

**Republic of Panama  
Superintendency of Banks**

**OTHER REPORTING ENTITIES AML RULE N°. 3-2018  
(dated 28 August 2018)**

**“Whereby the term ‘Other Financial Reporting Entities Examination’ is developed”**

**The Board of Directors of the Superintendency of Banks**  
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 the provisions of paragraph 2 of Article 5 of the Banking Law fostering favorable conditions for the development of the Republic of Panama as an international financial center are objectives (sic) of the Superintendency of Banks;

Pursuant to the provisions of Article 4 of the Banking Law, the Superintendency of Banks has the exclusive competence to regulate and supervise the banks, the banking business and other entities and activities assigned to it by other laws;

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 are adopted;

Article 19 of Law 23 dated 27 April 2015 establishes the Superintendency of Banks as a supervisory body;

Paragraph 1 of Article 20 of Law 23 of 2015 provides that supervising that the financial reporting entities, the nonfinancial reporting entities and activities performed by professionals subject to supervision, have the policies, mechanisms and procedures of internal control of each of the individuals and legal entities subject to supervision, in order to verify due compliance with the provisions of this Law and its regulations, 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 for their enforcement is a duty of the supervisory bodies;

In accordance with Article 22 of Law 23 of 2015, the Superintendency of Banks must supervise the finance companies; financial rental or leasing companies; factoring companies; issuers or processors of debit, credit and prepaid cards, whether individuals or legal entities, including those issuing and operating their own cards; entities issuing payment instruments and electronic money, among others, for the prevention of money laundering, the financing of terrorism and financing of the proliferation of weapons of mass destruction;

Article 20 of Executive Decree 363 dated 13 August 2015 provides that supervisory bodies are authorized to verify due compliance with mechanisms for the prevention and control of money laundering, adopting a risk-based supervision approach enabling the supervisor to clearly understand the risks to which the financial reporting entity is exposed. Similarly, it establishes that the frequency and scope of onsite and offsite supervision can be based on the risk profile of the financial reporting entity;

By means of Article 123 of Law 21 dated 10 May 2017, Article 22 of Law 23 of 2015 was amended, adding money remittance companies, regardless of whether or not [remittances] are their main activity; exchange bureaus of any kind, whether through direct physical transfers or through purchasing future contracts and whether or not this is their main activity; Banco de Desarrollo Agropecuario (Agriculture Development Bank); Banco Hipotecario Nacional (National Mortgage Bank); and housing savings & loan and credit unions, as new financial reporting entities;

Article 82 of Law 21 of 2017 establishes that the Superintendency of Banks must supervise each financial reporting entity assigned to the Superintendency under Law 23 of 2015, to verify whether they are meeting these provisions in the course of their operations. The examination costs and incidental expenses will be paid by the reporting entities;

During the Board of Directors' working sessions it was determined that it was necessary and advisable to establish the administrative scope and interpretation of the term 'Other reporting entities Examination' included in Article 82 of Law 21 of 2017.

### RESOLVES:

**ARTICLE 1. SCOPE.** According to the provisions of Article 22 of Law 23 of 2015, amended by Article 123 of Law 21 dated 10 May 2017, the provisions herein are applicable to the following financial reporting entities:

1. Finance companies;
2. Leasing companies;
3. Factoring companies;
4. Issuers or processors of debit, credit and prepaid cards, whether individuals or legal entities, including those issuing and operating their own cards;
5. Issuers of payment instruments and electronic money;
6. Money remittance businesses whether or not [remittances] are their main activity;
7. Exchange bureaus of any kind, whether through direct physical transfer or purchase of future contracts and whether or not this is their main activity;
8. Banco de Desarrollo Agropecuario (Agriculture Development Bank);
9. Banco Hipotecario [Nacional] (National Mortgage Bank);
10. Housing savings and credit unions.

**ARTICLE 2. DEFINITION OF 'OTHER FINANCIAL REPORTING ENTITIES EXAMINATION'.** For the purposes of the provisions of Article 82 of Law 21 of 2017, examinations of the other financial reporting entities referred to above will be understood as the set of actions carried out by the Superintendency of Banks to supervise the operations conducted by financial reporting entities in verifying compliance with the legal provisions of Law 23 of 2015 and its regulations adopting measures to prevent money laundering, the financing of terrorism and financing the proliferation of weapons of mass destruction.

It is understood that, in addition to the verification conducted in the facilities of the financial reporting entities, the term 'Examination' includes the examination and the continuous oversight conducted by the Superintendency through continuous monitoring and analysis, surveys, reports and consultancies in general performed by the technical and administrative staff of this institution from the headquarters of the Superintendency as provided for in Law 23 of 2013 (sic), Executive Decree 363 dated 13 August 2015 and in the Rules that further develop the law.

**ARTICLE 3. THE COST OF EXAMINATIONS OF OTHER FINANCIAL REPORTING ENTITIES.** With respect to what is established in the previous article, the fixed and variable costs the Superintendency of Banks incurs for the continuous oversight of other financial reporting entities herein in order to verify that they have the internal control policies, mechanisms, procedures and other requirements established in the regulations for the prevention of money laundering, the financing of terrorism and financing the proliferation of weapons of mass destruction will be considered costs of examinations of other financial reporting entities.

**ARTICLE 4. DETERMINING THE COST OF THE OTHER FINANCIAL REPORTING ENTITIES EXAMINATION.** The Superintendent of Banks will quantify the cost required for examining all of the other financial reporting entities herein and will allocate [the cost] among these entities, weighing – among other factors – the sum of assets, the volume and complexity of the operations and the geographic diversity of these financial reporting entities.

**ARTICLE 5.** This Rule will enter into effect upon its promulgation.

Given in the city of Panama on the twenty-eighth (28<sup>th</sup>) day of August, two thousand eighteen (2018).

**FOR COMMUNICATION PUBLICATION AND ENFORCEMENT.**

**THE CHAIRMAN,**

**THE SECRETARY,**

Luis Alberto La Rocca

Joseph Fidanque III