

**Law 21
(dated 10 May 2017)**

Which establishes the rules for the regulation and supervision of Trustees and the trust business and prescribes other provisions

THE NATIONAL ASSEMBLY

DECREES:

**Title I
General Provisions**

**Chapter I
Preliminary Provisions**

Article 1. Competence. The Superintendency of Banks will have the exclusive competence to regulate and supervise trustees holding a trust license or authorized by law to engage in the trust business according to the provisions herein and its regulations, as well as to oversee the proper functions of the trust business.

In addition, the Superintendency of Banks will be authorized to develop the supervisory and regulatory standards for the Trust System.

Article 2. Scope. The regulatory and supervisory standards herein and its regulations are public and will be applied to all trustees holding a trust license or authorized by law to engage in the trust business.

Article 3. Trustees. Only the persons granted a trust license and other individuals authorized by law may act as trustees.

**Chapter II
Superintendency of Banks**

Article 4. Duties of the Superintendency of Banks. According to the legal provisions governing it, the Superintendency of Banks shall:

TRANSLATION

1. Supervise and regulate trustees in accordance with this Law and its regulations;
2. Strengthen and foster favorable conditions for the development of the trust business within the Republic of Panama as an international fiduciary center;
3. Promote public trust in the Trust System and ensure that trustees maintain appropriate levels of professionalism, specialization and technical, financial, legal, administrative and operating capacity;
4. Ensure that trustees engaging in the trust business are only those to whom a trust license has been granted and other individuals authorized by law.
5. Ensure that trustees have appropriate procedures to supervise and control their domestic and cross-border activities, in close collaboration with the foreign supervisory bodies, if necessary;
6. Authorize the objective presented by the legal entities applying for a trust license;
7. Develop the provisions herein. When that duty is discharged by the Board of Directors, it will be done through rules, and when done by the Superintendent of Banks, through resolutions;
8. Penalize breaches [according to] the provisions herein, its regulations or any other regulation on the trust business or other policies developing it;
9. Develop cooperative connections with foreign supervisory bodies to strengthen supervisory methods, update preventive regulations and exchange useful information for the discharge of the supervisory duties.

Article 5. Duties of the Board of Directors. The following duties are assigned to the Board of Directors of the Superintendency of Banks on trust funds and trustees:

1. Establish the administrative interpretation and scope of the legal provisions and regulations on trust matters;
2. Determine the documents required for verification of compliance with the requirements established herein to be granted a trust license;
3. Establish the rules for examinations ordered herein;
4. Rule on all appeals of resolutions made by the Superintendent;
5. Establish the accounting requirements related to the financial information trustees must provide;

6. Establish the rules trustees must comply with related to:
 - a. Corporate governance and internal control;
 - b. Prudential standards;
 - c. Risk assessment and rating;
 - d. Trust fund assessment;
 - e. Conflict of interest.
7. Set and modify the trust regulatory and supervisory fees for both their fixed and variable components, as well as the examination fees;
8. Set and modify a supervisory fee for other regulated financial entities for both its fixed and variable components;
9. Advise the Government of the Republic of Panama in all the matters related to the development of the trust business;
10. Develop and provide general guidelines for the application of the Law, in order to facilitate the appropriate development of the trust business;
11. Modify the amount of the trust escrow and/or the minimum capital required of trustees;
12. Provide other standards that, within the scope of the activities permitted by law, must be complied with by trustees so that their activities fall within appropriate risk levels;
13. Discharge all other duties assigned by this Law.

Article 6. Duties of the Superintendent. The following duties are assigned to the Superintendent of Banks:

1. Authorize or deny any trust licenses within the framework established herein and its regulations.
2. Ensure trustees meet the provisions contained herein and in its regulations;
3. Set and modify the examination rights and fees for other special services;
4. Establish the rules trustees must comply with related to:
 - a. Advertising programs;
 - b. Closing and moving of establishments;
 - c. Information requirements;
 - d. Relevant facts;

TRANSLATION

- e. Other aspects related to the development of the trust business and to proper compliance with the provisions herein and in trust regulation;
5. Answer inquiries related to the trust regime;
6. Authorize the voluntary cancellation of trust licenses;
7. Order the seizure, reorganization or compulsory liquidation of trustees;
8. Authorize the merger, consolidation and demerger of trustees;
9. Authorize the transfer of shares of trustees, when the buyer or other individuals related to the buyer will be the sole owners, major shareholders or controllers, as the Superintendency of Banks may define;
10. Issue certifications related to the existence and activities of trustees, based on the information held by the Superintendency of Banks;
11. Order and conduct examinations of trustees;
12. Appoint administrators, reorganizers or liquidators for trustees, as provided herein;
13. Impose penalties for breaching or failing to comply with the standards or regulations governing the matter;
14. Authorize the change of corporate name and amendments to the articles of incorporation of trust companies;
15. Adopt preventive and/or corrective measures when irregularities or deficiencies occur in the activities of trustees;
16. Authorize other activities trustees may conduct;
17. Decide all matters related to the trust business which are not expressly reserved for the Board of Directors or another authority;
18. Ensure trust companies provide their customers with the information that will ensure the utmost transparency in their operations;
19. Discharge all other duties provided for herein.

Article 7. Conflict of interest of board members. When a meeting of the Board of Directors of the Superintendency of Banks discusses a subject with which any of the directors or the Superintendent may have a conflict of interest, that director or the Superintendent will abstain from participating in the meeting. In the absence of voluntary recusal, the Board of

TRANSLATION

Directors may formally require the director or the Superintendent, as the case may be, to refrain from participating in the meeting and, therefore, in the decision.

Article 8. Presumption of legality. The actions of the members of the Board of Directors, of the Superintendent, and his/her deputies, in the discharge of their functions and duties, are presumed to satisfy all requirements of legality, diligence and *bona fide*. No legal complaint against them for their actions will be grounds for suspension until the case has been decided.

Article 9. Right to institutional legal support. The members of the Board of Directors, the Superintendent and his/her deputies, as well as any other staff member authorized by the Board of Directors by means of a reasoned resolution, have the right to the Superintendency of Banks pay all legal expenses and costs necessary for their defense when they are the subject of legal actions, proceedings, trials or lawsuits resulting from their actions or decisions adopted in accordance with this Law and in the discharge of their duties, functions or obligations.

The institutional legal support referred to herein applies to these officials for actions taken during their period of office, even if the charges are brought after their departure from office.

If the official should be held liable for the actions or events attributed to him/her, said official will reimburse the Superintendency of Banks for the expenses that it incurred in his/her defense.

The Superintendency of Banks shall subrogate the rights of the defendant or accused for the recovery of expenses and court costs.

The Board of Directors will establish and provide whatever is necessary for faithful compliance with the provisions herein.

Article 10. Trust regulatory and supervisory assessment fee. A trust regulatory and supervisory assessment fee is hereby created for the Superintendency of Banks. As a result, trust companies are subject to the annual payment of the trust regulatory and supervisory assessment fee as follows:

1. The fixed amount of fifteen thousand balboas (B/.15,000.00) plus

TRANSLATION

2. An additional variable amount of ten balboas (B/.10.00) for each million balboas (B/.1,000,000.00) or fraction thereof in assets in trust exceeding one hundred million balboas (B/.100,000,000.00) up to a maximum of thirty thousand balboas (B/.30,000.00).

The amount of the assessment fee must be directly related to the costs the Superintendency of Banks incurs in complying with its duties in a rational and efficient manner, based on its budget. To that end, the Superintendency may, at its discretion, increase or decrease the applicable assessment fee.

Notwithstanding the above, if at the end of a budgetary period, there were a surplus derived from these assessments, the Superintendent will transfer the surplus to a special account to be used to defray future budgetary expenses. If excess balances were to occur in two consecutive budgetary periods, the Superintendency must reduce the amount of the assessed fees as necessary so that surpluses do not occur in subsequent budgetary periods.

For individuals, the annual fixed amount to be paid will be five thousand balboas (B/.5,000.00).

Article 11. Inspection fees. Trustees will be subject to payment of the examination fees the Superintendency of Banks may set for all the activities authorized herein.

Title II

Trust Regime

Chapter I

Trust License

Article 12. Trust license. After complying with the requirements provided herein, the individuals listed below may be granted a trust license:

1. Banks, to act as trustees through the specialized trust departments or sections;
2. Individuals;
3. Legal entities whose objective will be authorized by the Superintendent.

The legal entities engaged in commercial activities other than those established in Article 20 herein or other activities authorized by the Superintendency of Banks who wish to

TRANSLATION

obtain a trust license should request that license through another legal entity; however, the Superintendent, after evaluating the case, may permit exceptions.

The following are not required to hold a trust license:

- a. State-owned banks engaging in the trust business;
- b. State-owned corporations;
- c. Securities clearing houses and retirement and severance fund administrators acting as trustees of trust funds executed by mandate of law, and which are under the supervision of the relevant regulator;
- d. Other individuals authorized by law to act as trustees.

State-owned banks and state-owned corporations may engage in the trust business without holding a trust license or providing the escrow referred to in Article 27.

Article 13. Requirements for a trust license. To be granted a trust license, the applicant must certify to the Superintendent of Banks that it has the appropriate levels of professionalism, specialization, and technical, financial, legal, administrative and operating capacity to conduct the trust business.

Similarly, banks applying for a trust license must certify the above requirements in a way that permits the trust business and trust funds managed to be clearly identified as separate from the bank's other activities.

Article 14. License application. Applications for a trust license must be submitted to the Superintendent of Banks through an attorney or a law firm. The documents certifying the compliance with the requirements mentioned in the previous article, as determined in a Rule by the Superintendent of Banks, must be attached to the application.

Article 15. Procedure for approving a license. After the trust license application is duly submitted and once the documents referred to in the previous article are analyzed, the Superintendent of Banks will order the investigations he/she deems necessary and will request any additional information he/she deems advisable in verifying the background of the applicants and their compliance with the requirements established in Article 13 and the regulations.

TRANSLATION

A public notice containing the trust license application will be published in a newspaper with broad national circulation for three consecutive days. A copy of the notice will be posted in a visible, public place at the offices of the Superintendency of Banks for three consecutive days.

Article 16. Objection to granting a license. Persons who believe they have well-founded reasons for opposing the requested license may submit them in writing to the Superintendency of Banks along with the documentation supporting their opposition, if available, within fifteen days following the date of the last publication of the notice mentioned in the previous article. The Superintendency will entertain those reasons that deal with the economic capacity and moral solvency of the applicant or the entity that aspires to receive a trust license, the directors, officers, and executives mentioned in the public notice and, in general, those verifiable circumstances that make the establishment of the trustee in the Republic of Panama inappropriate.

After the objections are submitted, the applicant will have the right to refute them within fifteen days of being notified of them by the Superintendency of Banks. The Superintendency of Banks shall be under no obligation to issue a decision based on the opposition or objections.

The Superintendency of Banks has the discretion to award or deny the license by means of a substantiated resolution after the analysis of the documentation submitted by the applicant and the investigations conducted by the Superintendency of Banks.

Article 17. Approval or refusal of a trust license. The Superintendency of Banks will have ninety calendar days from the time of the submittal of the complete documentation required by the Superintendency of Banks to award or deny the trust license.

The period referred to herein may be extended at the discretion of the Superintendency of Banks when deemed necessary for a better evaluation of the particular application.

In the case of corporations under organization, the Superintendent of Banks will authorize the formalization before a Notary Public, the registration of the documents for incorporation in the Public Registry, and will require the certification of the escrow required in Article 27. After the above is met, the license will be granted.

Article 18. Grounds for cancellation of the trust license. The trust license may be cancelled upon the trustee's request or when the Superintendency of Banks decides so based on the following grounds:

1. When the trustee fails to start operations within six months following the granting of a license, unless the Superintendency authorizes an extension of this term based on verified justifications;
2. When the trustee ceases to exercise the trust business;
3. When the trustee is barred from commercial activity;
4. When the corporation is dissolved or because of the death of the trustee;
5. Seizure of control or compulsory liquidation;
6. Serious violations of or repeated noncompliance with the provisions or prohibitions provided herein and its regulations;
7. When the trustee fails to pay the trust regulatory and supervisory assessment fee or the penalties imposed by the Superintendency of Banks within the period established by the Superintendency;
8. When the Superintendency of Banks determines that the appropriate levels of professionalism, specialization, or technical, financial, legal, administrative or operating capacity to continue engaging in the trust business are not met;
9. Serious breaches to the provisions of Chapter XI of Title II herein and other rules for the prevention of money laundering, the financing of terrorism and financing the proliferation of weapons of mass destruction and related crimes;

Article 19. Procedure for cancellation of the trust license. The cancellation of a trust license shall be conducted through a substantiated resolution adopted by the Superintendent of Banks. This decision can only be appealed, and the appeal will exhaust all administrative recourse.

The resolution for the cancellation of the trust license will be announced to the public through a notice drafted by the Superintendency of Banks. The notice will be published for three consecutive days in a newspaper with broad national circulation at the expense of the

trustee. A copy of the notice will be posted in a visible, public place at the offices of the Superintendency of Banks for three consecutive days.

Chapter II
Trust Activity

Article 20. Authorized activities. Trustees holding a trust license or those entities authorized by law may:

1. Constitute and administer trust funds according to the provisions herein;
2. Handle bank accounts and escrow accounts;
3. Provide financial advisory services;
4. Act as a representative with voting rights in board of directors or shareholder meetings and act as representatives of bondholders and other securities holders;
5. Participate or act as an intermediary in the incorporation and/or administration of corporations, trust companies and foundations;
6. Act as shares, documents and securities custodians;
7. Engage in any other complementary activity to the trust activity the Superintendent of Banks may generally or individually authorize.

Article 21. Use of the word “trust fund,” “trustee” or their derivatives. Only those trustees authorized by a trust license issued by the Superintendency of Banks and those authorized by law to engage in the trust business may use the word “trust fund,” “trustee” or any of their derivatives in any language, be it in their everyday name, their corporate name, their trade name, description, letterheads, invoices, printed letter paper, announcements, advertising or by any other means, including electronic means, that may indicate or induce anyone to think they engage in the trust business.

Article 22. Engaging in the trust business without a license. If there is knowledge or reason to believe that an individual or legal entity is engaged in the trust business without a trust license, the Superintendency of Banks is authorized to examine such individual’s/legal entity’s books, accounts and other documentation to ascertain the facts. Any unjustified

TRANSLATION

refusal to furnish that information will be considered a presumption of engagement in the trust business without a license.

Any person conducting operations manifesting or implying the existence of any sort of connection with the trustee without the consent of the latter may be penalized.

The Superintendency of Banks is authorized to order the Director of the Public Registry to add a marginal notation in the registration of any corporation that is found to have violated this Article and to impose the appropriate sanctions.

Article 23. Notaries and Public Registry. Notaries Public are forbidden from authorizing any legal document or copies of these, or instruments or declarations peculiar to their offices, or the authentication of signatures that contravene the provisions herein. A similar prohibition applies to the Public Registry of Panama with respect to the filing of such documents.

The Director General of the Public Registry is under obligation to report the existence of any registration that may contravene the provisions herein to the Superintendency of Banks. The Superintendent of Banks must evaluate such a report and order a marginal notation on the registration of any corporation that might have transgressed the provisions herein. At the expiration of sixty calendar days from the day of the marginal notation, the corporation in question will be fully dissolved by law, in the case of a Panamanian corporation, or disqualified from conducting business in the Republic of Panama, in the case of a foreign corporation.

Article 24. Publication of orders. In every case in which the Superintendency of Banks orders the Director General of the Public Registry to add a marginal notation as provided for in Articles 22 and 23, the Superintendency of Banks will publish those orders for three consecutive days in a newspaper with broad national circulation in the Republic of Panama, without prejudice to additionally publishing those orders in other media.

Chapter III
Capital and Escrow

Article 25. Types of capital. Corporations authorized to act as trust companies will issue shares representing their capital stock in registered shares exclusively.

Article 26. Minimum paid-in or assigned capital. The minimum paid-in capital, or assigned capital in the event of branch offices, net of any losses, required to apply and maintain a trust license is one hundred and fifty thousand balboas (B/.150,000.00). The trustee may not, at any time, allow the capital to fall below the minimum amount required.

In the case of individuals, the Superintendency of Banks will determine the way the amount established herein will be credited by means of a Rule.

The Superintendency of Banks is hereby authorized to modify the amount of the minimum paid-in or assigned capital by means of a Rule.

Article 27. Escrow. Trustees shall maintain, at all times, an escrow in the Republic of Panama of two hundred and fifty thousand balboas (B/.250,000.00) in favor of the Superintendency of Banks of Panama to comply with the company's trust obligations or to compensate for damages due to deficient administration.

The Superintendency of Banks may publish a Rule periodically adjusting the amount of the escrow based on the inflation rate in order to maintain its real value.

Without prejudice to the above, this escrow may be constituted in cash deposits, financial instruments backed by the Panamanian state, insurance policies, bank guarantees, or checks drafted or certified by domestic banks. These escrows may not be granted by affiliates of trustees. The Superintendency of Banks may publish a Rule regulating the requirements banks and insurance companies must comply with when granting trust guarantees.

The cash escrow to be used by the trustee must be consigned in state-owned banks.

The Superintendency of Banks is hereby empowered to authorize other types of financial instruments that, in its judgment, may serve as a guarantee.

State-owned banks may act as trustees without consigning the guarantees referred to herein.

In the case of trust license cancellations, the Superintendency of Banks will return the escrow referred to herein to the trustee one year after the issuance date of the relevant cancellation resolution.

Chapter IV Accounting, Information and Examination

Article 28. Audited financial statements of the trust company. Trustees must submit their audited financial statements to the Superintendency of Banks within three months following the closing of each fiscal year.

Trustees must submit their unaudited financial statements to the Superintendency of Banks within thirty days following the closing of each quarter.

The financial statements referred to herein must comply with the accounting, technical and prudential standards the Superintendency of Banks provides for that purpose.

Article 29. Separate accounting for each trust fund. The trust company must have separate accounting lines for each asset in trust. Accounting information for each of the trust funds, including assets or property in trust, financial obligations or debts, income and expenses, must be updated and must include supporting documentation, such as agreements, invoices, receipts and any other documentation necessary to certify the transactions of each asset in trust.

Trustees must submit the audited financial statements for the assets in trust, including all assets in trust under the fiduciary administration, to the Superintendency within three months following the closing of each fiscal year.

The financial statements referred to herein must comply with the accounting, technical and prudential standards the Superintendency of Banks provides for that purpose.

The information referred to in the first paragraph of this Article must be held and made available for a period of five years from the last day of the calendar year in which the transactions applicable to these registries were made.

Article 30. Requirement for information. The Superintendency of Banks is authorized to request trustees provide documentation and reports on the operations, activities and trust funds held, even when the trust funds have been created and executed under a foreign law.

In addition, the Superintendency of Banks may request information on operations and activities from trustees when the trustee has entered into agreements with related parties where these agreements affect the trustee or any trust fund.

The information referred to herein must be submitted to the Superintendency of Banks within the timeframe and in the form it may require.

Article 31. Trust company examinations. The Superintendency of Banks must conduct examinations of each trustee to determine their financial condition and to verify their compliance with the provisions herein, its regulations and Law 1 of 1984 during the course of operations. The trustee will maintain the agreements, documents and fiduciary and trust fund information available at all times and submit them to the Superintendency of Banks when required. The examinations will cover the trustee and may be extended to the affiliate companies conducting operations with the trustee. The total examination cost and incidental expenses will be covered by the trust company.

The Superintendency of Banks may conduct these examinations with its own staff or may outsource them to independent external auditors or to specialized, qualified professionals. In the latter case, the examination reports submitted must be evaluated by qualified members of the Superintendency staff.

Any refusal by the trustee to subject itself to an examination provided for in this Article will be penalized as provided for herein, without prejudice to the imposition of corresponding criminal sanctions.

Article 32. External auditors. The external auditors of trustees will be responsible for issuing an independent opinion regarding the financial statements in accordance with the international auditing standards in force. In that sense, the external auditors will enter into their auditing report their opinion as to whether or not the financial statements reflect the true and reasonable status of the financial condition, performance and cash flow of the trustee and

whether or not the financial statements conform to the accounting, technical and prudential standards issued by the Superintendency of Banks. The external auditors will be fully responsible for the reports they issue.

Article 33. Incompatibilities of accountants. No certified public accountant or firm of certified public accountants of which any of its partners or officers is an employee, director or officer of a trustee or is or becomes a stockholder or partner of a trustee may act as an external auditor of that trustee.

The aforementioned applies equally to external auditors that are contracted to carry out trust company examinations under Article 31.

Chapter V
Duties, Prohibitions and Conflicts of Interest

Article 34. Numbered records. The trustee must have a sequentially numbered record for each of the trust funds under its administration.

Similarly, trust fund agreements as well as hardcopy or electronic files must be identified with the same number assigned to the record.

For the purposes of registering the property of the assets in trust, these assets may be identified as follows:

1. With the trustee's name, followed by the word "trust fund" or the FID acronym and the name or trust fund number in the security, stock, bank accounts, deeds or other document where the asset in trust is registered;
2. Under the trust fund's name itself clearly indicating the name of the trustee in any reference of the security, stock, document or deed where the asset in trust is registered;
3. Under the numeric sequence used by the trustee adding the word "trust fund" or "trust" immediately after and clearly stating the name of the trustee in any reference of the security, stock, document or deed where the asset in trust is registered.

Article 35. Duties of the trustees. The trustee will have the following duties:

TRANSLATION

1. Protect, with trust fund resources, the property making up the discreet assets of the trust fund from actions by third parties, beneficiary or even from the settlor itself. For that purpose, the trustee will exercise the rights and actions required of it and will act on behalf of the trust fund in administrative or criminal lawsuits;
2. Maintain the assets in trust separate from its own assets;
3. Respect and safeguard the settlor's and beneficiary's interests, refraining from actions that may harm or damage their interests by incurring in conflicts of interest;
4. Warn, in trust fund agreements, that its obligations are of means and not results and it cannot guarantee that the objective of the trust fund will be met. It shall also warn that the scope of its obligations is framed in acting diligently and professionally in order to try to comply with the trust fund's objective;
5. Appropriately identify and verify the sources of the assets in trust;
6. Request the settlor provide the necessary information to meet the requirements of "know your customer and/or final beneficiary" and to prevent the misuse of trust services;
7. Keep and maintain the original documents or copies of the documents below in the Republic of Panama and at the disposal of the Superintendency of Banks, or to permit access to them:
 - a. Trust fund agreements, amendments and ancillary documents;
 - b. Files in good order and updated, containing all of the operations and instructions sent by the customers;
 - c. Independent accounting records for each trust fund;
 - d. Accountability reports and relevant facts according to the provisions herein;
 - e. The trustee's policies and procedures manuals;
 - f. Appropriate recordkeeping policies of the trust business;
 - g. Any other documents the Superintendency of Banks may require, as provided for by Board of Directors' Rules.
8. Adopt measures conducive to the trustee's employees having the appropriate experience and necessary licenses, if applicable, and to have continuous training on the best practices of the trust business;

TRANSLATION

9. Establish efficient systems to provide timely and true information to the relevant authorities;
10. Comply with the Corporate Governance standards the Superintendency of Banks establishes;
11. Comply with any other duty the Superintendency of Banks establishes by means of Rules.

Article 36. Prohibitions. Trustees cannot:

1. Use the knowledge or information gathered during their duties to seek direct or indirect benefits for themselves or others to the detriment of the settlor or beneficiary;
2. Conduct operations or actions or enter into agreements using the assets in trust for their own benefit or for the benefit of the officers, directors, shareholders, employees, external auditors or companies related to the same economic group;
3. Acquire for the trust funds being administered, capital stock or debt titles or fiduciary or subsidiary, affiliated or related company property for which the directors or officers are partners, directors, officers, advisors or counselors, unless this transaction is expressly authorized in the trust fund agreement and ancillary document;
4. Acquire, for themselves or by intermediary, the assets in trust;
5. Recruit as directors or officers, or permit the participation in the fiduciary management, of any person who has been a director or officer of a trustee during its compulsory liquidation or that has participated in the managerial duties and is responsible for the actions that have triggered the compulsory liquidation;
6. Conduct trust business without the physical, technological and human resources necessary to engage in that business;
7. Include clauses in the trust fund agreements exempting [the trustee from] the responsibilities assigned by law or authorizing the trustee to unilaterally modify the contents of the agreement;
8. Include clauses in the trust fund agreements directly or indirectly assigning the quality of beneficiary to the trustee.

The prohibitions mentioned in paragraphs 2, 4, and 8 of this Article will not apply to those trust fund agreements meeting the provisions of Article 9 of Law 1 of 1984.

Article 37. Conflict of interest. Officers, directors, shareholders, employees and external auditors of the trustee must refrain from conducting any operation in which a conflict of interest between the trustee and the settlors or beneficiaries of the trust funds administered by the trustee may arise.

If the trustee foresees that conducting an operation may generate a conflict of interest, the trustee will inform to the Superintendency of Banks in advance, and the Superintendency will determine if the conflict of interest exist and may authorize or order the adoption of mechanisms to remedy the situation.

Article 38. Cessation of duties and disqualification of directors or managers of trustees. Without prejudice to the provisions of the Commercial Code and other laws in force, any person who is a director or officer or that participates in the management of a trustee will cease to discharge his/her duties and will be disqualified from acting as a director or manager of any trustee when any of the following grounds occur:

1. He/she declares bankruptcy or is involved in liquidation or reorganization proceedings, as long as this condition lasts;
2. He/she is sentenced for financial or property crimes or, crimes against the public trust;
3. For serious faults in trust management, as the Superintendent of Banks may determine. This disqualification will remain in force until removed by the Superintendent of Banks.

The Superintendency of Banks may remove any of the directors, officers or managers if, at its discretion, the interests of settlors or depositors of the trust funds administered by the trustee are in jeopardy.

Chapter VI Trust Confidentiality

Article 39. Trust confidentiality. Trustees, their representatives and the persons involved in trust activities because of their profession or occupation are required to safeguard the

TRANSLATION

confidentiality of these operations and meet the existing legal provisions in that regard within the Republic of Panama, except for the cases listed below:

1. When the trust fund agreement provides the removal of trust confidentiality;
2. When the settlor expressly authorizes it;
3. When it is essential for meeting the trust fund objective;
4. When the information is required by competent authority in accordance with the provisions of law;
5. When trustees must supply the information in compliance with criminal legislation on the prevention of money laundering, the financing of terrorism, the financing of proliferation of weapons of mass destruction and related crimes;
6. When the information is supplied to data processing agencies or centers for accounting or operating purposes of the trust company or trust funds. In this case, the obligation to safeguard the confidentiality of the information supplied is transferred in full to the recipients.

The obligation to safeguard trust confidentiality is maintained even though the trust fund or the professional or employment relationship is terminated or the trust license is cancelled.

Article 40. Administrative confidentiality. The information related to trustees, their customers and/or final beneficiaries and their activities, obtained by the Superintendency of Banks in the discharge of its functions, shall be maintained under strict confidentiality and may only be revealed when required by competent authority in the course of criminal proceedings, as required by legislation in force.

The Superintendency of Banks, including all of its staff and external auditors, advisors, receivers or liquidators appointed by the Superintendency of Banks must comply with the required confidentiality of all information that may have been supplied to them or that may have been obtained by them. Consequently, the Superintendency of Banks may not reveal such information to third parties unless required by competent authority as provided for in this Article. Those reports or documents that are of public character in conformity with this Law and because of their nature, are exempt from these provisions, as are those that must be submitted in compliance with criminal legislation on the prevention of money laundering,

the financing of terrorism, the financing of proliferation of weapons of mass destruction and related crimes.

Public employees who, because of their positions, have access to information subject to this article are required to always safeguard its confidentiality, even after their employment has ceased.

Article 41. Confidentiality of competent authorities. Competent authorities shall always maintain the information obtained under strict confidentiality when that information is not germane to the legal requirements of the case being conducted.

In those cases in which the competent authority requires the Superintendency of Banks to provide information obtained during the discharge of its functions, and such information includes information on customers not involved in the criminal investigation or process, the Superintendency of Banks will submit a report containing only the relevant information.

Chapter VII

Amendments to the Articles of Incorporation, Merger, Consolidation, Split-off, Transfer of Shares and Transfer of Trusts

Article 42. Changes to the corporate name and amendments to the articles of incorporation. Any change to the corporate name and any amendment or modification to the articles of incorporation of a trustee will require the prior approval of the Superintendency of Banks.

Article 43. Merger, consolidation and demerger. Any trustee who wishes to merge, consolidate or demerge will require the prior authorization of the Superintendency of Banks.

The formal request for authorization for such purposes must be submitted along with the documents the Superintendency of Banks determines.

Article 44. Transfer of shares. The transfer of shares in which the acquirer or other persons related to them become the whole or majority owners or exercise control of the trustee, as the Superintendency of Banks defines, will require the prior approval of the Superintendency of Banks.

The request for authorization must be submitted along with the documents the Superintendency of Banks determines.

Article 45. Analysis of the request. Once the request for authorization of a merger, consolidation, demerger or transfer of shares is submitted along with the documentation mentioned above, the Superintendency of Banks will make the relevant evaluations and approve or deny the request by means of a substantiated resolution within sixty calendar days, unless the Superintendency of Banks decides to extend it for an additional period of no more than thirty calendar days.

The term established in this Article shall enter into force once the request is properly submitted.

Article 46. Transfer of trust funds. Trustees may transfer trust funds to another licensed trustee, without requiring the authorization of the Superintendency of Banks.

Any trustee that decides to transfer trust funds must have the express consent of the settlors or third parties appointed in the trust fund agreement for the purposes of trust substitution. The Superintendency must be notified before its execution, with the identification of the new trustee.

In the event of the death of the settlor with no third party designated for the purpose of trust substitution, the trustee may request the Superintendency of Banks authorize the transfer of the trust fund.

The Superintendency of Banks may develop the provisions in this Article.

Chapter VIII

Voluntary Liquidation of the Trust Business

Article 47. Request for the voluntary liquidation of the trust business. Any trustee may enter into voluntary liquidation as long as it receives prior authorization from the Superintendency of Banks. To that end, the trustee must submit a request for liquidating the trust activities by means of a lawyer or law firm, along with those documents, and having concluded those requirements, the Superintendency of Banks may determine by means of a Rule.

Prior to having the license cancelled, the trustee must certify to the Superintendency of Banks that it has transferred the trust funds to another licensed trustee.

Article 48. Requirements for a voluntary liquidation. A trustee requesting authorization for a voluntary liquidation from the Superintendency of Banks must submit the following documents:

1. A properly legalized and translated resolution, as the case may be, from the appropriate authority or body approving the liquidation;
2. A liquidation plan;
3. Financial statements for the last fiscal period or a period determined by the Superintendency of Banks, audited by an independent external auditor;
4. All other documents the Superintendency of Banks may require.

Article 49. Announcement. Once the liquidation is authorized, the trustee must publish the resolution issued by the Superintendency of Banks in a newspaper with broad national circulation for five consecutive business days. The announcement must be made within fifteen days following the date in which the trustee is notified of the resolution. Additionally, and within thirty days following the date in which the resolution is announced, the trustee must send a notice of liquidation to each settlor, beneficiary (if any), creditor and interested party.

Article 50. Cessation of operations. Once granted the authorization for voluntary liquidation, the trustee will not administer new trust funds, but will administer those under its management until the objectives of the trust fund are met, the equity is returned to the settlor or beneficiary, as applicable, or the trust funds are transferred to another trustee. The powers of the liquidator will be limited to those strictly necessary to carry out the liquidation.

The liquidator must manage the transfer the trust funds to another trustee under the original contractual conditions if the customer request it.

Article 51. Appointment of the liquidator. The trustee will appoint a liquidator or liquidators with the prior approval of the Superintendent of Banks. They may be members of the

management of the trustee. The appointed liquidator or liquidators must have a minimum of five years of administrative experience in the trust sector.

During the course of the voluntary liquidation, the liquidator or liquidators are required to furnish whatever reports the Superintendency of Banks requires on the status of the liquidation, as often as it requires them.

Article 52. Prohibition of asset distribution. The trustee who decides to voluntarily liquidate its trust business may not distribute any assets whatsoever to its stockholders until it has complied with its obligations to all customers and other creditors according to the liquidation plan approved by the Superintendency of Banks.

In the case of credits subject to litigation, the liquidator will consign the funds subject to liquidation to the court of record, so that they may be disbursed in accordance with the court's ruling in the case.

In the case of proceedings in which the trustee is the defendant, the liquidator will consign the funds subject to litigation to the court of record in cash, mortgages, insurance bonds, bank letters of guarantee and/or State public debt titles, including but not limited to, State bonds. If the trustee is acquitted or if there is a balance in favor of the trustee, these funds will be returned to the trustee.

Article 53. Obligations of the liquidator. During the voluntary liquidation, the liquidator or liquidators are under the following obligations:

1. Inform the Superintendency of Banks on the status of the liquidation as often as the Superintendency of Banks wishes;
2. Notify the Superintendency of Banks if there is any ground to seize the administrative and operating control of the trust business.

Article 54. Unclaimed assets and securities. Unclaimed assets and securities will be liquidated and sold on the Stock Exchange or in private auction, as applicable, one year after the termination of the liquidation process. The proceeds of the sale will be deposited in Banco Nacional de Panamá in the name of the owners.

TRANSLATION

By the same token, if there are any unclaimed liabilities or funds at the end of the liquidation process, the liquidator will transfer them to Banco Nacional de Panamá in the name of the owners.

If the liquidation process is concluded and it is impossible to return the funds to the trustee or its shareholders, the Superintendency of Banks will be notified of the existence of those funds, which will be deposited in Banco Nacional de Panamá. The procedure shall be the same for assets or monies belonging to settlors or beneficiaries.

In all aforementioned cases, Banco Nacional de Panamá is under obligation to make restitution of these funds to their owners if they are claimed within ten years from the date in which they were transferred to the bank. However, the restitution will be made without interest. Once this period has passed, the funds will be transferred to the National Treasury.

Article 55. Completion of the voluntary liquidation. Once the liquidation process is fulfilled according to the liquidation plan approved by the Superintendency of Banks, the liquidator will submit an affidavit stating he/she has honored all trust fund agreements, whether because they were terminated or because the trustee was replaced. In both cases the liquidator must provide proof of the settlement. When all of the above is complied with, the respective trust license will be cancelled.

If there are any trust funds pending, the liquidator must manage the transfer of the trust funds to another trust company under the original contractual conditions. If the transfer of the pending trust funds under the original contractual conditions cannot be achieved and the whereabouts of the settlor are unknown, the trust funds may be transferred to another trust company under new conditions if necessary. However, the liquidator must submit proof of its efforts to the Superintendency of Banks.

Once the resolution canceling the license is announced, the Superintendency of Banks will proceed immediately to send a copy of the resolution to the Director General of the Public Registry so that the latter may insert the corresponding marginal notation and the liquidator will publish the resolution in a newspaper with broad national circulation for three consecutive business days.

Chapter IX

Seizure of Administrative and Operating Control, Reorganization and Compulsory Liquidation

Article 56. Seizure of administrative and operating control of the trustee and its trust business. In order to defend the best interests of customers and creditors and based on the information held by the Superintendent of Banks, if he/she considers there is an operating, administrative or financial deterioration or weakness in the trust business, he/she may assume administrative and operating control of the trustee and its trust business, including taking possession of its assets and seizure of its management, by means of a substantiated resolution, in conformity with the grounds established in the following article.

The appointed administrator will act as the legal representative of the trustee.

In the event the Superintendency of Banks does not seize the administrative and operating control of the trust company, the claims against the latter will be subject to the provisions of the Commercial Code before the ordinary jurisdiction.

Article 57. Grounds for seizure of administrative and operating control of the trust company and its trust business. The Superintendency of Banks may order the intervention of any trustee, taking total or partial control of all assets and/or management under the terms the Superintendency of Banks may determine in a substantiated resolution when any of the following cases occur:

1. If the trustee conducts its activities in an illegal, negligent or fraudulent manner;
2. If the trustee in any way hinders an examination or supervision conducted by the Superintendency of Banks;
3. If the trustee cannot continue its trust activities without jeopardizing the interests of the customers;
4. If the Superintendency of Banks deems the trustee is engaging in the trust business to the detriment of the public interest or its customers;
5. Upon a justified request from the trustee itself;
6. Any other case that, in the Superintendency of Banks' opinion, harms the interests of settlors or beneficiaries of the trust funds administered by the trustee.

Article 58. Termination of administrative and operating control. Upon termination of the period of administrative and operating control, the Superintendent of Banks will decide whether the trustee should be reorganized, compulsorily liquidated, or returned to the administrative control of the directors or legal representatives of the trustee, as the case may be.

Article 59. Reorganization of the trustee. The Superintendent of Banks will decide whether to a trustee should be reorganized, based on taking the measures and adopting the changes necessary to protect the best interests of the settlors, beneficiaries and creditors of the trust funds under its administration. The reorganizer or board of reorganization to be appointed will act as the legal representative of the trust company.

Article 60. Compulsory liquidation of the trustee. If the Superintendent deems that the compulsory liquidation of a trustee is necessary, he/she will issue a substantiated resolution by means of which he/she will order the liquidation of the trustee, appoint one or more liquidators that must have a minimum of five years of administrative experience in the financial sector, and determine the duties of the liquidator or the board of liquidators.

The liquidator will act as the legal representative of the trust company under liquidation.

Article 61. The assets subject to liquidation. The assets subject to liquidation are made up of all assets and rights, present and future, of a trustee in liquidation.

Excluded from the assets subject to liquidation are:

1. The assets in trust;
2. All securities delivered to the trustee for collection and those that have been acquired for third parties, as long as they have been issued or endorsed directly in favor of the settlor;
3. All monies or assets delivered to the trustee for development of fees, mandates or trust funds as long as there is written proof of a contract on the date the liquidation was ordered. This includes severance funds, pension and retirement funds, and other monies that the trustee administers;

TRANSLATION

4. In general, all identifiable monies that, although in the possession of the trustee, have been sufficiently proven to belong to a third party;
5. The sums that the trustee must return because they were received as the price for securities and other assets belonging to third parties that the liquidator may have sold;
6. Properties or assets that the trustee maintains in its possession as custodian or depository.

The liquidator or board of liquidators must return these assets excluded from the assets subject to liquidation to their owners or holders as soon as they are identified. The liquidator will return the assets in accordance with the trustee's books or may transfer those to another trustee.

Article 62. Debts included in the assets subject to liquidation. The following are considered debts included in the assets subject to liquidation:

1. The judicial or extrajudicial operational expenses incurred in the common interest of the creditors to verify or confirm and liquidate the assets and obligations of the liquidation; for the management, preservation and sale of the assets of the trustee, and for the distribution of the proceeds, including the fees of the liquidator or the board of liquidators and the trustee, the salaries of the employees hired for the liquidation and the operating expenses of the trustee;
2. All those debts resulting from acts or agreements legally executed or entered into by the liquidator or board of liquidators;
3. Current national and municipal taxes.

The debts included in the assets subject to liquidation must be paid with precedence over any other obligation of the trustee except obligations secured by pledge, mortgage or other property rights and missing financial assets of the trust funds.

Article 63. Termination of contracts. As of the date in which the resolution ordering the compulsory liquidation enters into force, the liquidator or board of liquidators may terminate all leases and all service, administrative and operating contracts, including all compulsory and discretionary arbitration clauses contained in those contracts. As of the date of the entry

into force of the resolution, the trustee under liquidation may not be sued or prosecuted for breaching those contracts and the penalty clauses contained in them shall not be applicable.

Article 64. Sequestration, embargoes or other precautionary measures. The assets of the trustee are not susceptible to sequestration, embargoes or other precautionary measures during the seizure of administrative control, reorganization or compulsory liquidation unless they are based on property rights. Those already enforced against the trustee under liquidation shall be lifted.

Article 65. Suspension of deadlines. For as long as the Superintendency of Banks maintains a trustee under administrative and operating control or reorganization, the statute of limitations related to all of the rights and legal actions to which the trustee is a principal and the deadlines of all trials and proceedings to which the trustee is a party are suspended, whether the trustee is acting in a personal capacity or as trustee. These deadlines and limits will remain suspended until the period of administrative and operating control or reorganization ends. If a compulsory liquidation is ordered, the terms will be suspended up to six months from the date the liquidation is ordered. The trustee may renounce to this right in those cases in which it deems it advantageous for the liquidation.

Article 66. Protection against litigation. Once the resolution ordering the compulsory liquidation of a trustee enters into force, the trustee may not be sued or become a party to an arbitration process.

Article 67. Resolution of objections. The liquidator or board of liquidators will issue as many substantiated resolutions as deemed necessary to adjudicate all objections submitted and to provide the following:

1. The identification of the assets to be liquidated;
2. An inventory of all deposits and other obligations of the trustee to be honored;
3. The precedence with which the obligations of the trustee will be honored.

In addition, and in a separate file, the liquidator or board of liquidators will issue a resolution containing the list of the assets excluded from the assets subject to liquidation.

Each of the resolutions referred to in this Article must be published in a newspaper with broad national circulation for five business days and may be challenged in ancillary proceedings in the Third Chamber of the Supreme Court of Justice within five business days following the last publication of the resolution. The proceedings will take place before the liquidator or board of liquidators who, at his/her/their discretion, may order proceedings that have common causes, parts or pretensions joined.

Having completed the judicial formalities, the liquidator or board of liquidators will submit the records and an explanatory report on the resolution to the Third Chamber of the Supreme Court of Justice for the purpose of final adjudication. In consideration of the social interest surrounding the compulsory administrative liquidation, those challenges submitted by the liquidator or board of liquidators to the Third Chamber of the Supreme Court of Justice should take precedence over all other administrative litigation.

Article 68. Means of challenging. The Superintendent of Banks' resolutions ordering the seizure of administrative and operating control, the reorganization and the compulsory liquidation may be challenged by means of an appeal to the Third Chamber of the Supreme Court of Justice, which has full jurisdiction over administrative litigation.

The filing of an appeal against the resolutions of the Superintendent of Banks ordering the seizure of administrative and operating control, the reorganization and the compulsory liquidation of the trustee does not suspend the administrative measures as they protect a social interest.

A petition for protection of constitutional guarantees filed against the resolutions of the Superintendent of Banks ordering the seizure of administrative and operating control, the reorganization and the compulsory liquidation of the trustee does not suspend the measures, as they protect a social interest.

Article 69. Dissolution of the trustee. At the conclusion of the liquidation, the liquidator or the board of liquidators, as the case may be, will draft the final report of the liquidation following the requirements established by the Superintendency of Banks. This report will be submitted to the Superintendency of Banks for its approval. Once approved, the

Superintendency of Banks will order the dissolution of the trustee and will submit the corresponding written notice to the Public Registry.

In the case of a branch office of a foreign trustee, the Superintendency of Banks will order the rescission of the trustee branch office registration in the Public Registry.

If there are any trusts pending, the liquidator or the board of liquidators must manage the transfer of the trusts to another trust company, under the original contractual conditions. If the transfer of the pending trusts under the original contractual conditions cannot be achieved and the whereabouts of the settlor are unknown, the trusts may be transferred to another trust company under new conditions, if necessary. However, the liquidator must submit proof of its efforts to the Superintendency of Banks.

Article 70. Applicable legislation. Trustees under liquidation on the entry into force of this Law will be governed by the procedures established in the law in force at the moment the liquidation was ordered.

Article 71. Procedure. The Superintendency of Banks will develop the procedures for the seizure of administrative and operating control, the reorganization and the compulsory liquidation of trustees. These procedures will be based on the principles of due diligence, simplicity and transparency.

Chapter X Penalties

Article 72. Criteria for the assessment of penalties. The Superintendency of Banks will assess the proper administrative sanctions for the breaching of the provisions of this Law and its regulations, taking into consideration the seriousness and recidivism of the offense and the damages caused to third parties.

The Superintendency of Banks will establish a system of graduated penalties to comply with this Law, its regulations and other special laws.

Article 73. Fines. The following penalties are established:

TRANSLATION

1. Fines of up to one million balboas (B/.1,000,000.00) to individuals or legal entities engaged in the trust business without a license, as provided herein;
2. Fines of up to three hundred thousand balboas (B/.300,000.00) for breaching the provisions of Chapter V of Title II herein;
3. Fines of up to two hundred thousand balboas (B/.200,000.00):
 - a. For the refusal of the trustee to be subjected to the examination ordered by the Superintendency of Banks;
 - b. For breaching the provisions contained in Chapter VI of Title II herein.

Article 74. Generic fines. At the Superintendent of Banks' discretion and without prejudice to any criminal or civil action that may apply, the Superintendent of Banks may impose any of the following penalties for breaches of this Law and its regulations for which no specific penalties have been established:

1. Admonition;
2. Fine of up to one hundred thousand balboas (B/.100,000.00).

Article 75. Progressive and consecutive fines. In all cases where the breaches of the provisions of this Law and its regulations are continual or repeated, the Superintendency of Banks may impose progressive fines, gradually increasing the fine imposed until the breach is remedied. Similarly, the Superintendency of Banks may impose consecutive fines in those cases where the breach is repeated.

Article 76. Subject to punishment. The special and generic fines established herein may be imposed by the Superintendent of Banks to any trustee, its directors, officers, managers, employees and other personnel that have been involved in breaching the provisions herein. In the case of employees and directors, the trustee shall be jointly and severally responsible for the fine imposed on these persons.

The fines and penalties imposed by the Superintendent of Banks are independent of and without prejudice to other fines or penalties for violations of any other applicable norm or law or any civil or criminal penalties that may apply.

In the case of recidivism, the Superintendent of Banks is authorized to request, through the Public Ministry, the disqualification of the offender to engage in commercial activity.

Article 77. Publicity on penalties. The Superintendent of Banks may inform the public of the fine imposed, either in hardcopy or electronically, being at his/her discretion whether the publication contains the whole resolution or an extract of it.

Article 78. Administrative proceedings. If the Superintendent of Banks considers that there is a breach of this Law and its regulations, the Superintendent of Banks will notify the corresponding trustee or the relevant person so that it may properly answer the charges and submit pertinent supporting evidence.

The procedure for the imposition of penalties shall be determined by the Superintendency of Banks by means of a Rule. Procedural gaps will be filled by the Law on General Administrative Proceedings or, failing this, the Judicial Code.

Chapter XI

Prevention of Money Laundering, the Financing of Terrorism and the Financing of the Proliferation of Weapons of Mass Destruction and related crimes

Article 79. Crime prevention. Trustees are required to establish policies, procedures and internal control structures to prevent their services being misused for money laundering, the financing of terrorism and the financing of the proliferation of weapons of mass destruction and other crimes that are related or similar in nature.

The Superintendency of Banks will establish the framework for the scope, duties and proceedings of this compliance structure.

Article 80. Submitting information. Trustees 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 the financing of the proliferation of weapons of mass destruction and other crimes that are related or similar in nature or origin. Furthermore,

they are required to submit this information to the Superintendency of Banks whenever it may so require.

Article 81. “Know your customer” and “Know your employee” policies. Trustees will adopt policies, practices and procedures that will allow them to know and identify their customers and/or final beneficiaries and their employees with the greatest certainty possible, as part of the process of prevention referred to in this Chapter and its regulations.

The Superintendency of Banks is authorized to develop the relevant standards, in conformity with policies and regulations in force in the country.

In addition, trustees must adopt policies, practices and procedures that will allow them to know and identify their customers and/or final beneficiaries in all the activities they conduct, whether any of those described in Article 20, or any other complementary activity the Superintendency of Banks may authorize.

Article 82. Examinations of other regulated financial entities. The Superintendency shall conduct an examination of every regulated financial entity assigned to the Superintendency for its supervision in conformity with Law 23 of 2015, in order to verify that they have followed these provisions during their course of operations. The total cost of the examination and its incidental expenditures will be covered by these regulated entities. The costs of these examinations, as well as their frequency, will be determined by the Superintendency of Banks.

The other regulated financial entities will be subject to payment for other special services the Superintendency of Banks sets for the specific provision of special services conducted by the Superintendency at the request and for the former’s benefit.

Chapter XII Miscellaneous Provisions

Article 83. Public and private trust funds. According to the origin of funds in trust, the objective for which the trust fund was created and the legal nature of the settlor, trust funds may be public or private.

Article 84. Overseeing funds. Unless legal provisions dictate otherwise, the Office of the Comptroller General of the Republic of Panama will oversee, if it deems necessary, the operational and financial management of public trust funds whose settlor is the State and is represented by any public-sector agency or institution, regardless of whether its administrator is a state-owned bank, a private bank or one of the entities authorized by this Law.

The Ministry of Economy and Finance may request that public and/or private banks and entities regulated by this Law to engage in the trust business provide financial information on the public trust funds under their administration. These entities must supply that information within thirty calendar days following the date of the request or be subject to sanctions from the Superintendency of Banks.

The Ministry of Economy and Finance will keep informed of all public trust funds and will maintain an up-to-date record on such trust funds.

Unless their governing regulations established their right to create trust funds, all public agencies and institutions must notify the Ministry of Economy and Finance and receive the approval of the Cabinet Council prior to doing so.

Article 85. Language. In the discharge of its supervisory duties, the Superintendency of Banks may request that all trust fund agreements and supporting documents drafted in a language other than Spanish be submitted with a Spanish translation prepared by a certified public translator in the Republic of Panama.

Article 86. Notification of legal proceedings to the Superintendency of Banks. Trustees must notify the Superintendency of Banks of any civil or criminal proceedings against the trustee, its directors or employees related to the performance of trust activities or to intentional crimes. When the process is against the trustee, the notification will take place within fifteen calendar days after the trustee has been notified of the complaint. When the process is against any of its directors or employees, the notification will take place within fifteen calendar days following the date the trust company has been notified of the lawsuit.

Article 87. Inadmissibility of bankruptcy. Trustees are not subject to bankruptcy proceedings.

Article 88. Appeals. The decisions issued by the Superintendent of Banks are subject to *reclama* for reconsideration to the Superintendent him/herself and appeal to the Board of Directors. The affected party will have five business days from the notification of the respective resolution. The resolution deciding the appeal will exhaust all administrative recourse.

Article 89. General data on the trustee. The trustee must inform the Superintendency of Banks of any changes of manager, directors, officers, external auditors, registered office or other event modifying the general data of the trustee. This notification must be made within five business days following the change.

Article 90. Examinations of regulated nonfinancial entities. The Intendancy for the Supervision and Regulation of Nonfinancial Entities is responsible for the administrative supervision and regulation of nonfinancial entities and activities conducted by professionals subject to examination as provided in Law 23 of 2015 for the purpose of verifying compliance with the legal provisions governing this matter.

To that end, the costs and incidental expenses generated by the examination will be covered by the regulated nonfinancial entity; therefore, the Board of Directors of the Intendancy for the Supervision and Regulation of Regulated Nonfinancial Entities will regulate the factors it will take into consideration to define the fees regulated nonfinancial entities must cover.

Article 91. Claims Management System. All trustees will have a set of rules and procedures that contribute to the settlement of claims, to be called a Claims Management System, suited to the organization, structure and complexity of their operations, to attend, hear and respond to all complaints, claims and disputes that may arise in their relationship with their customers.

Article 92. Resolution of claims. The Superintendency of Banks will hear the claims lodged against trustees by customers in connection with the trust fund agreements, aimed at ensuring compliance with a consumer loan obligation. The amount of the claims to be heard by the Superintendency of Banks will be set by its Board of Directors, taking into consideration the consumer price index, among other criteria. Similarly, the Board of Directors will be authorized to develop the claims management procedure by means of a Rule.

Article 93. Exceptions to jurisdiction. The Superintendency of Banks shall not hear complaints on matters provided for in Law 6 of 1987 on the benefits for retirees, pensioners and senior citizens, Law 24 of 2002 regarding credit records or Law 45 of 2007 on truth in advertising.

Title III
Additional Provisions

Article 94. The validity of paragraph 1 of Article 709 of the Fiscal Code is restored as follows:

Article 709. ...

1. The interest paid for trust funds on real property created for securing repayment of any loan for the acquisition, construction, building, or improvements of the main dwelling used by the individual taxpayer, as long as the taxpayer is a joint debtor of the secured obligation and the annual amount to be deducted does not exceed fifteen thousand balboas (B/.15,000.00).

In these cases, the creditor will issue the relevant certification of the interest paid, as long as the interest was paid under the collateral trust system for real property created for securing the repayment of any loan for the acquisition, construction, building, or improvements of the main dwelling used by the individual taxpayer.

False information contained in the certification will be punished according to Article 752 of this Code.

...

Article 95. Paragraph 15 is added to Article 752 of the Fiscal Code as follows:

Article 752. The taxpayer incurs in tax fraud when any of the following cases occur and are verified:

...

15. The person that falsely certifies the payment of interest under the collateral trust system for real property created for securing the repayment of any loan for the acquisition, construction, building, or improvements of the main dwelling used by the individual taxpayer, as well as any person using such a certification.

Tax fraud referred to in this paragraph will be punished with a penalty of ten times the certified amount for both the beneficiary using that certification and the creditor issuing it.

...

Article 96. Article 1 of Law 1 of 1984 shall read:

Article 1. The trust fund is a legal act in which an individual called settlor transfers assets or rights to another called trustee, who is bound to administer them or make them available to meet an objective determined by the settlor. The purpose may be for a beneficiary (that can be the settlor him/herself) or to meet an objective determined by the settlor.

When a third party other than the settlor adheres to and accepts the provisions of a trust fund agreement, he/she will be known as an adherent settlor. Adhesion is only possible when this action is expressly stipulated in the trust fund agreement.

Public entities may retain their own assets in trust and act as trustees thereof for engaging in their own objectives, by means of an affidavit meeting the formalities of this Law.

State-owned banks may engage in the trust business without obtaining a trust license or providing an escrow. The escrow required of individuals or legal entities engaged in the trust business must be made available to the Superintendency of Banks of Panama and deposited in state-owned banks in the Republic of Panama.

Article 97. Article 4 of Law 1 of 1984 shall read:

Article 4. The legal act or trust fund agreement must always be in writing. Therefore, verbal, alleged or implicit trust fund agreements shall not be considered trust funds.

Article 98. Article 9 of Law 1 of 1984 shall read:

Article 9. The trust fund agreement or instrument shall contain the following, as a minimum:

1. The identification of the settlor and trustee;
2. Except for trust funds for a determined objective, the appointment of a beneficiary and his/her replacements, if applicable. Where there are future beneficiaries or types of beneficiaries, sufficient data for their identification must be provided;
3. The objective of the trust fund and the express declaration of the settlor's desire to create the trust fund;
4. The description of the assets and rights on which the trust fund is created;
5. The powers and duties of the trustee;
6. The rights and duties of the settlor and beneficiary, if any;
7. The prohibitions and limitations imposed on the trustee in the exercise of the trust fund, if any;
8. The general or specific conditions for administering, delivering the assets and revenues, if any, and settlement of the trust fund;
9. The appointment of a registered agent in the Republic of Panama, who shall be a lawyer or law firm, who shall endorse the trust fund agreement;
10. The domicile of the trust fund in the Republic of Panama;
11. The place and date of the creation of the trust fund;
12. The express declaration that the trust fund is created in accordance with the laws of the Republic of Panama;
13. The warning that the trustee's responsibilities do not imply any guarantee on the trust fund results;

14. For those trust fund agreements designed to secure the compliance with an obligation that devolves from or depends on another agreement, the execution may serve the provisions of that agreement;
15. The method for liquidating the assets in those cases in which it is necessary to transfer the liquid value of assets in trust to Banco Nacional de Panamá.

Additionally, the trust fund agreement or instrument may contain the clauses the settlor or the trustee may wish to include as long as they are not contrary to law or public order. When the trust fund is created by means of a private document, the signatures of the settlor and the trustee or legal agent for the constitution of the trust fund shall be authenticated by Notary or whoever acts as such.

Proviso: Notwithstanding the above, for trust fund agreements designed to secure repayment of any loan, the settlor should be entitled to choose the trustee that will administer the collateral. That trustee must be acceptable to the beneficiary of the trust fund and the trustee may be the beneficiary himself or a company member of the beneficiary's economic group, as long as it is notified and expressly accepted by the settlor him/herself.

In addition to the provisions of paragraphs 1 to 15 of this Article, the following items must be included in the trust fund agreement for collateral trust in which the trustee is the beneficiary or is a company belonging to the same economic group as the beneficiary:

1. The grounds for not honoring the agreement, the terms and conditions to settle potential conflicts and the means for notifying the settlor;
2. The beneficiary's obligation to identify and notify the trustee of the noncompliance provided in the loan agreement that triggers the execution procedure;
3. The trustee's obligation to evaluate and determine whether the event identified by the beneficiary triggers the execution procedure;
4. The settlor's right to oppose the execution, showing proof of compliance with the obligation or remedying any noncompliance within fifteen calendar days following the notification of noncompliance made by the trustee;

5. The procedure for the execution and sale of the assets making up the collateral, which must take into account that:
 - a. The settlor may oppose the execution if he presents the amount owed, shows proof of compliance with the obligation, or presents a document extending the renewal period for the obligation; or the compliance is remedied within the period stated in paragraph 4 of this proviso;
 - b. For the sale of the asset to proceed, a written appraisal will be required from two independent, qualified experts;
 - c. The asset execution will be made through a public auction that must be announced by publishing at least two notices, on two different, alternate days in a newspaper of broad national circulation. The last notice will be made at least ten days prior to the auction date for personal property or thirty days prior to the auction date for real property, counted from the publication date of the last notice. The announcement or notice will announce the date of the auction, the property to be sold and the amount of the appraisals, which cannot be dated more than forty-five days prior to the date of the first notice. That publication must state the minimum bid at auction, which cannot be less than the average of the two appraisals. In case the sale is not conducted on the stated date, a second date will be set within no less than sixty days.

Article 99. Article 10 of Law 1 of 1984 shall read:

Article 10. A trust fund between living persons may be created by means of a public or private document.

A trust fund that will become effective after the death of the settlor must be created by means of a will. It may also be created by means of a private document, without the formalities of a will, in the event the executor holds a trust license granted by the Superintendency of Banks or is authorized by law to engage in the trust business.

Article 100. Article 12 of Law 1 of 1984 shall read:

Article 12. A trust fund lacking or having an unlawful purpose or cause shall be null.

By the same token, a trust fund created without the formalities provided in Articles 4, 9 and 10 shall be null and void.

The nullity of one or more clauses of the trust fund agreement shall not leave the trust fund agreement without effect unless the nullification of that clause makes compliance with the agreement impossible.

Proviso: In any case, a trust fund duly created and subject to the laws of the Republic of Panama may not be invalidated or nullified for reasons other than those provided in this Law.

All provisions on the settlor's ability to enter into a trust fund agreement or document, or transfer or transmit assets of any nature will be subject to Panamanian law and in no case will be invalidated, nullified, voided or the settlor's capacity questioned, if the legislation of the domicile, residence or location of people or assets forbids in any way or does not recognize the concept of a trust fund.

As for the capacity of people to consent to or enter into a trust fund agreement or document, the only law that will be applicable will be that existing in the Republic of Panama in accordance with the provisions of this Law.

Article 101. Article 13 of Law 1 of 1984 shall read:

Article 13. The trust fund shall affect third parties from the time the signatures of the settlor and trustee or their agents have been authenticated by Notary or whoever acts as such, or if the trust fund was created by means of a deed, from the date of the deed.

The trust fund created using real property located in the Republic of Panama shall only affect third parties as to these assets from the date of registration in the Public Registry. In this case, the transfer deed may be registered with partial information of the trust fund agreement or document on that property; however, the general information on the contracting parties and the objectives of the trust fund related to that property may not be omitted.

Article 102. Article 14 of Law 1 of 1984 shall read:

Article 14. The transfer of real property subject to registration that has been given in trust will be registered in the corresponding registry in the name of the trustee, stating to which trust fund it belongs.

When the trustee receives any motor vehicle, as defined or regulated by the Traffic Regulations of the Republic of Panama, as trust collateral, the trustee will not be liable for the damages to persons or property said vehicle causes to the driver, passengers or third parties. That liability will fall exclusively and severally on the driver and the settlor, unless agreed otherwise, without prejudice to the insurance agreement insuring that vehicle.

The registering entities must adapt their internal regulations and procedures to meet the requirements of this Law. During the transition, the procedures currently in use may be maintained.

Article 103. Article 15 of Law 1 of 1984 shall read:

Article 15. The assets of the trust shall constitute a separate estate subject to the objectives stipulated in the trust agreement or legal instrument and may not be seized or sequestered except for obligations incurred or for damages caused by executing the trust fund, or for taxes on those property, or by third parties when the assets have been fraudulently transferred or withheld to the prejudice of their rights.

The right to challenge the transfer of property expires after three years, from the date the transfer of property to the trust fund was made.

This separate estate is independent from the settlor's, trustee's and beneficiary's estate. As a result, for all legal purposes, the assets in trust must be maintained separate from the rest of the trustee's assets and those belonging to other trust businesses.

As a separate estate, each trust fund will be composed of the property, rights, loans, obligations and contingencies that have been transferred to the trust or that result from meeting the objective established by the settlor. Therefore, the obligations that the trustee enters into with the trust fund for meeting the objectives in the trust agreement must be satisfied using the estate of the trust fund.

Unless otherwise agreed, the settlor will be responsible for covering all expenses and costs of the trust fund, be they covered by the proceeds from the assets in trust or by the settlor him/herself in case they are not sufficient.

Proviso: By the same token, the trustee's property constitutes a separate estate from those administered in trust and may not be sequestered or seized for obligations incurred by any of the trust funds under his management, except for obligations duly contracted by trustees in the discharge of their activity. Judges and courts will refrain from agreeing to conduct seizures or sequestrations of the property a trustee has when the judges and courts are aware, before or during the execution of any of these measures, that the action is being executed against a trust fund administered by the trustee.

Article 104. Article 16 of Law 1 of 1984 shall read:

Article 16. The beneficiary is the person or persons in whose benefit the trust fund was created. The settlor is responsible for designating them in the trust fund agreement or in a subsequent document. For determined objective trust funds, the beneficiaries may be designated by the trustee or a third party, pursuant to the provisions of the trust fund agreement.

When several beneficiaries are designated, precedence among them may be established and substitutes to beneficiaries may be designated, be they successors or not.

For revocable trust funds, the beneficiary may be replaced or new beneficiaries designated at any time by the settlor or a person authorized by him to make the replacement or designation, according to the provisions of the trust fund agreement.

The beneficiary or settlor may partially or wholly transfer their rights on a trust fund, as long as the trust fund is irrevocable and the trust fund agreement authorizes it.

In trust funds, including those of determined objective, the trust fund agreement may envision the existence of a protector whose rights, duties and responsibilities will be those designated in the trust fund agreement. The protector

may be an individual or legal entity or a board appointed for this purpose who will act in accordance with the provisions of the trust fund agreement.

Article 105. Article 27 of Law 1 of 1984 shall read:

Article 27. The trustee shall be responsible for losses or damages of the assets in trust for not being due to its failure to exercise reasonable care.

The trust agreement may provide limitations to the trustee's responsibility, but in no case will those limitations exempt the trustee from any liability for losses or damages caused by gross negligence or willful misconduct.

If there are several trustees, these shall be jointly responsible for the execution of the trust, unless their duties have been met individually and independently at all times.

It is hereby established as a public order norm that the responsibilities assigned to the trustee in this Law cannot be delegated and any clause in the trust fund agreement that exempts the trustee from those responsibilities will be ignored unless made for specific purposes or by virtue of express instructions by the settlor or limitations provided in the trust fund agreement. However, the trustee may delegate the performance of certain duties to third parties, but in no case can the trustee delegate its responsibility.

Article 106. Article 28 of Law 1 of 1984 shall read:

Article 28. The trustee shall render account of its actions to the settlor or the existing beneficiaries as set forth in the trust fund agreement or document of, if the agreement does not specify when, at least once a year and upon extinction of the trust fund. When the trust fund is terminated or when the trustee is replaced, the accounting will be made within fifteen business days following the closing date.

The accountability report must include a detailed report on the trustee's management, identifying the economic, legal, administrative and accounting condition of the trust fund, as well as the occurrence of any event affecting the development of the trust fund or the entrusted duty, indicating the corrective measures or adjustments made.

Unless the trust fund agreement provides otherwise, the accountability report must be submitted to the settlor or the beneficiary entitled to it. If no objection is made to the accountability report within the period provided in the trust fund agreement or, lacking such, a period of ninety days from its receipt, the account shall be considered tacitly approved.

Once the accounting has been expressly or tacitly approved, the trustee shall be released from any responsibility to the settlor and the present or future beneficiaries for all acts resulting clearly from a comparative examination of the account and the trust fund agreement and occurring during the period of the accounting. However, such approval shall not exempt the trustee from any responsibility for damages caused by its negligence or fraud in the administration of the trust fund.

In cases in which the trustee must submit a final accounting for the approval of the competent judge, the judge must submit the final resolution to the Superintendency of Banks.

The trust fund agreements in force as of the enactment of this law shall be maintained in accordance with the agreed provisions and shall be governed by the law in force at the time of signature.

Article 107. Article 29 of Law 1 of 1984 shall read:

Article 29. The trustee's duties are of performance but not results. Therefore, the trustee cannot guarantee the objective of the trust fund will be met. Consequently, the scope of the trustee's obligations is based on its acting diligently and professionally, in complying with the objective of the trust fund.

Article 108. Article 32 of Law 1 of 1984 shall read:

Article 32. Should the trustee be replaced by a substitute, the assets in trust must be transferred to the substitute by the departing trustee or, if this cannot be done, by means of the sentence of a judge, who shall make the determination without a hearing of the need for distribution once the documents verifying the corresponding circumstances are submitted.

A similar procedure shall be applied when the legal entity acting as trustee is dissolved.

For registration purposes, the substitution of a trustee for another one shall not be considered a transfer, as long as it remains the same trust fund.

Article 109. Article 33 of Law 1 of 1984 shall read:

Article 33. The trust fund will be terminated due to:

1. The objectives for which the trust fund was created having been met;
2. The fulfillment becoming impossible;
3. The resignation or death of the beneficiary, without designation of a substitute;
4. The loss or total extinction of the assets in trust;
5. The beneficiary and trustee becoming one person, except as provided in Article 9;
6. The declaration of nullity of the trust fund agreement;
7. The mutual agreement between the settlor, trustee and beneficiary, honoring the *bona fide* rights of third parties;
8. The decision made by the settlor to revoke the trust fund, when the trust fund is revocable;
9. Any reason established in the trust fund agreement or in this Law.

In those cases in which the trustee has lost contact with the settlor or the beneficiaries for a period greater than five years, and the Superintendency verifies this fact, the Superintendency will order the liquid value of the assets in the trust transferred to Banco Nacional de Panamá. The procedure will be developed by means of a Rule.

Banco Nacional de Panamá is required to restore the corresponding funds to the owners as long as they are claimed within ten years following the date the funds were transferred, but the restitution will be made without interest. Once the term is exhausted, the funds will be transferred to the National Treasury.

Article 110. Article 36 of Law 1 of 1984 is repealed.

Article 111. Article 37 of Law 1 of 1984 is repealed.

Article 112. Article 41 of Law 1 of 1984 shall read:

Article 41. The trustee can make use of all of the rights and powers of the trust fund in representing the fund as an active or passive party in all processes, proceedings and administrative or judicial actions that must be conducted before the competent authorities to protect the assets of the trust, as well as to demand payment of loans for the benefit of the trust fund and to meet its objective.

Any controversy for which a special procedure is not specified in this or another Law shall be resolved by means of a summary process.

A trust fund agreement may specify that any controversy arising from the trust fund shall be resolved by arbitrators, as well as the procedure to which they must be subject. In the event that such procedure has not been established, the rules in that respect contained in the Judicial Code shall apply.

Article 113. Article 41-A is added to Law 1 of 1984 as follows:

Article 41-A. Trust funds created before the enactment of this law will be governed by the rules in force at the time of creation, but may, at any time, adhere to the amendments in this Law by means of the settlor's and trustee's written notice. Public order rules shall be applied to all the cases.

Article 114. Article 41-B is added to Law 1 of 1984 as follows:

Article 41-B. Without prejudice of the accountability requirement, when due to its importance it is necessary, or when that obligation is provided in the trust fund agreement, the trustee must submit a report to the settlor on the relevant events affecting the trust fund and, if applicable, the measures taken due to those events.

This report shall be submitted to the beneficiary unless the trust fund agreement provides otherwise. This report shall be submitted no later than the fifth business day after the date the trustee becomes aware of the event.

Trust fund agreements in force on the date of enactment of this law will be maintained pursuant to the provisions previously agreed to and shall be governed by

the law in force at the time of signature. The trustee must submit a report to the settlor on the relevant events affecting the trust fund at least once a year whether or not the agreement provides this requirement.

Article 115. Article 41-C is added to Law 1 of 1984 as follows:

Article 41-C. In the trust fund agreements, the transfer of assets in trust and the return of those assets originally given, or its residual parts, if restored to the same person that provided them in the first place, be that the settlor, adherent settlor or relevant third party, in each case, will be exempt of any tax.

Except as noted above, the transfer of assets to beneficiaries or third parties is taxable.

Article 116. Article 41-D is added to Law 1 of 1984 as follows:

Article 41-D. For the purposes of this Law, the following terms shall be understood as follows:

1. *Beneficiary.* An individual or legal entity for the benefit of whom the trust fund is created and who will receive the benefits resulting from compliance with the trust fund;
2. *Conflict of interest.* Those situations or circumstances regarding a primary interest for the trustee and the integrity of its actions that in the trustee's judgment could tend to induce or could improperly influence him to act in its own or a third party's benefit;
3. *Financial advisor.* A professional advisor in matters of money, loans, exchange and banking and trust operations;
4. *Consumer loan.* A loan granted to acquire consumption goods or services not intended for production or marketing. This includes loans intended for consumption included those for the purchase of vehicles, housing or other goods for personal use;
5. *Escrow account.* A deposit account used to secure the delivery of transferred or deposited goods in meeting certain conditions;

TRANSLATION

6. *Adverse material effect.* An economic, legal, political or financial circumstance that may cause the total or partial loss of property conforming the assets in trust;
7. *Trust company audited financial statements.* Trust company's financial information certified by certified public accountants or a certified public accountant firm at of the close of each fiscal year;
8. *Trust company unaudited financial statements.* Trust company's financial information to a certain date or period, meeting the accounting, technical or prudential standards the Superintendency of Banks may establish for that purpose;
9. *Audited financial statements of administered trust funds.* Financial information including all trust funds administered by the trust company, certified by certified public accountants or a certified public accountant firm at the close of each fiscal year;
10. *Settlor.* An individual or legal entity creating the trust fund;
11. *Adherent settlor.* An individual or legal entity that, without entering into the original trust fund agreement, adheres to such by later signing it and agreeing to the terms and conditions established in the original agreement. As is the case for the original settlor, [the adherent settlor's] condition is determined by three basic factors: entering into the adhesion agreement; providing the corresponding contribution to the trust fund; and having a direct interest in meeting the objectives of the trust fund. This adhesion shall be envisioned in the trust fund agreement;
12. *Trust fund.* A legal act by means of which a person called the settlor transfers goods or right to another person called the trustee who will be responsible for their administration or disposition for the benefit of a beneficiary that may be the settlor himself;
13. *Determined objective trust fund.* The trust fund created by the wishes expressed in writing of the willingness of a person called the settlor to meet a certain objective which is accepted by another person called the trustee;
14. *Public trust fund.* A legal act by means of which the State, represented by any public sector agency or institution, as settlor, transfers goods to State-owned

- companies, to banks or to entities regulated by this Law, acting as trustees, that are bound to administer or dispose of them to meet an objective determined by the settlor for the benefit of a beneficiary that may be the settlor himself or another person;
15. *Private trust fund.* That created with private property for the benefit of private individuals, and that may be directed to any type of persons, both individuals and legal entities with the broadest objectives;
 16. *Trustee.* An individual or legal entity to whom the goods to execute the settlor's objectives are transferred;
 17. *Economic group.* A set of individuals or legal entities of any nationality or jurisdiction whose interests are interrelated to such an extent that, in the Superintendency of Banks' judgment, must be considered as one person for supervisory purposes;
 18. *Relevant event.* Events or circumstances that, while they are not public knowledge, the settlor would be expected to consider important in making decisions related to the trust fund if they were disclosed, because they could have an adverse material effect on the goods conforming the assets in trust;
 19. *Protector.* Any trusted individual or legal entity designated in the trust fund agreement to supervise and protect a trust fund;
 20. *Superintendency.* The Superintendency of Banks of Panama;
 21. *Days.* Calendar days, unless expressly stated otherwise.

Article 117. Article 18 of Law 69 of 2007 shall read:

Article 18. For the purposes of the above article, the Judicial Investigation Directorate will issue a free Personal Background Information Certificate containing, if any, the description detailed in the resolutions recorded in the Personal Files and Identification Registry. In the event there is no recorded background information, this will be stated in the Certificate.

When the Personal Background Information Certificate is issued for labor purposes, only the information in the Personal Files and Identification Registry on

criminal convictions within the ten years prior to the issuance of the certificate will be reported.

The information collected by individuals or legal entities may not be provided to third parties without the authorization of the holder.

The Directorate will regulate the way in which that Certificate shall be requested.

Article 118. Article 11 of Law 47 of 2013 shall read:

Article 11. Authorized foreign custodian obligations. The authorized foreign custodian must:

1. Maintain all documentation related to the provision of the custodial service at the physical address it has provided to the resident agent of the issuing corporation per Article 17 at the time the agent was notified of custodianship. The records related to the provision of custodial services must be maintained for a five-year period after the service is terminated;
2. Maintain the physical custody of bearer share certificates at the physical address it provided the resident agent of the issuing corporation per Article 17 at the time the agent was notified of custodianship, while its duties as authorized custodian last;
3. Maintain the strict confidentiality of the information received under this Law;
4. Provide the full name, citizenship or country of incorporation, current ID card or passport number or incorporation data, physical address, telephone number, and e-mail address or fax number of the owners of the bearer shares whose certificates are kept in custody and the notification of appointment as custodian, to the resident agent of the issuing corporation. Furnishing this information to the resident agent will not be considered noncompliance with the obligation to maintain strict confidentiality or a breach of the right of confidentiality or right to privacy;
5. Issue certifications attesting to the identity of the owner of the bearer shares when required by court order or by the owner or a lienholder.

Article 119. Paragraph 11 of Article 4 of Law 23 of 2015 shall read:

Article 4. Definitions. For the purpose of this Law, the terms listed below shall have the following meanings:

...

11. *Compliance agencies.* Are those that, duly registered with the Intendancy for the Supervision and Regulation of Regulated Nonfinancial Entities, offer the service of due diligence to nonfinancial reporting entities and activities performed by professionals subject to supervision that contracted them to comply with the objectives of this Law.

...

Article 120. Article 8 of Law 23 of 2015 shall read:

Article 8. Functions of the Commission. The National Commission against Money Laundering, the Financing of Terrorism and Financing the Proliferation of Weapons of Mass Destruction will have the following functions:

1. To approve the national risk strategies for the crimes of money laundering, the financing of terrorism and financing the proliferation of weapons of mass destruction, in order to take measures to mitigate national risks, efficiently manage available resources, and adopt decisions for its enforcement on financial reporting entities, nonfinancial reporting entities and activities performed by professionals subject to supervision, after convening the affected sectors to attain adequate citizen participation;
2. To monitor the National Risk Assessment Plan for the Prevention of the Crimes of Money Laundering, the Financing of Terrorism and Financing the Proliferation of Weapons of Mass Destruction;
3. To establish policies for the prevention of the crimes of money laundering, the financing of terrorism and financing the proliferation of weapons of mass destruction;
4. To ensure coordination of the representation of the Republic of Panama at international forums related to country policies against the crimes of money

- laundering, the financing of terrorism and financing the proliferation of weapons of mass destruction;
5. To submit reports to the Cabinet Council on the measures and actions carried out based on the risk assessment for the prevention of money laundering, the financing of terrorism and financing the proliferation of weapons of mass destruction;
 6. To modify the amounts established for cash and quasi-cash that need to be declared;
 7. To submit an annual summary to the Executive Branch on the measures and efforts conducted, both domestically and internationally, for the prevention of money laundering, the financing of terrorism and financing the proliferation of weapons of mass destruction;
 8. To prepare an annual report listing the States, countries or jurisdictions that are of high-risk for the Republic of Panama on money laundering, the financing of terrorism and financing the proliferation of weapons of mass destruction.

Article 121. Article 12 of Law 23 of 2015 shall read:

Article 12. Link. The Financial Reporting Entities, the Nonfinancial Reporting Entities and Activities performed by Professionals subject to supervision must appoint a person or unit responsible for acting as liaison between the Financial Analysis Unit for the Prevention of the Crimes of Money Laundering and the Financing of Terrorism and the corresponding supervisory entity, for the purpose of implementing measures for the prevention of money laundering, the financing of terrorism and financing the proliferation of weapons of mass destruction provided by this Law. Until the formal appointment of such person or liaison unit before its supervisory entity or the Financial Analysis Unit, the legal representative or the natural person engaging the profession will perform the liaison duty. For the financial reporting entities, each supervisory entity will establish the requirements and other qualifications as to the internal authority, independence and hierarchy necessary for the responsible person or unit.

Article 122. Paragraph 5 of Article 120 of Law 23 of 2015 shall read:

Article 20. Powers of the Supervisory Entities. The duties of the Supervisory Entities are:

...

5. To impose appropriate sanctions for the infringement of this Law on money laundering, the financing of terrorism and financing the proliferation of weapons of mass destruction. The sanctions imposed hereby will be published on the website of each supervisory entity, stating the name of the sanctioned entity and the type of sanction and its amount, if the sanction is pecuniary.

...

Article 123. Subparagraphs h, i, j, k and l and a Transitory Proviso are added to Paragraph 1 of Article 22 of Law 23 of 2015 as follows:

Article 22. Financial reporting entities. Financial reporting entities are:

1. Supervised by the Superintendency of Banks of Panama for the prevention of money laundering, the financing of terrorism and financing the proliferation of weapons of mass destruction:

...

- h. Remittance companies, whether or not it is their main activity;
- i. Exchange bureaus, in any form, either by physical delivery or the purchase of future contracts, whether or not it is their main activity;
- j. Banco de Desarrollo Agropecuario (Agriculture Development Bank);
- k. Banco Hipotecario Nacional (National Mortgage Bank);
- l. Housing saving and loans Corporations.

Transitory Proviso: Supervisory processes and punitive administrative proceedings started by the Intendancy for the Supervision and Regulation of Nonfinancial Entities before the enactment of this provision will continue to be processed with this entity until their conclusion, as provided in this Law.

...

Article 124. Article 23 of Law 23 of 2015 shall read:

Article 23. Nonfinancial Reporting Entities. The nonfinancial reporting entities supervised by the Intendancy for the Supervision and Regulation of Regulated Nonfinancial Entities of the Ministry of Economy and Finance are:

1. Companies in the Colon Free Zone, companies established in the Panama Pacific Agency, the Baru Free Zone, the Diamond Market of Panama and free zones;
2. Casinos, games of chance and betting system organizations, and other physical or telematics establishments developing these businesses through the Internet;
3. Real estate developers and real estate brokers, when involved in transactions for their customers concerning purchasing and selling real estate;
4. Companies engaged in the construction field: general contractors and specialized contractors;
5. Valuables transportation companies;
6. Pawnshops;
7. Companies engage in trading precious metals and companies engaged in trading precious stones, in any form, either by physical delivery or the purchase of future contracts;
8. National Lottery;
9. The National Post and Telegraph Office of Panama;
10. Companies engaged in purchasing and selling new and used cars;
11. Those activities performed by professionals, as provided for in Article 24.

Other entities and activities included by Law, that given the nature of their operations, can be used to commit the crimes of money laundering, the financing of terrorism and financing the proliferation of weapons of mass destruction or those arising from the national risk assessment plan for the prevention of the crimes of money laundering, the financing of terrorism and financing the proliferation of weapons of mass destruction.

Article 125. Article 35 of Law 23 of 2015 shall read:

Article 35. Application of Due Diligence measures by third parties. For the implementation of due diligence measures, the nonfinancial reporting entities and

activities performed by professionals subject to supervision may resort to compliance agencies to assist them in procedures for customer identification, final beneficiary identification and understanding the commercial or transactional nature of the customer.

The nonfinancial reporting entities and activities performed by professionals subject to supervision are responsible for the measures developed by the third party in the procedures for customer identification, final beneficiary identification and understanding the commercial or transactional nature of the customer.

Regulations should determine the criteria that this type of measures should include.

Article 126. Article 37 of Law 23 of 2015 shall read:

Article 37. Reliance on third parties. Financial reporting entities, nonfinancial reporting entities and activities of professionals subject to supervision may, at their discretion, rely on the due diligence conducted by a third party belonging to their same economic group who, in turn, is a reporting entity.

Article 127. Article 66 of Law 23 of 2015 shall read:

Article 66. Ordinary procedure. Without prejudice of an existing special procedure, the provisions of the Administrative Law shall also be taken into account in determining the violations and enforcement of the sanctions envisioned in this Law.

Supervisory bodies may accept the reporting entity's recognition of noncompliance of the established legal and regulatory provisions and, depending on their respective punitive procedure and in order to expedite the process, may consider this recognition a mitigating circumstance in determining the relevant sanction. The supervisory bodies will further develop the criteria and procedure for accepting this recognition.

Title IV
Final Provisions

Article 128. Agreements with foreign supervisory bodies. The Superintendency of Banks of Panama shall enter into agreements with foreign supervisory bodies, by either bilateral or multilateral memoranda, that allow and facilitate the regulation and supervision of trustees and the global evaluation of subsidiaries, affiliates or companies related to trustees falling under this Law. These memoranda of understanding will specify, among other things, the criteria applicable to the examinations and the exchange of information and cooperation among bodies.

Cooperation with foreign supervisory bodies will be based on principles of reciprocity and confidentiality, and must adhere strictly to the purposes of trust supervision.

Article 129. Rules, resolutions and circulars. The rules, resolutions and circulars applicable to the trust business issued by the Superintendency of Banks and in force at the time of the enactment of this Law, are hereby considered valid as long as they do not contravene the letter and spirit of this Law.

Article 130. Incorporation of unlicensed trustees to this Law. Whoever is acting as an unlicensed trustee at the time of enforcement of this Law is required by this Law to hold a license and must request the respective trust license from the Superintendency of Banks, under the terms and conditions established in this Law.

This application must be submitted within six months following the enactment of this Law.

Article 131. Adherence period. Whoever holds a trust license at the time this Law is enforced must certify its compliance with the new requirements provided in this Law to the Superintendency of Banks in order to continue acting as a trustee. To this end, the Superintendency of Banks will establish the documents required for the certification process by means of a Rule.

TRANSLATION

The trustee must start the certification process within six months following the enactment of this Law. If this period expires without the process having been started, the Superintendency of Banks may cancel the trust license or may extend the certification period based on a justified reason.

After the certification is made, the Superintendency of Banks will issue an adherence certificate.

Article 132. Advisory. This Law amends Articles 1, 4, 9, 10, 12, 13, 14, 15, 16, 27, 28, 29, 32, 33 and 41; adds Articles 41-A, 41-B, 41-C and 41-D and rescinds Articles 36 and 37 of Law 1 dated 5 January 1984 as well as Executive Decree 16 dated 3 October 1984.

It amends Article 18 of Law 69 dated 27 December 2007; Article 11 of Law 47 dated 6 August 2013; Paragraph 11 of Article 4; Articles 8 and 12; Paragraph 5 of Article 20; Articles 23, 35, 37 and 66; and adds Subparagraphs h, i, j, k and l and a transitory proviso to Paragraph 1 of Article 22 of Law 23 dated 27 April 2015; reinstates the validity of Paragraph 1 of Article 709 and adds Paragraph 15 to Article 752 to the Fiscal Code.

Article 133. Enactment. This Law shall become effective the day following its enactment.

FOR COMMUNICATION AND ENFORCEMENT.

Bill 412 of 2017 approved at the third reading in Palacio Justo Arosemena, Panama City, on the twenty-fourth (24th) day of April, two thousand seventeen (2017).

The President,

[Signed]
Ruben De Leon Sanchez

The Secretary General,

[Signed]
Franz O. Wever Z.

TRANSLATION

NATIONAL EXECUTIVE BRANCH. PRESIDENCY OF THE REPUBLIC.
PANAMA, REPUBLIC OF PANAMA, 10 MAY 2017.

[Signed]
JUAN CARLOS VARELA R.
President of the Republic

[Signed]
DULCIDIO DE LA GUARDIA
Minister of Economy and Finance