

AUTHORIZED TRANSLATION.-

**LAW 2  
OF FEBRUARY 2011**

**Which regulates the measures to know the customer for the resident agents  
of existing bodies corporate in accordance with the laws of the Republic of Panama**

**THE NATIONAL ASSEMBLY**

**DECREES:**

**Chapter I**

**General Provisions**

**Article 1.** This law shall apply to all resident agent of existing bodies corporate incorporated or existing in accordance with the laws of the Republic of Panama, with the purpose that, upon complying with the measures to know the customer, may contribute to the prevention of money laundering crimes, financing of terrorism and any other illegal activity in accordance with the laws of the Republic of Panama, as well as to comply with the obligations established in the international treaties or agreements ratified by the Republic of Panama.

**Article 2.** For the effects of this Law, the following terms shall be understood as follows:

Lawyer. Professional of Law with capability certificate issued by the Fourth Court of General Business of the Supreme Court of Justice of Panama or by the institution that in the future may carry out this function, that exercises the law profession in an individual manner or by means of civil corporations of lawyers capable incorporated according to the law.

Resident Agent. Lawyer or law firm which renders its services as such and that shall keep registrations demanded by this Law for bodies corporate incorporated in accordance with the

laws of the Republic of Panama and with which it maintains a professional relation thereto.

Competent authority. The Government Attorney and the Judicial Branch, for the effects of money laundering, financing of terrorist activities and any other illegal activity in accordance with the laws of the Republic of Panama; and the General Bureau of Income of the Ministry of Economy and Finance, for the effects of the performance of the international treaties or agreements ratified by the Republic of Panama.

Customer. Natural person or body corporate having a professional relation with a lawyer or law firm, in its name or in the name of a third party, so that same may render resident agent services for one or more juridical entities.

Juridical Entity. All structure or juridical relation required by law of the resident agent services.

Measures to know the customer. Actions that all resident agent may perform in order to comply with the requirements of this Law.

In each one of the terms that are expressed in this article, they shall be understood included both the plural and the female.

**Article 3.** For the purposes of this Law, the measures to know the customer include actions to achieve the following:

To identify the customer and verify his identity based on documents, data or information obtained from reliable and independent sources.

To obtain from the customer information on the purpose for which the body corporate is created.

To provide the competent authorities the required information, in the terms established in this

Law, in order to fight money laundering, the financing of terrorism activities and any other illegal activity in accordance with the laws of the Republic of Panama, by means of the identification of the customer involved in the possible commission of said crimes, and in order to comply the obligations established in the international treaties or agreements ratified by the Republic of Panama.

For the effects of numeral 2, it is established that in the application of the measures to know the customer the resident agent shall not have the obligation to carry out any action or proactive verification of the information provided by the customer on the activity to which the body corporation shall dedicate itself, and to comply with its obligation, established by this Law, with obtaining the information of the customer at the time of beginning the rendering of his services.

## **Chapter II**

### **Measures to Know Customer**

**Article 4.** The measures to know the customer may be adopted before the rendering of service to the customer. However, may be completed within the thirty working days following the beginning of the rendering of the service when there are justified reasons hindering the customer from placing at disposition of the resident agent the information and documentation required immediately.

**Article 5.** All resident agent rendering his professional services for one or more juridical entities shall apply the measures to know the customer when:

The professional relation is established with the customer, subject to what is provided in this Law, or

The resident agent is aware that the customer has transferred, directly or indirectly, his interests on the body corporate, or

It is necessary to maintain updated the documents and information obtained as part of the measures to know the customer.

**Article 6.** All resident agent is bound to apply the measures to know the customer, for which shall require that the customer provide satisfactory evidence of his identity; when the customer acts in the name of a third party, must provide satisfactory evidence of the identity of said third party; and, when the certificates of shares representing the ownership on the body corporate are issued to bearer, must provide satisfactory evidence of the identity of the shareholders.

In compliance of what is provided in this article, the resident agent shall obtain and maintain in his files, as minimum, the following information:

When the customer or the third party in which name he acts be a natural person, shall obtain from each one:

Full name.

Physical address.

Address for correspondence, if other than the physical address.

Telephone number.

Mobile Telephone number, if any.

Fax number, if any.

E-mail address, if any.

Main activity to which it dedicates.

Copy of a passport or national personal identity document.

Statement of the customer of the activity for which he shall use the juridical entity. This

information shall be requested for each juridical entity for which the customer requires the resident agent services.

Contact data of a natural person or body corporate that may offer bank and commercial references of the customer or of a third party in which name he acts, when applicable, or the written documentation containing said bank and commercial references and of third parties in which name he acts, if applicable.

When the customer or the third party in which name the customer acts may be body corporate, shall obtain from each one:

Full name.

Jurisdiction and incorporation data.

Physical address.

Address for correspondence, if other than the physical address.

Telephone number.

Fax number, if any.

Name of its legal representative or person responsible of its administration.

E-mail address, of the legal representative or person responsible of its administration.

Main activity to which it dedicates itself.

Copy of a passport or national personal identity document of the person or the persons that are direct or indirect owners of, at least, 25% of its capital. This information shall not require in the case of bodies corporate which are registered in an organized stock exchange market

Document evidencing its incorporation.

Statement of the customer on the activity for which it shall use the juridical entity. This information shall be requested for each juridical entity for which the customer requires of the

resident agent services.

Contact data of a natural person or body corporate that may offer bank and commercial references of the customer or of a third party in which name he acts, when applicable, or the written documentation containing said bank and commercial references.

**Article 7.** The resident agent shall not require to obtain information of a third party in which name the customer acts, when is certain that this is a body corporate which belongs to a professional organism which behaviors or practices require to adopt and maintain professional and ethic standards for the prevention and detection of money laundering, is to fight against terrorism and any other illegal activity in terms not inferior to those required in the performance of this Law, as law firms, banks, trust companies, underwriters, securities companies and certified public accountant.

In these cases, and in performance of what is provided in this Law, the resident agent shall obtain and maintain in its files, as minimum, the following information of the customer:

Full name.

Place and date of incorporation.

Physical address.

Address for correspondence, if other than the physical address.

Telephone Number.

Fax number, if any.

Name of its legal representative or person responsible of its administration.

E-mail address of the legal representative or person responsible of its administration.

Main activity to which it dedicates itself.

Evidence of its existence.

Statement of the customer on the activity for which it shall use the juridical entity. This information shall be requested for each juridical activity for which the customer requires the resident agent services.

Confirmation that the customer:

Maintains a business relation with the person in which name requires the resident agent services.

Practices the measures to know the customer, which obligate them to have information on the identity of the third parties in which name has requested the services of resident agent with one or more entities, inclusive when the certificate of shares representing the ownership on the entity are issued to bearer.

Should it be requested by the resident agent, the customer may place at his disposition the information regarding the identity of the customer in which name he acts, in accordance with the requirements and procedures established in the legislation of the jurisdiction where it performs its operations.

### **Chapter III**

#### **Handling of Information**

**Article 8.** The information provided by the customers to the resident agent, in view of the requirements of this Law, shall be maintained in strict reservation and only may be provided to the competent authorities in strict performance of the procedures and formalities for such purposes.

The officers and natural persons or bodies corporate of the private sector that due to the offices they perform may have access to the information resulting of the application of this Law may be obliged to keep due

reservation even when their duties cease, save that said information is recorded in official registries of public nature.

The infractions to what is provided in this article shall be sanctioned with fine of one thousand balboas (B/.1,000.00) at twenty-five thousand balboas (B/25,000.00) to the infringer, without damage of the civil or penal activities that may be applicable.

**Article 9.** When a resident agent renders his services for one or more entities and may not obtain the information required in compliance to this Law within the term provided for same, shall abstain from executing any transaction requested in connection with the entity for which the customer is in a defaulting situation.

**Article 10.** The information required to satisfy the measures to know the customer shall be maintained by the resident agent, by any written or technological means authorized by the law, for a period not less than five years, as of the termination of the professional relation with the entity.

For the effects of this article, shall presume that the professional relation regarding an entity has terminated de facto, when the customer has not had contact with the resident agent by a period of more than three years and has discontinued payment for resident agent services the lawyer renders for such entity in said period. In which case, the obligation of maintaining the information shall be for a period of two years, as of said termination.

**Article 11.** All resident agent of one or more juridical entities is bound to establish and maintain policies and procedures guaranteeing:

The customer identification and updating of his information in accordance with what is provided



in this Law.

The maintenance of the registries on the customer and of each one of the juridical entities for which he renders the resident agent services under its instructions.

That its executive employees of hierarchic control and power of decision, if any, are aware of the regulations regarding the prevention of money laundering, the financing of terrorist activities and other illegal activities, and at the performance of the obligations established in international treaties or agreements ratified by the Republic of Panama and of the measures to know the customer.

That if the resident agent and its executive employees or with hierarchic control and power of decision, if any, receive training for the performance of the measures to know the customer.

**Article 12.** The competent authority may, prior performance of the norms, requisites and legal procedures provided by the Republic of Panama for such effect, to require a resident agent, by means of notice in due form:

To provide information kept on a customer in performance of the requirements of this Law, or

To provide the information contained in any manner or document of any nature that has been gathered in compliance of the requirements of this Law.

**Article 13.** The request for information or documents on the customer identity by the competent authority shall comply the following requisites:

The notification shall indicate the reasons for which the competent authority requires that the information or documents be submitted.

The term in which such information or documents must be delivered by the resident agent,

which may not be less than five working days since the notice date of the request for information.

The office of the competent authority at which the information or documents must be delivered.

Article 14. In attention to the professional secret typical of the relation of the lawyer with his customer, the lawyer shall not be bound to render any information or documents demanded by this Law on which he has a legal right of reservation of the professional secret, save that such information is strictly limited to that required by his obligations of the measures to know the customers.

The right to require information by the competent authority is not deemed authorization to search the resident agent offices or to confiscate files or means of file, as computers and data base. These actions by the competent authority shall be given in performance of the corresponding norms for such purposes, established in the Panamanian ordinary legislation.

**Article 15.** When the information on a customer shall be submitted to the competent authority in performance of this Law, the information shall be provided by the Resident Agent in a printed manner in common paper, legible and detailed or by any technological means authorized by law, to allow the receiver of the information to understand its contents and determine its performance with the requirements of this Law.

Article 16. The providing of information upon petition of the competent authority shall not be deemed as a breach to professional secret of the lawyer with its customer or as a lack of professional ethic, due to regarding a superior interest for the Republic of Panama.

Without damage of the foregoing, the resident agent shall not have the obligation to provide information upon petition of the competent authority, when the request is formulated without the due performance of of the norms, the requisites and the procedures established in the Panamanian legislation or when is based on information obtained, by any national or international authority, through illegal or illegitimate means in accordance with the provisions of the Republic of Panama.

**Article 17.** The resident agent, due to the sole fact of having rendered his services as such to the entities of the customer, shall not be deemed as author or accomplice thereof, even if the customer is found guilty of the commission of a fault or infraction of the norms of administrative, civil, penal or tax nature.

#### **Chapter IV**

#### **Sanctions**

**Article 18.** The competent authority that, in the exercising of its duties, is aware of default by the resident agent of the obligations imposed by this Law shall have to advise of said default to the Fourth Court of General Business of the Supreme Court of Justice.

**Article 19.** The disciplinary action prescribes at two years, since the day on which the resident agent defaulted with the obligations of this Law. The presentation of the denounce before the Fourth Court of General Business of the Supreme Court of Justice interrupts the prescription.

**Article 20.** The default of the obligations established in this Law shall be sanctioned by the Fourth Court of General Business of the Supreme Court of Justice by means of imposition of the following sanctions:

Warning.

Fine of up to five thousand balboas (B/.5,000.00).

Temporary suspension of the condition of lawyer or of the law firm to render the resident agent services for the new juridical entities, for a term not less than three months or more than three years.

**Article 21.** The warning shall proceed in case that the resident agent delivers less than the minimum information required in performance of this Law or the information is not updated, by to causes imputable to the resident agent.

**Article 22.** The fine shall proceed when the resident agent has obviate fully the delivery of information and documentation required in performance of this Law.

**Article 23.** The suspension shall proceed in case that if the resident agent dedicates himself to the rendering of the services as such, without complying systematically and repeatedly with the requirements of this Law.

## **Chapter V**

### **Procedure**

**Article 24.** The procedure shall began by means of the reception, by the Fourth Court of General Business of the Supreme Court of Justice, of the denounce of the competent authority that a resident agent has defaulted with his obligations established int his Law, adjusting to the principles of procedural economy, fastness, simplification of transactions, absence of formalities, publicity and impartiality, all this with full respect to right of initiative and defense of the interested party.

**Article 25.** Once denunciation is received, the Fourth Court of General Business of the Supreme Court of Justice shall proceed to establish the legitimacy of the denouncer regarding the cause and to determine the condition of the denounced resident agent and the origin of the denunciation according to the facts stated and the right invoked.

**Article 26.** If the denunciation is admitted by the Fourth Court of General Business of the Supreme Court of Justice, shall prepare a list of charges and shall ordered to advise the denounced lawyer, for the term of fifteen days, so formulate his answer and his discharge and present or adduce the evidence he may have.

**Article 27.** The Fourth Court of General Business of the Supreme Court of Justice may indicate a probation period of ten working days with the purpose that they review the adduced evidence by the parties. The Fourth Court of General Business of the Supreme Court of Justice, may in addition to order as many proofs and actions may lead to the establishment of the facts and to the determination of the corresponding responsibilities.

**Article 28.** Once the revision of evidence period has been complied, if any, The Fourth Court of General Business of the Supreme Court of Justice, shall resolve by means of motivated resolution, within the forty-five working days following, making a succinct exposition of the proven facts, of the evidence relative to the responsibility of that investigated, of the legal provisions infringed or of the exoneration of responsibility, if any. This resolution shall be personally notified to the denounced lawyer.

**Article 29.**The Fourth Court of General Business of the Supreme Court of Justice shall refuse the denunciation and shall order its filing when:

It is stated that the fact enunciated was not committed.

Shall not proceed to the judgment due to lack of merit.

The denunciation is reckless.

The request for information be formulated without the due performance of the norm, requisites and procedures established by law or with basis on the information obtained by any local or international authority by illegal or illegitimate means, in accordance with the Panamanian law.

**Article 30.** All the final decisions that are stated with the occasion of the summary process referred to in this Chapter shall be adopted by The Fourth Court of General Business of the Supreme Court of Justice in Unit Court. The sentence, once sated, only shall admit remedy of appeal before the rest of the members of the Court.

**Article 31.** The resolution temporarily suspending the condition o f the lawyer or of the law firm to render the resident agent services shall be published in the Official Gazette and shall be notified to the authorized notaries public of the country and to the Public Registry of Panama, for the consequent legal purposes.

## **Chapter VI**

### **Final Provisions**

**Article 32.** The requirements established in this Law shall be required as of the six months of its entrance in force for all resident agent incorporating a new body corporate.

In relation with the existing customers and with relations established prior the effect of this Law, all resident agent not having in his custody the data, documents and information to comply with the budgets of this Law shall have a term of five years, as of its entering into force, to comply with these obligations.

For the effects of this article, when the de facto relation has ended in connection with an entity, as established in article 10, shall not require the resident agent to obtain additional information on the entity unless the professional relation is reactivated.

Ion case that the customer does not provide the information, the resident agent may resign as such and submit said resignation for its inscription in the Public Registry in Panama, without such inscription cause registration fees.

**Article 33.** The present Law derogates Executive Decree 468 of September 19, 1994, amended by Executive Decree 124 of April 27, 2006.

**Article 34.** This Law shall begin to govern the following day upon on its enactment.

BE KNOWN AND PERFORMED.

Project 275 of 2011 approved on third discussion in Justo Arosemena Palace, Panama city, on the 26<sup>th</sup> day of the month of January of the year two thousand eleven.

The President,

(signed) – illegible

Jose Muñoz Molina

The General Secretary,

(signed) - illegible

Wigberto E. Quintero G.

THE FOREGOING IS A TRANSLATION INTO ENGLISH OF A DOCUMENT IN SPANISH SUBMITTED TO ME. PANAMA, MARCH 17, 2011.-