

**Republic of Panama
Superintendency of Banks**

**OTHER REPORTING ENTITIES AML RULE N°. 4-2018
(dated 23 October 2018)**

“Whereby the guidelines for preventing the misuse of services provided by money service businesses 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 the provisions of paragraph 1 of Article 5 of the Banking Law, safeguarding the soundness and efficiency of the banking system is one of the objectives of the Superintendency of Banks;

Pursuant to the provisions of paragraph 2 of Article 25 of the Banking Law, strengthening and fostering favorable conditions for the development of the Republic of Panama as an international financial center is one of the objectives of the Superintendency of Banks;

Article 112 of the Banking Law establishes that banks and other entities supervised by the Superintendency are required to establish policies and procedures and the internal control structures to prevent their services being misused for criminal purposes in money laundering, the financing of terrorism and other crimes that are related or similar in nature or origin;

Article 113 of the Banking Law provides that banks and other entities supervised by the Superintendency will submit the information required by law, decrees, and other regulations in force in the Republic of Panama for the prevention of money laundering, the financing of terrorism and other crimes that are related or similar in nature or origin. Furthermore, they are required to submit this information to the Superintendency whenever it may so require;

According to the provisions of 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 clients and their employees with the greatest certainty possible. The Superintendency is authorized to develop relevant standards, in accordance with policies and regulations in force in the country;

By means of Law 23 dated 27 April 2015, 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 7 of Article 20 of Law 23 of 2015 provides that issuing guidance and feedback standards to the financial reporting entities, the nonfinancial reporting entities and activities performed by professionals subject to supervision for its enforcement, as well as the procedures for the identification of the final beneficiaries, legal entities and other legal structures, is among the duties of the supervisory bodies;

According to the provisions of Law 23 of 2015 on the prevention of money laundering, the financing of terrorism and the financing of the proliferation of weapons of mass destruction, the Superintendency of Banks is responsible for supervising and regulating other reporting entities on the prevention of money laundering, in addition to the banks and trust companies already under its supervision;

Article 22 of Law 23 of 2015 establishes the financial entities to be supervised by the Superintendency of Banks for the prevention of money laundering, the financing of terrorism and the financing of the proliferation of weapons of mass destruction;

By means of Article 123 of Law 21 of 2017, Article 22 of Law 23 of 2015 was amended adding the money service businesses as new reporting entities that the Superintendency of Banks will be responsible for regulating and supervising under the provisions of Rule 5-2015;

By means of Rule 8-2017 dated 19 September 2017 by means of which Article 1 of Rule 5-2015 dated 26 May 2015 for the prevention of the misuse of services provided by other reporting entities was amended, money service businesses are included as new reporting entities that the Superintendency of Banks will be responsible for regulating and supervising under the provisions of Rule 5-2015;

During the Board of Directors' working sessions it was determined that it was necessary and advisable to have a specific rule establishing the guidelines for preventing the misuse of services provided by money service businesses and fitting the special nature of this type of business. This requires special regulations recognizing the vulnerabilities and risks of money laundering inherent in the activity and establishing measures for prevention and mitigation based on the risk-based approach to that type of activity.

RESOLVES:

ARTICLE 1. SCOPE. According to the provisions of Article 22 of Law 23 of 2015 whereby the measures to prevent money laundering, the financing of terrorism and the financing of the proliferation of weapons of mass destruction, the provisions herein will be applied to money service businesses, regardless of whether the remittance is domestic or international and whether or not it is their main activity.

ARTICLE 2. DEFINITION. For the purposes of the provisions of this Rule and without prejudice to the definitions established in other legal provisions, the following terms will be understood as:

1. **Money service business:** Any individual or legal entity holding an authorization issued by the Panamanian Ministry of Commerce and Industry to run operations as a money service businesses engaged in transferring money inside and outside the country, whether or not it is their main activity;
2. **Sub-agent or related agent:** Any individual or legal entity rendering money transference services on behalf of a money service business, either through a contractual relationship or with instructions from the money service business supplier;
3. **Remittance:** The activity or service provided by money service businesses by means of which a person transfers money or securities to another person;
4. **Foreign remittance:** The transference of money or securities abroad from Panama or vice-versa;
5. **Domestic remittance:** The transference of money or securities remitted and received within the Republic of Panama;
6. **Sender:** Any individual transferring money or securities through a money service business;
7. **Beneficiary:** Any individual receiving money or securities through a money service business.

ARTICLE 3. PREVENTION OF MONEY LAUNDERING, THE FINANCING OF TERRORISM AND THE FINANCING OF THE PROLIFERATION OF WEAPONS OF MASS DESTRUCTION BY MONEY SERVICE BUSINESSES. The money service businesses must take the necessary measures, pursuant to the risk-based approach, to prevent their operations and/or transactions being conducted with funds or on funds coming from activities associated with the crimes of money laundering, the financing of terrorism and the financing of the proliferation of weapons of mass

destruction. Therefore, they are required to meet the terms established in the legal provisions and those herein related to that matter.

In connection with the above, the money service businesses must prepare a manual for the prevention of money laundering, the financing of terrorism and the financing of the proliferation of weapons of mass destruction, which must contain the policies, mechanisms, procedures, controls and measures that will be adopted for preventing their services being used with funds coming from these activities.

As a result, the money service businesses must draft a document containing the policies, criteria, measures and internal procedures establishing a methodology designed and implemented to conduct an assessment of the risk to which they are exposed as a consequence of the services they render, the jurisdictions where they have operations, the customers conducting transactions, the amounts of the transactions and the distribution channels with which they maintain operations. This risk-based approach methodology must establish the processes for the identification, measurement and mitigation of identified risks.

The document containing these policies must be approved by the signature of the top management or legal representative and must be made available to the Superintendency for supervision purposes. The person in charge of policy implementation must be the Compliance Officer.

ARTICLE 4. CREATION OF THE ANTI-MONEY LAUNDERING COMMITTEE FOR MONEY SERVICE BUSINESSES. The money service businesses must create an Anti-money laundering Committee when they have more than twenty-five (25) employees. The committee will directly report to the Board of Directors or legal representative holding the registry with the Superintendency of Banks and must be composed of at least three (3) persons that must be the Chief Executive Officer or its equivalent in the organization, the Chief Operating Officer and the Compliance Officer and any other person appointed, as long as this person is within the top management level of the money service corporation in Panama.

This Committee will be responsible for approving the planning and coordination of the anti-money laundering activities and it should also be aware of the work conducted and operations analyzed by the Compliance Officer, such as the implementation, progress and control of its compliance program, among others. These duties must be established in the internal regulations.

ARTICLE 5. "CUSTOMER" CONCEPT. For the purposes of this Rule, the customer will be understood as any individual that establishes, maintains or has maintained a formal or casual contractual or business relationship with a money service business.

ARTICLE 6. GUIDELINES FOR FOREIGN REMITTANCES. Any operation or transaction derived from a money remittance and/or reception relationship provided to an international money service business agent, will be subject to due diligence measures that must match the risk level the operation represents.

The money service businesses establishing or maintaining any type of money transfer remittance or reception relationship, either by themselves or with their parent company, to countries in jurisdictions that have weak standards for the prevention of money laundering, the financing of terrorism and the financing of the proliferation of weapons of mass destruction according to the lists issued by international organizations such as the Financial Action Task Force (FATF) must ensure enhanced due diligence measures are applied regardless on the amount, type of customer, frequency or distribution channel.

ARTICLE 7. CONTRACTUAL OBLIGATIONS ENTERED INTO WITH INTERNATIONAL AGENTS. The money service businesses that enter into contractual relationships with foreign agents must make sure to comply with the following obligations:

1. Verify that the information sent by the sender contains information that will permit it to meet the domestic regulatory obligations. If the money service business does not have the minimum necessary data, the transaction cannot be conducted until the entire required information is obtained.
2. Confirm that international agents and/or related agents sending or receiving the remittance service have measures and controls for the prevention of money laundering and the financing of terrorism in accordance with international standards. These

obligations must be included in the agreements entered into by and between the money service businesses and the relevant agents, including the measures that money service businesses deem relevant to guarantee the event (including the possibility of conducting audits or supervisions to the operations of their counterparties).

3. Pay special attention when having relationships with international agents and/or related agents located in jurisdictions with less stringent "Know your customer" regulations than those established by the Superintendency. Should it be aware of those situations, the money service businesses must make sure that the agreement contains the obligation to apply the criteria included in the Panamanian standard.
4. Clearly establish and document the relevant responsibilities of each international agent and/or related agent on the due diligence processes regarding the customers, monitoring, accumulation and reporting to their relevant supervisory bodies.
5. Obtain top management's approval before establishing new relationships with international agents and/or related agents. In all cases, due diligence must be conducted, as well as the application of contractual relationship assessment models based on a risk-based approach, with the relevant risk classification assigned for each customer and measures appropriate to the assigned classification being established.
6. Ensure that the responsibility on the operations produced abroad from the Republic of Panama or vice-versa are clearly defined in the due diligence processes of the international agent or related agent.

ARTICLE 8. DUE DILIGENCE MEASURES FOR SUB-AGENTS AND/OR RELATED AGENTS.

The money service businesses must ensure that their contracted sub-agents or related agents conduct the due diligence measures established herein. Additionally, money service businesses must maintain a list of all of its sub-agents and/or related agents, containing their geographical location, the assessment of the agent's compliance with the due diligence measures, the assigned level of risk and the identification data of the sub-agent and/or related agent. The list of sub-agents or related agents along with the aforementioned information must be submitted to the Superintendency upon request.

ARTICLE 9. CUSTOMER DUE DILIGENCE. The money service businesses will identify and verify, through reliable documents, the identity of the individuals intending to conduct money remittance operations. For these purposes, the money service businesses will request the following information and documentation from all of its customers before commencing a business relationship: full name, date of birth, profession or occupation, address, telephone number, e-mail, and suitable personal identification document. For the purposes of the suitable identification document, the personal identification card will suffice for a Panamanian citizen. For a foreigner, the personal identification document will be the passport with a photograph of the holder.

If the customer conducts a single transaction or various remittance and reception transactions totaling an amount equal to or greater than five thousand balboas (B/.5,000.00) in a calendar month, the money service business must prepare a form designed by the entity containing information in writing or electronically, as well as [retaining] the documents verifying the information:

1. **Source of resources or assets:** Refers to the written evidence on the origin of funds used to conduct a transaction, information that can be documented with an affidavit from the customer.
2. **Origin and destination of resources or assets:** Refers to the origin and destination of money, the jurisdiction from where it is received or to where it is sent. The destination will always mean the geographical location and the treatment that should be given within the risk matrix and the customer risk classification, taking into consideration the geographical criteria along with the nationality, country of birth and other elements that are deemed relevant.

ARTICLE 10. ADDITIONAL DUE DILIGENCE MEASURES. In all cases, money service businesses must take into consideration the following aspects when conducting customer due diligence:

1. The money service businesses must establish controls or reasonable measures to prevent conducting operations on behalf of third parties or beneficiaries other than the owner of the operation;
2. The money service businesses must understand and obtain information on the purpose and character intended to be given to the transactions conducted with the customer;
3. The money service businesses must have documented evidence in the relevant file of all actions taken to appropriately identify the customer and final beneficiary;
4. The money service businesses must prepare a customer risk matrix pursuant to international standards and domestic regulations;
5. If the customer cannot or refrains from providing the requested documentation, the reporting entity must not conduct the operation, registering it as “not executed,” along with any data it was able to obtain;
6. All customer due diligence information must be consolidated in a single physical or digital file by customer.

The reporting entities must identify and verify the customer and final beneficiary, requesting and consulting documents, data, or reliable information from independent sources such as software or tools consolidating domestic and international information related to the prevention of money laundering (e.g. OFAC list, UN list, among others).

ARTICLE 11. METHODOLOGY FOR THE CUSTOMER RISK CLASSIFICATION. Each reporting entity must design and adopt a methodology for the customer risk classification that must contain the following elements as a minimum:

1. General concept;
2. Minimum criteria or variables for analyzing the customer risk profile;
3. Description of the customer risk classification and categories;
4. Description of the models for establishing the customer risk profile;
5. Design and description of the risk matrixes;
6. Definition of the procedure for updating the customer risk classification, which must contain the authorization to make changes to the customer risk classification. In the event the customer risk classification is determined by an automated monitoring tool, the entity must ensure that the system keeps the evidence of each change made in the customer risk profile, which must be captured in the established procedure.

The customer risk classification methodology and its updates must be approved at least once a year and submitted on an annual basis to the Superintendency of Banks by the Anti-Money Laundering Committee, when applicable, or by the Chief Executive Officer with the ratification of the Board of Directors or by the legal representative of the organization that holds the registration with the Superintendency.

Since it is understood that the application of the customer assessment risk matrix must be effective and demonstrate a statistical correlation between the variables of the transacted amount by the customer and the risk level assigned (except for regulatory criteria such as the requirements for PEPs), the reporting entity must demonstrate in each case that the monitoring tool, the customer identification information, the transactions conducted in the calendar month and the level of risk assigned are congruent.

The Superintendency of Banks will make the necessary efforts to verify that the customer risk classification methodology is reasonable according to the volume and nature of the transactions the reporting entity conducts, as well as the risk profile of the customer served.

In cases where it is determined that the classification methodology is insufficient or inappropriate, the Superintendency can require the reporting entity to take the relevant corrective or clarification measures within a period the Superintendency may establish.

The money service businesses must clearly establish the methodology they use for monitoring and assigning the risk level; in all cases, the operations to be considered are those produced locally or domestically and all operations conducted to be paid in the Republic of Panama coming from overseas and vice-versa. Only the transactions going through the entity holding a registration with the Superintendency may be considered for the referred statistical validation, irrespective of the operations that its parent company may conduct globally or through its international agents or related agents.

ARTICLE 12. MINIMUM CRITERIA OR VARIABLES TO ANALYZE AND DESCRIBE THE CUSTOMER RISK PROFILE. To analyze and describe the customer risk profile, the money service businesses must apply the following criteria, as a minimum:

1. Nationality;
2. Country of birth;
3. Country of domicile;
4. Geographic zone of the customer's business activities;
5. Customer's economic and financial activity;
6. Type, amount and frequency of transactions (sent and received, domestic and international);
7. Whether it is a politically exposed person (PEP);
8. Products, services and channels the customer uses;
9. Origin and geographic location of domestic and international money transferences.

The criteria or variables used for the analysis and description of the customer risk profile must be described in the methodology for the customer risk classification that the money service business uses and must demonstrate statistically that they meet the requirement to separate customers by their risk level in a way that is reasonable and suitable to the operations profile of the money service business.

ARTICLE 13. APPRAISAL OF SUB-AGENTS OR RELATED AGENTS. The money service businesses must have an appraisal of their sub-agents or related agents and apply a risk-based approach assessment model to determine how the operations with the related agent or sub-agent increase or mitigate the ML/FT/PWMD risk. If the sub-agent or related agent is supervised by the Superintendency, that component may be considered a significant mitigator. The money service business is responsible for establishing contractual controls, obligations on regulatory compliance, the procurement of computer systems for sub-agents or related agents and all the internal controls the money service business deems relevant to establishing an appropriate relationship with the sub-agent or related agent.

The money service business must have a due diligence file on the sub-agent or related agent and international agents with which it conducts transactions, even though they may be of common capital or the same economic or financial group. They must also clearly establish in the contract or reference document the responsibility of each of the parties when applying any and all obligations established in the applicable standards, in this case the integration of the search for the owners, holders, agents, etc.

The reporting entity must apply an enhanced or reinforced due diligence to the sub-agent or related agent as provided for in paragraph 9 of Article 4 of Law 23 of 2015. The result of the investigations and supporting documents, including the contract or agreement, must be part of the file and a risk level will be assigned within the group of sub-agents, related agents or international agents it has operations with.

The risk assessment of the sub-agent, related agent or international agent will be part of the customer risk matrix assessment within the distribution channel component and must be congruent with the result of the appraisal described above.

ARTICLE 14. MONEY SERVICE BUSINESS RISK ASSESSMENT. The money laundering risk assessment is an integral part of the methodology for the money service business risk assessment. The assessment methodology must be conducted by the area appointed by the Board of Directors or the legal representative of the organization holding the registration with the Superintendency, with the participation of the area responsible for the prevention of money laundering and must be approved by the board of directors or the legal representative of the entity.

The result of the application of the risk assessment methodology must be reviewed at least once every twelve (12) months and the results obtained must be presented to the board of directors and/or legal representative. The management must define corrective action plans to remedy any identified weaknesses, indicating the actions, the persons responsible and the timeline for the corrective action. The mechanisms approved for compliance verification must be recorded in the board of directors meeting minutes and/or agreement meeting minutes attended by the legal representative. This methodology and the result of the risk assessment must be submitted on annual basis to the Superintendency of Banks.

ARTICLE 15. DOCUMENTATION AND FOLLOW-UP. The money service businesses must keep all customer and final beneficiary information and follow up on the transactions conducted by the customer or final beneficiary during the course of the business relationship, in order to identify unusual operations. The reporting entities must have tools to detect abnormal or suspicious activity patterns in all relationships maintained with the customers.

ARTICLE 16. PREVENTIVE FREEZING. For the purpose of the provisions of Article 49 of Law 23 of 2015, the money service businesses must develop policies and procedures for managing the preventive freezing of resources held by them and belonging to persons included in the relevant lists issued by the United Nations Security Council.

ARTICLE 17. POLITICALLY EXPOSED PERSONS (PEPs). The money service businesses must adopt an enhanced or reinforced customer and/or final beneficiary due diligence measure for individuals classified as politically exposed persons, whether national or international, pursuant to the provisions of paragraph 18 of Article 4 of Law 23 of 2015.

A person will be considered a PEP from the moment he/she is appointed until he/she steps down from the position and for a period of two (2) years from the moment he/she ceases to engage in the duties and obligations for which that person was initially classified as a PEP.

The money service businesses must establish appropriate systems for risk management and conduct deeper due diligence, pursuant to the provisions of Article 34 of Law 23 of 2015.

ARTICLE 18. DUE DILIGENCE FOR HIGH-RISK CUSTOMERS. The money service businesses must adopt an enhanced or reinforced customer and final beneficiary due diligence measure for customers classified as high-risk, as well as to take pertinent measures for these customers.

For people classified as high-risk, the reporting entities must establish appropriate systems for risk management and conduct an enhanced or reinforced due diligence including the following facets:

1. Obtain top management's approval to establish (or update the profile in case of existing customers) business relationships with these customers, when applicable;
2. Conduct intensified, ongoing monitoring of the operations.

Without prejudice to the customers that, according to the money service business risk assessment, are considered high-risk customers, [the following persons] will be considered to be in this category:

1. Politically exposed persons (PEPs);
2. Customers conducting individual or cumulative operations in a calendar month equal to or greater than ten thousand balboas (B/.10,000.00);
3. Customers with capital or business associates coming from territories or countries considered non-cooperative jurisdictions by the Financial Action Task Force (FATF);
4. Any other customer classified as high-risk by the reporting entity.

ARTICLE 19. STATEMENT OF CASH OR QUASI-CASH TRANSACTIONS. The money service businesses must declare the following transactions or operations, as well as any other additional information related to these, on the forms provided by the Financial Analysis Unit, whether or not conducted in or from the Republic of Panama,:

1. Single operations conducted by individuals for the amount of ten thousand balboas (B/.10,000.00) or more. Operations in foreign currency must be reported in their dollar/balboa equivalent;
2. Multiple monetary operations which, although individually below ten thousand balboas (B/.10,000.00), total ten thousand balboas (B/.10,000.00) or more at the end of the day or the week. If this is the case, the money service business will report the operation for its cumulative value at the end of the business week through the means provided by the Superintendency of Banks for that purpose. The reporting entity must maintain in its records and available to the Superintendency of Banks, the documentation verifying the timely and accurate submittal of the data contained in the statements referred to in this subparagraph.

ARTICLE 20. REVIEW, UPDATE AND RECORDKEEPING. The money service businesses must maintain all information records and documentation obtained during the due diligence process up to date. They will also keep a signed set of the due diligence forms or the electronic archive of the data that were obtained from the individual, a hard or scanned copy of documents obtained through the due diligence process, the documents verifying the operation or transaction and any other document that permits reconstructing every customer operation or transaction, when appropriate. This information will be held for a five-year period from the date the contractual relationship with the customer was terminated, through any means authorized by Law.

The documents and data on the customers and final beneficiary must be updated pursuant to the policy each reporting entity adopts for the customers that do not have any variation in their risk profiles.

ARTICLE 21. KNOW YOUR EMPLOYEE POLICY. The money service businesses must appropriate choose [their employees] and supervise their behavior, especially for those holding positions related to customer service, receipt of money and control of information. In addition, the money service businesses must maintain an employee profile that must be updated on an annual basis while the work relationship lasts.

The employees must be trained to understand the risks to which they are exposed, the controls mitigating these risks and the personal and organizational impact of their actions.

Additionally, the employees, managers and directors of the money service businesses must have available a code of conduct that provides a benchmark for their behavior 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 money service businesses must] establish measures to ensure the duty to maintain confidential the information related to the system for the prevention of money laundering.

The code of conduct establishing the contractual relationship must contain, as a minimum, the guiding principles, values and policies that stress the obligatory nature of the procedures that integrate the system for the prevention of ML/FT/PWMD and its adequate development in accordance with the current regulations on the matter. At the same time, it must establish that any noncompliance with this prevention system is considered an infraction that will be punishable based on the severity of the offense.

ARTICLE 22. REQUIREMENT TO TRAIN EMPLOYEES. The money service businesses must provide ongoing and specific training to the employees of the business and operating areas in positions related to treating, communicating and dealing with customers, suppliers, receipt of money, processing transactions and designing products and services, as well as the staff working in sensitive areas such as compliance, risk, human resources, technology and internal auditing (if applicable). This training will be aimed at maintaining [personnel] current on the different crimes, cases and regulations on money laundering, which must be conducted for:

1. **Orientation for new employees:** The reporting entities must develop and implement orientation training on the prevention of money laundering for new employees, which

must be developed before or simultaneously with the commencement of work at the reporting entity. This training must include, as a minimum, the following topics:

- a. Fundamentals of the prevention of money laundering;
 - b. Current regulations on the prevention of money laundering;
 - c. Contents of the Compliance Manual;
 - d. Customer due diligence and know your customer procedures;
 - e. Red flags and crimes applicable to the sector in which they operate;
 - f. Criminal, administrative and internal responsibilities and sanctions.
2. **Annual training for the entity's staff as provided for in this Article:** The money service businesses must develop and implement an annual training program in order to keep the existing staff updated on the policies, procedures and internal controls to prevent the misuse of the services they render, as well as the methods criminals use for money laundering. This training must also include the following:
- a. Procedures adopted by the entities to comply with the provisions contained in this Rule;
 - b. Analysis of the existing regulations, including the implications for the reporting entity and its employees;
 - c. Responsibilities of the Auditing and Compliance Departments and the Business areas;
 - d. Recommendations from international organizations;
 - e. Analysis and development of current cases related to money laundering crimes;
 - f. The importance of maintaining communication with the Compliance Officer; channels and type of information that must be provided in investigations that need to be conducted.

The money service businesses must train their sub-agents or related agents on the prevention of money laundering, the financing of terrorism and the financing of the proliferation of weapons of mass destruction on an annual basis.

The training programs conducted by money service businesses must include mechanisms for evaluating the results obtained, in order to determine the efficiency of these programs and the scope of the proposed objectives. There must be a record of the training provided to the employees, as well as the date, time, place and duration of the activity, the names of the attendees, the positions they hold and the contents of the training.

The statistics on the evaluation of this training must be reported to the Anti-Money Laundering Committee in order to ensure the relevant corrective actions. There should be defined criteria establishing the action to be taken for the employees that do not successfully complete the evaluation of knowledge.

ARTICLE 23. MONITORING TOOL. The money service businesses must have effective transactional follow-up and monitoring systems consistent with their products, geography, customers, channels and related agents, which must produce red flags automatically and in a timely manner on transactions deviating from the expected customer behavior, and others that permit the identification of various crimes, as well as reports including as a minimum, but not limited to, the following.

1. Customer data;
2. Transaction records;
3. Types of transactions;

4. Existing correlation of the transfers of each customer with the other customers' and other products and services within the money service business;
5. A record of the risk classification assigned to each customer;
6. Red flags generated;
7. Statistics on the red flags generated, processed, being processed, and pending processing, with the relevant supporting documentation.

The reporting entity must appoint a suitable and responsible person as monitoring tool administrator.

The money service business must review all red flags in order to identify unusual transactions for follow-up.

For unusual transactions that are ruled out, there must be a record of the reasons for ruling them out and the supporting documentation must be kept in either hardcopy or digital form.

ARTICLE 24. UNUSUAL TRANSACTIONS.

ARTICLE 24. UNUSUAL TRANSACTIONS. The money service businesses must do an in-depth analysis of unusual operations to obtain additional information that permits them to corroborate or rule out the unusual [nature of the transaction], leaving a written record of the conclusions and the verified supporting documentation.

When the reporting entity identifies an unusual transaction, it must start an investigation on the described event, containing the following data:

1. Customer identification;
2. Economic activity;
3. Background of the operation, e.g. record of the transactions, transfers, locations, reasons, among others;
4. Detailed description of the surveyed or analyzed movements or transactions;
5. Conclusions and recommendations on the analyzed case.

The money service businesses must create a record of the unusual transactions they investigate, to include those that they determine are not reportable as suspicious transactions.

ARTICLE 25. SUSPICIOUS TRANSACTIONS. The money service businesses must directly inform the Financial Analysis Unit of any event, transaction or operation that the former suspects may be related or linked to money laundering crimes, regardless of the amount, and that could not be justified and supported, as well as any failures in controls.

The Compliance Officer must conduct an internal analysis of the unusual and/or suspicious transactions resulting from a comparison with the customer profile and/or its monitoring system.

During the course of their activities, when the reporting entities become aware of transactions that qualify as suspicious and that cannot be justified or supported, they must take the following actions:

1. Create a record of the information on the transaction. The information will contain the data of the commercial relationship and the information originating the transaction, the date(s), the amount(s), and the type(s) of transaction. This record must include succinct remarks made by the employee detecting the information.
2. Report the suspicious transaction to the Compliance Officer, who will order the review of the transaction to verify that it is suspicious and will include the relevant succinct remarks;

3. Report the suspicious transaction to the Financial Analysis Unit for the Prevention of Money laundering and the Financing of terrorism (UAF, for its acronym in Spanish), using the forms established for that purpose. The notification will be conducted through the Compliance Officer within fifteen (15) calendar days following the detection of the suspicious event, transaction or operation. However, reporting entities can request a fifteen (15) calendar day extension from the Financial Analysis Unit (UAF) for the submittal of the supporting documentation, when gathering the information is difficult.
4. Register in the logbook the date and reporting format of the report sent to the Financial Analysis Unit for the Prevention of Money Laundering and the Financing of Terrorism (UAF), as well as the date and reference number of the Unit's response;
5. For suspicious transactions, update the relevant file:
6. If necessary, charts, tables, news and other information that permit the visualization of the suspicious transactions being reported should be attached.

ARTICLE 26. REPORTING TO THE FINANCIAL ANALYSIS UNIT (UAF). The Superintendency of Banks will inform the Financial Analysis Unit (UAF) of any suspicious transactions it notices during the examinations of money service businesses, without exempting the entity from the obligation of doing so.

ARTICLE 27. COMMUNICATION TO THE FINANCIAL ANALYSIS UNIT (UAF). In the event the money service businesses deem it advisable to block any customer due to a reported suspicious transaction, the money service businesses will have up to ten (10) business days from the blocking date to submit a written report to the Financial Analysis Unit (UAF) complementing the first report on the suspicious transaction.

ARTICLE 28. PROTECTION PROTECTION OF EMPLOYEES, DIRECTORS AND AGENTS. The money service businesses will adopt appropriate measures to maintain confidentiality on the identity of employees, directors or agents that have communicated or reported information to the internal prevention bodies of the reporting entity.

ARTICLE 29. CORPORATE LIABILITY. For the sole purposes of sanctions, the actions and conduct of the directors, dignitaries and executive, administrative or operations personnel of the money services businesses shall be attributable to these entities and to the individuals on whose behalf they are acting.

The individuals who commit such acts and conduct are subject to the relevant civil and criminal liabilities.

ARTICLE 30. INDEPENDENT AUDIT. The independent audit for this type of reporting entity will be conducted by an internal or external agent and will be responsible for the ongoing assessment and follow-up on the internal control system and compliance with the money laundering risk management policies.

The management of auditing duties must be independent and the external auditor or staff must be suitable and well-trained in matters of the prevention of money laundering, the financing of terrorism and the financing of the proliferation of weapons of mass destruction. The money service business must ensure that the external auditor or staff has the proper experience in risk-based approach auditing.

PROVISO: For the purposes of the provisions of Law 23 of 2015, the money service businesses must have a written opinion on the assessment and continuous monitoring of the internal control systems for the prevention of the crimes of money laundering, the financing of terrorism and the financing of the proliferation of weapons of mass destruction. The independent audit opinion must comply with the provisions established in this Article. The independent audit or evaluation on the efficiency of controls established in that matter must be made annually and the results will be an integral part of the reports that reporting entities must maintain and submit upon the Superintendency's request.

ARTICLE 31. BRANCH OFFICES ABROAD. The money service businesses consolidating or sub-consolidating their operations in Panama and with branch offices abroad within its structure, must make sure that these branch offices apply measures for the prevention of money laundering, the financing of terrorism and the financing of the proliferation of weapons of mass destruction at

least equivalent to those established in Panama and by the Financial Action Task Force recommendations when the minimum requirements of the host country are less stringent than that of the home supervisor.

When the domestic legislation of the country where the branch offices are incorporated prevent due compliance with the measures for the prevention of money laundering, the financing of terrorism and the financing of the proliferation of weapons of mass destruction that must be at least equivalent to those indicated in the above paragraph, the money service business must inform the Superintendency of this situation.

If the Superintendency of Banks determines that there is significant risk and it is not possible to adopt measures to remedy the situation, the Superintendency may require additional measures or controls, including ordering the closure of operations of that branch office.

ARTICLE 32. FINES FOR NONCOMPLIANCE. Without prejudice to the fines prescribed in Law 23 of 2015 adopting measures for the prevention of money laundering, the financing of terrorism and the financing of the proliferation of weapons of mass destruction, failure to comply with the provisions of this Rule will be penalized by the Superintendent with fines from five thousand balboas (B/.5,000.00) up to one million balboas (B/.1,000,000.00), according to the severity of the offense or the degree of recidivism.

ARTICLE 33. ENACTMENT. This Rule will become effective on 17 December 2018.

Given in the city of Panama on the twenty-third (23rd) day of October, two thousand eighteen (2018).

FOR COMMUNICATION PUBLICATION AND ENFORCEMENT.

THE CHAIRMAN,

Luis Alberto La Rocca

THE SECRETARY,

Joseph Fidanque III