trust company must request at least one of the following documents:

- Affidavit signed by the Chairman and Secretary of the corporation or by the proxy, if applicable.
- Copy of the share certificate verifying the name of the registered share owners, if shares have been issued.
- Copy of the share registry.

For corporations issuing bearer share certificates, the bank or trust company must request the following:

- Copy of the board of directors meeting minutes or shareholders meeting minutes filed in the Public Registry in which the corporation is authorized to adhere to the custodial regime established by means of Law 47 of 2013.
- Bearer share custodian certificate verifying who the owners of the bearer shares issued by the corporation are, to determine who the final beneficiary is, i.e., the relevant individual.

For other legal entities whose final beneficiaries cannot be identified by shareholding, the reporting entity must make sure to obtain the following:

- Meeting minutes, certification or affidavit detailing the final beneficiary (beneficiaries), signed by the authorized representatives or persons.

DUE DILIGENCE:

Banks must design forms permitting them to gather Due Diligence information on a legal entity and on all of the individuals conforming the legal entity, depending on the

type of corporation (owners, signatories, directors, dignitaries, members of the foundation council, protectors, founders, administrators, partners, or their equivalent, legal representative, Agents and final beneficiaries). Each bank or reporting entity must design its own forms according to the complexity, size and risk of the entity.

Banks may create Interview forms for the legal entities that will permit the bank to obtain information on the type of company (operating or equity), to determine the size of the company, annual income and source of funding, current equity, among others, in order to be reviewed and to know what supporting additional information must be requested according to their risk.

Without prejudice to the above, banks may use one form that could be applicable to interviews and visits, among others.

If the customer is referred by another person, a Letter from that person must be included referring the new customer and indicating that he/she has already conducted prior due diligence.

The Transactional Profile Form must be fully completed, preferably disabling spaces that are not applicable to the client and the period of maximum validity for the form must be established in the bank or trust company policies for the “know your customer” forms and the control methods acceptable to the entity for validating or checking the information, such as checking signatures and form contents through stamps or other devices. The document must be accompanied by the **supporting documents** substantiating the declared information.

The document must be accompanied by the **supporting documents** substantiating the declared information. *Copies must bear the “True copy of the original” seal, including the signature and date of the bank official processing the application.*

Reviews:

- Printout of the Taxpayer Record Number for Panamanian corporations. <http://dgi.mef.gob.pa/defaultsecure.asp>.
 - Reviews (Internet searches, World Check, World Compliance, Prensa must bear the initials of the person conducting the searches, should not take longer than the established period and should have the respective discarded information. If there is a potential match, the Compliance Department must be contacted for the relevant disambiguation.
 - Searches must be conducted mainly for high-risk customers.
 - Internet searches, other systems
 - Any other document the official deems relevant and that could be verified:
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Control methods acceptable to the entity to validate or verify the information, such as signature and form contents verification through stamps or other devices should be established.

- The processing date should fall within the established period
- Any other document the official deems relevant to open the account
- Document description: _____

Control methods acceptable to the entity to validate or verify the information, such as signature and form contents verification through stamps or other devices, should be established.

Risk Matrix:

- High
- Medium
- Low
- Other