

**Republic of Panama
Superintendency of Banks**

**OTHER FINANCIAL REPORTING ENTITIES AML RULE N°. 2-2018
(dated 21 August 2018)**

“Whereby the registration process for exchange bureaus at the Superintendency of Banks for the prevention of money laundering, the financing of terrorism and financing the proliferation of weapons of mass destruction is 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;

Article 112 of the Banking Law establishes that banks and other entities under the supervision of the Superintendency are required to establish policies, procedures and internal control structures to prevent their services are misused for the crimes of money laundering, the financing of terrorism and other related crimes or crimes of a similar nature;

Article 113 of the Banking Law provides that banks and other entities under the supervision of the Superintendency will provide the information required by current laws, decrees and other regulations for the prevention of money laundering, the financing of terrorism and other related crimes or crimes of a similar nature in the Republic of Panama. Similarly, this article indicates that they will be required to provide the Superintendency that information whenever it so requires;

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 dated 27 April 2015 establishes the Superintendency of Banks as a supervisory body, among others;

In accordance with Article 22 of Law 23 of 2015, amended by Law 21 dated 10 May 2017, the Superintendency of Banks must supervise and regulate other financial reporting entities in addition to banks and trust companies that were already under its supervision on the prevention of money laundering. These include exchange bureaus of any kind, whether operating through direct physical transfers or through purchasing future contracts and whether or not this is their main activity;

Paragraph 1 of Article 20 of Law 23 of 2015 provides that supervising that the financial reporting entities have the policies, mechanisms and procedures of internal control of each of the natural persons and legal entities subject to their supervision in order to verify due compliance with the provisions of Law 23 of 2015 and its regulations, is among the duties of the supervisory bodies;

Paragraph 4 of Article 20 of Law 23 of 2015 establishes that having access to financial information related to the crime of money laundering, the financing of terrorism and financing the proliferation of weapons of mass destruction associated with customers, products and services provided by financial reporting entities is among the duties of the supervisory bodies;

Paragraph 7 of Article 20 of Law 23 of 2015 stipulates that issuing guidance standards and feedback to the financial reporting entities, nonfinancial reporting entities and activities engaged by professions under supervision for the application of the procedures for identifying the final beneficiaries of legal entities and other legal arrangements, is among the duties of the supervisory bodies;

According to the provisions of Financial Action Task Force (FATF) Recommendation 26, exchange bureaus must be licensed or registered and be subject to effective monitoring systems to ensure

compliance with domestic requirements for the prevention of money laundering and the financing of terrorism;

Pursuant to the provisions of FATF Recommendation 27, supervisory bodies must be authorized to impose a range of disciplinary and pecuniary sanctions and empowered to remove, limit or cancel the license of a financial entity as applicable;

During the Board of Directors' work sessions it was determined that it was necessary and advisable to establish a registration process of exchange bureaus at the Superintendency of Banks in matters of the prevention of money laundering, the financing of terrorism and financing the proliferation of weapons of mass destruction.

RESOLVES:

ARTICLE 1. SCOPE. The provisions herein are applicable to all individuals and legal entities providing the purchase and sale of currencies, paper money or other monetary instruments, inside and outside the country, in any form, whether or not it is their main activity. The above excludes all other entities under the supervision of another regulatory body.

ARTICLE 2. REGISTRATION OF EXCHANGE BUREAUS. Exchange bureaus must be registered at the Superintendency of Banks as financial reporting entities, in order to comply with the stipulations of Law 23 of 2015 adopting measures to prevent money laundering, the financing of terrorism and financing the proliferation of weapons of mass destruction.

ARTICLE 3. DEFINITIONS. For the purpose of applying the provisions herein, the following terms will be understood as:

1. **Exchange bureau.** Any individual or legal entity providing the purchase and sale of currencies, paper money or other monetary instruments inside and outside the country, in any form, whether or not it is their main activity.
2. **Compliance Officer.** An officer in the exchange bureau responsible for preventing money laundering, the financing of terrorism and financing the proliferation of weapons of mass destruction. This officer will be responsible for overseeing the implementation of the compliance program, i.e. the set of policies and procedures guiding the employees of that company to meet the existing legal provisions and internal policies on prevention.

ARTICLE 4. REQUIREMENTS FOR REGISTRATION. Exchange bureaus must be registered as financial reporting entities at the Superintendency of Banks of Panama. Therefore, they must submit, through a suitable lawyer or law firm, a registration application along with the following documents:

1. For legal entities: a copy of the articles of incorporation and documentation identifying the shares and the name of the shareholders and/or final beneficiaries of the exchange bureau down to the individuals (e.g. copy of the share registry, copy of the share certificates, copy of the personal identification card of the shareholders, affidavit). Additionally, legal entities must provide the name and a copy of the personal identification cards of the directors, dignitaries and legal representative of the exchange bureau. For individuals, the submittal of a copy of the personal identification card (or passport, when applicable) will suffice.
2. Full address of the place where the exchange bureau directly provides its services and, if the exchange bureau has various branch offices (shops and/or customer service posts), clearly describing each one of them.
3. Affidavit (Appendix A) duly signed by the firm's legal representative, containing and certifying the following information:
 - a. The type of system used for processing the identification, monitoring, red flags, compilation of red flags pending processing and follow-up on operations. Attach a copy of the contract signed with the service supplier;

- b. Statement of the source and origin of resources included in the working capital of the firm. This statement must have supporting documents on the allocations and other capitalization schemes, e.g. those listed on a stock exchange.
 - c. If bank accounts are used to manage operations, provide information on the account number, the bank and the branch where the account was opened. For international accounts, the exchange bureau must attach the country, contact information and account identification information. In both cases, the firm must attach a copy of the last three monthly account statements.
 - d. Electronic means or computer applications used for marketing services. If not, provide a certification on this fact.
4. Full name, a copy of the personal identification number and résumé of the Compliance Officer for the prevention of money laundering, the financing of terrorism and financing the proliferation of weapons of mass destruction.
 5. Enclose the manual and all of the existing policies and procedures for the prevention of money laundering, the financing of terrorism and financing the proliferation of weapons of mass destruction. The Superintendency of Banks of Panama may request exchange bureaus change their manuals, systems, policies and procedures for the prevention of money laundering, the financing of terrorism and financing the proliferation of weapons of mass destruction.
 6. Provide information on the exchange bureau's financial statements for the last two fiscal periods, when applicable.
 7. Answer the questionnaire on the management or risks related to money laundering, the financing of terrorism and financing the proliferation of weapons of mass destruction prepared by the Superintendency of Banks in accordance with the parameters the latter provides.

ARTICLE 5. COMPLIANCE FUNCTION. Exchange bureaus must appoint a senior-level officer as Compliance Officer to perform the duties established in paragraph 3 of Article 3 herein. The Compliance Officer will also be the contact person between the Superintendency of Banks and the Financial Analysis Unit (UAF, for its acronym in Spanish), as appropriate, to prepare the reports on the prevention of money laundering, the financing of terrorism and financing the proliferation of weapons of mass destruction.

ARTICLE 6. REGISTRATION AND UPDATE. Once the documentation submitted is to the satisfaction of the Superintendency of Banks, the latter will issue a registration certificate. The information submitted for obtaining the certificate must be updated once a year. The Superintendency may issue the application form and updates.

ARTICLE 7. GROUNDS FOR CANCELLING THE REGISTRATION. The Superintendency of Banks of Panama may cancel the registration of any exchange bureau on the following grounds:

1. Not having the manuals, systems, policies and procedures for the prevention of money laundering, the financing of terrorism and financing the proliferation of weapons of mass destruction. These documents must be effective in assessing risks considering the products, jurisdictions, distribution channels and type of customer they serve;
2. Not having efficient software enabling the identification, monitoring, detection of red flags, compilation of red flags pending processing, and follow-up on the operations and compliance with the regulations for the prevention of money laundering, the financing of terrorism and financing the proliferation of weapons of mass destruction;
3. Not having a Compliance Officer meeting the characteristics of operating independence and the skills necessary to correctly perform his/her duties;
4. Not reporting to the Financial Analysis Unit (UAF) as provided for in Law 23 of 2015;
5. Conducting operations prohibited or unauthorized for exchange bureaus;
6. Not updating the information referred to in Article 6 herein in a timely manner.

When cancelling the registration at the Superintendency of Banks, the Superintendency of Banks may request the Ministry of Commerce and Industry cancel the notice of operation granted by that Ministry to the exchange bureau.

ARTICLE 8. REQUEST FOR CANCELLATION OF THE AUTHORIZATION GRANTED BY THE MINISTRY OF COMMERCE AND INDUSTRY. In view of the provisions of Article 15-A2 of Rule 9-2015 establishing the disciplinary punitive procedure for potential breaches to the regulations on the prevention of money laundering, the financing of terrorism and financing the proliferation of weapons of mass destruction, the Superintendency of Banks may request the Ministry of Commerce and Industry execute the cancellation, removal or annulment of the notice of operations issued to any exchange bureau that has not conducted the registration referred to herein.

ARTICLE 9. ENGAGING IN EXCHANGE BUREAU ACTIVITIES WITHOUT REGISTERING AT THE SUPERINTENDENCY OF BANKS. In accordance with the powers provided in Law 23 of 2015 on the prevention of money laundering, the financing of terrorism and financing the proliferation of weapons of mass destruction and the authority granted to supervisory bodies by Article 20 of that Law, the Superintendency of Banks is responsible for exercising the supervision and regulation of financial reporting entities on the prevention of money laundering. The purpose of the aforementioned Law is for supervisory bodies and individuals or legal entities subject to supervision for the prevention of money laundering to establish measures for identifying, assessing and understanding the risks and consequences of money laundering and to establish appropriate controls for preventing them.

With regard to the legal powers aforementioned, in the event the Superintendency of Banks knows or has well-founded reasons to believe that an individual or legal entity is engaging in the exchange bureau business without the relevant certification, the Superintendency may examine its books, accounts and other documents to determine that fact.

The unjustified refusal to provide the books, accounts and documents can be considered proof of engaging in the exchange bureau business without Superintendency certification and the potential infringement of the regulation for the prevention of money laundering.

If necessary, the Superintendency may adopt the measures it deems advisable against the establishments that are allegedly engaging in the exchange bureau business without the certification issued by the Superintendency of Banks. This is without prejudice to the actions the Ministry of Commerce and Industry may take in accordance with the powers granted by Law for cases in which the exchange bureau business is being exercised without a notice of operations granted by the latter, [or the actions that] the Ministry of Justice or any other government agency [may take].

ARTICLE 10. REPORTING. Exchange bureaus must report the information referred to herein to the Superintendency in the form and frequency it may determine.

ARTICLE 11. ENACTMENT. This Rule will become effective upon its promulgation. Exchange bureaus currently running operations will have up to one hundred and twenty (120) days from the enactment of this Rule to start the registration process at the Superintendency of Banks.

Given in the city of Panama on the twenty-first (21st) day of August, two thousand eighteen (2018).

FOR COMMUNICATION PUBLICATION AND ENFORCEMENT.

THE CHAIRMAN,

THE SECRETARY, a.i.

Luis Alberto La Rocca

L.J. Montague Belanger

APPENDIX A

AFFIDAVIT (LEGAL ENTITY)

Superintendency of Banks of Panama
Panama City

I, _____, an adult **(man/woman)**, of _____ nationality, domiciled at _____, Panama City, holding personal identification card/passport N° _____, acting as LEGAL REPRESENTATIVE of _____, a Panamanian corporation duly filed in Microjacket N° _____, Document N° _____, or Page N° _____ of the Microfilm (Mercantile) Section of the Public Registry of Panama, domiciled at _____, Panama City, with trade name _____, pursuant to the provisions of Article 20 of Law 23 of 2015 do hereby declare under oath and according to Article 385 on False Testimony of the Criminal Code, that:

1. If using bank accounts to process operations, submit information on the account number, bank and branch office where the account was opened:

_____;

For international accounts please enclose the country, contact telephone data and information on the account identification:

_____;

***In both cases, a copy of the last 3 monthly statements of accounts must be attached hereto.**

2. The type of system used for processing the identification, monitoring, detection of red flags, compilation red flags pending processing, and follow-up on the operations:

_____;

***Enclose a copy of the agreement entered into with the service supplier.**

3. Statement on the source and origin of the resources input in the working capital of the corporation: _____;

***This statement must have the supporting documentation on the allocations and other capitalization schemes. e.g. those listed on a stock exchange.**

4. Electronic means or computer applications used for marketing services in the marketplace. Should there be none, provide a certification to that effect:

_____.

Aware of the responsibility I hold in signing, I sign this affidavit on this _____ day of _____, 20____.

Sincerely yours,

Name and surname
Legal Representative of _____ (Company Name)
ID Card/Passport N° _____