
Country Finance

Panama

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Regulatory/market assessment

- Assets in the banking sector totalled US\$77.96bn at end-September 2011, up from US\$69.88bn at end-September 2010, according to the Superintendency of Banks of Panama (Superintendencia de Bancos de Panamá–SBP). Total assets of private local banks rose by 12.2% year-on-year to US\$21.01bn at end-September 2011 from US\$18.72bn at end-September 2010. 6
- Offshore banks held a total of US\$15.16bn in assets at end-September 2011, a year-on-year increase of 7.1%, according to the SBP. Total deposits at offshore banks stood at US\$8.01bn at end-September 2011, a 3.6% increase from US\$7.73bn at end-September 2010. Meanwhile, the total credit portfolio of offshore banks increased 8.1% during the same period, from US\$9bn at end-September 2010 to US\$9.73bn at end September 2011. 15
- The Superintendency of Capital Markets (Superintendencia del Mercado de Valores–SMV) replaced the former National Securities Commission (Comisión Nacional de Valores) under Law 67 of September 2011. The law grants broad regulatory powers to the SMV over an array of capital market activities, including any public offerings of capital instruments, credit-risk ratings, and the administration of fiduciary and investment accounts. 32
- Panama's BVP Stock Index registered strong performance in 2011, rising from 261.68 points at end-2010 to 338.44 points by the end of the year. This upward trend continued in the first two months of 2012, with the index closing February at 366.21. 33
- According to the SBP, credit to the private sector from Panamanian banks stood at US\$27.4bn at end-September 2011, an increase of 14.5% compared with one year earlier. The three sectors receiving the largest proportion of credit were commerce (30%), real estate (mortgages), which received 27%, and personal consumption (20%). 38

Regulatory/market watch

- There are 172 financial cooperatives in Panama with assets totalling US\$688m, but as of March 2012 they remained in regulatory limbo as the government was yet to present the necessary guidelines for their supervision. They are currently monitored by the Ministry of Economy and Finance (Ministerio de Economía y Finanzas–MEF), but the MEF simply limits itself to enforcing anti-money-laundering rules. 9
- In their Article IV consultation with the IMF in October 2010, Panamanian authorities agreed to explore the possibility of establishing a formal safety net for banks and other financial institutions. However, as of March 2012 no initiatives had been undertaken to achieve these goals. 9
- Colombia-based Bancolombia, Panama's fourth-largest foreign bank and second-largest offshore bank, in January 2012 submitted a request to the Superintendency of Banks of Panama (Superintendencia de Bancos de Panamá–SBP) to register as a general licence bank. No further details were available as of March 2012. 13
- SBP Agreement No. 6-2011, published in December 2011, updates guidelines for electronic banking that were initially established in 2003. The agreement, scheduled to come into effect in September 2012, requires banks to carry out external audits to assess the vulnerability of their electronic banking systems and to hire external consultants to perform annual security tests. 21
- The expansion of the Panama Canal project is being financed primarily by loans from multilateral or development banks, including the European Investment Bank, the Japan Bank for International Co-operation, the Inter-American Development Bank, the International Finance Corporation and the Andean Development Corporation. The project is targeted for completion in 2014. 40

Panama at a glance

Political structure

Elections: Ricardo Martinelli won a landslide victory in the May 3rd 2009 presidential election. His Alianza por el Cambio coalition also won a majority in the National Assembly (Asamblea Nacional). The new government was sworn in on July 1st 2009. The next elections (legislative and presidential) are due in May 2014.

Government: Panama is a presidential democracy with a National Assembly and an independent judicial system. The president is the head of state, elected for a five-year term; there are a vice president and a cabinet appointed by the president. The 71-member National Assembly is elected directly by the population, with members serving five-year terms. The president proposes judges for the Supreme Court; they are approved by the National Assembly and sit for terms of ten years.

Major political parties: Cambio Democrático (CD) and the Movimiento Liberal Republicano Nacionalista (Molirena). Opposition parties are the Partido Revolucionario Democrático, Partido Popular and the Partido Panameñista (PP). The Alianza por el Cambio coalition (formerly comprised of the CD, Molirena and PP) split in September 2011; the CD is now the ruling party, with the PP moving into opposition. Molirena has continued to vote in line with the CD in most cases.

Fiscal year: January 1st–December 31st.

Sovereign debt ratings*

Standard & Poor's: BBB-

Moody's Investors Service: Baa3

Fitch: BBB

* Senior unsecured long-term foreign-currency debt ratings.

Economist Intelligence Unit country risk rating*

Sovereign risk	Currency risk	Banking sector risk	Political risk	Economic structure risk	Country risk
BB	BBB	BBB	BBB	B	BBB

* Overall scores for each risk category are on a numerical scale of 0–100 (0 least risky, 100 most risky). There are ten rating bands based on this numeric scale—AAA, AA, A, BBB, BB, B, CCC, CC, C and D—each comprising ten units of the 0–100 scale. For example, scores 0–10 = AAA and > 10–20 = AA. If the score is in a boundary area between two rating bands (scores ending in 0, 1, 2 and 9), it is at the analyst's discretion whether to assign the higher or lower rating. The overall score for each category of risk is a weighted combination of the scores assigned to the qualitative and quantitative indicators that inform our credit-risk model.

Financial regulation in Panama

Panama's financial sector is considered well regulated, and it has generally benefited from the country's dollarised economy and stable interest rates. Panama has maintained its prominence as a safe haven for international investors. It is an offshore financial centre and weathered the 2008–09 global financial crisis well. However, growing international pressure to increase the exchange of banking information and shut down tax havens has placed Panama among a handful of jurisdictions under increasing regulatory scrutiny.

The US State Department's International Narcotics Control Strategy Report, published in March 2011, listed Panama as a country of "primary concern" with regard to money-laundering. Some progress in this area, however, has been noted. Following a Panama-France tax information exchange agreement signed in April 2011, the OECD removed Panama in July 2011 from its grey-list of countries that had not yet "substantially implemented" policies in line with international standards of financial transparency and effective exchange of information. Until recently, Panama refused to enter into double-taxation treaties with other countries, in order to preserve its safe haven status. Since 2010 Panama has signed a flurry of double-taxation agreements. As of March 2012 Panama had double-taxation agreements in effect with Barbados, Mexico, Portugal and Spain. Agreements have been signed, but have not yet been implemented, with France, Italy, Luxemburg, the Netherlands, Qatar, Singapore and South Korea. Negotiations for similar treaties were underway with Belgium, the Czech Republic, Hungary, Ireland, Israel and the United Arab Emirates.

The following laws and regulations were approved by the National Assembly and the Superintendency of Banks of Panama (Superintendencia de Bancos de Panamá,–SBP) in 2011.

Law 67 (September 2011) created the Superintendency of Capital Markets (Superintendencia del Mercado de Valores–SMV), which replaced the former National Securities Commission (Comisión Nacional de Valores–CNV). The law grants broad regulatory powers to the SMV over an array of capital-market activities, such as any public offerings of capital instruments, credit-risk ratings, and the administration of fiduciary and investment accounts. Banks, however, remain under the regulation of the SBP. Law 67 also created the Council for Financial Coordination (Consejo de Coordinación Financiera), which aims to improve coordination and the exchange of information between the different financial-regulatory bodies. Its members include representatives from the SMV, SBP, the Ministry of Economics and Finance (Ministerio de Economía y Finanzas) and the Superintendency of Insurance and Reinsurance of Panama (Superintendencia de Seguros y Reaseguros de Panamá–SP).

SBP Agreement No. 5–2011 (September 2011) updates the corporate-governance rules for banks previously established under SBP Agreement No. 4–2001 (September 2001). The main changes are directed at the rules governing the board of directors of banks regulated by the SBP. The agreement establishes that at least two members of the board (which has seven seats) must be independent directors who do not have managerial positions in the bank. The new rules also establish for the first time that the board of directors of a bank is responsible for ensuring that all banking regulations are enforced by the financial institution. Previously, the bank's management held sole regulatory responsibility. The board of directors must also submit to an examination by external consultants to evaluate its own performance and activities at least every three years. The new regulations came into effect in January 2012.

SBP Agreement No. 6–2011 (December 2011) outlines security guidelines for a variety of electronic banking and payment systems (such as mobile banking). The agreement, which is scheduled to take effect in September 2012, requires banks to carry out external audits to assess the vulnerability of their electronic banking systems and to perform security tests to prevent unauthorised access at least once a year.

SBP Agreement No. 7–2011 (December 2011) establishes that banks must group cases of operational risk into different categories—such as internal fraud, external fraud or technological failures—and then measure the potential financial impact, depending on how often they occur. Additionally, the new regulations require banks to develop contingency plans and strategies to mitigate operational risks. The new regulations come into effect in July 2012.

Banks and other financial institutions

Overview Panama's banking sector, the largest in Central America in terms of assets (and number of banks), is considered stable and well regulated. At end-September 2011 the banking sector was made up of 48 general-licence banks, 29

international-licence (offshore) banks and two official (state-owned) banks. In addition, 14 banks maintained representative branch offices in the country. General-licence banks are permitted to conduct business for both the domestic and international markets, without any particular restriction. The international licence is granted to banks headquartered in another country but with a physical presence in Panamanian territory (excluding free-trade zones); such banks are not permitted to conduct domestic transactions. International-licence banks may, however, participate in the local interbank market. These banks must also be subject to a formal banking supervision and regulation regime in their home country. The licence for representative offices only allows the promotion of businesses of foreign parent banks, and no banking operations are permitted within Panamanian jurisdiction.

According to the Superintendency of Banks of Panama (Superintendencia de Bancos de Panamá–SBP), assets in the banking sector totalled US\$77.96bn at end-September 2011, up from US\$69.88bn at end-September 2010. Total deposits in the banking sector climbed to US\$55.56bn at end-September 2011, up from US\$50.50bn at end-September 2010.

Growth in domestic credit to the private sector grew by 14.5% in the 12 months to end-September 2011, extending a trend seen in 2010 after the local economy recovered from turmoil in global financial markets. Outstanding loans to the private sector totalled US\$27.4bn at end-September 2011, up from US\$24bn one year earlier.

Banking-sector regulation (Decree 52 of 2008, Article 95) prohibits banks from lending more than 25% of their capital to a single corporate or individual borrower or more than 30% of their total capital to another bank; also, loans guaranteed with deposits must make up at least 25% of a bank's total credit portfolio. Banks are also prohibited from making the following types of loans (under Article 96):

- loans to any individual or corporation that holds more than a 5% share of the same bank's stock or the bank's parent's stock;
- a non-guaranteed loan valued at more than 5% of the bank's total capital;
- a guaranteed loan in an amount greater than 10% of the bank's total capital that is not balanced by a compensating deposit; or
- a guaranteed loan with a deposit amounting to more than 50% of the bank's total capital, to any person connected to the bank or the lending process.

Additionally, Decree 52 prohibits any bank from using its own assets as a loan guarantee (Article 94) and from acquiring stocks or ownership in non-finance-related commercial enterprises whose value would exceed 25% of the bank's total (gross) capital (Article 99).

The superintendency is authorised to request detailed information regarding banks' operations in order to evaluate risk; the SBP may also review a specific depositor's bank transactions without the depositor's consent within the context of a lawful criminal investigation. The law also permits foreign regulators to inspect a foreign bank's Panamanian operations when that bank's

parent or headquarters is subject to the foreign supervisor's jurisdiction. Foreign regulators of foreign banks may use any information they find during investigations to enforce the laws of their country.

Panama has a wide range of non-bank financial companies, for which supervision is generally weaker. The insurance industry is an active institutional investor, while the pension sector remains small; there are only three major private-fund administrators in addition to the state-owned Social Security Institute. Mutual funds are a popular investment vehicle and have been growing in Panama.

Asset-management, venture-capital and private-equity firms are making inroads in Panama. The factoring and leasing sectors remain small but are becoming increasingly common sources of financing. Panama also has a large, but dwindling, finance-company sector that specialises in consumer lending.

Bank regulators

The autonomous Superintendency of Banks of Panama (Superintendencia de Bancos de Panamá—SBP), set up in 1998, regulates and supervises the banking sector. The SBP funds itself by collecting fees from banks and functions independently of the national government. It has the faculties to grant licences, audit banks, impose sanctions, and oversee both voluntary and imposed liquidations.

Panama lacks a central bank and uses the US dollar as its currency. As a result, it “imports” loose monetary policy from the US. Banks are free to set their own interest rates without a maximum limit, and are required to publish their effective interest rates in all of their financial reports and promotional materials.

The banking system is generally viewed as being well regulated. The IMF noted in its Article IV Consultation Staff Report, published February 12th 2012, that Panama's banks maintained a healthy position throughout the global financial crisis due mainly to a combination of strong fundamentals, political stability and prudent fiscal management.

Panama's principal banking regulatory law, Decree Law 9 of 1998, was updated in August 2008 by Executive Decree No. 52, which modernised and strengthened the SBP's mandate to regulate and supervise the banking system. The new law consolidated the SBP's supervision of all of a bank's operations, including those of subsidiaries and any foreign operations. It brought financial conglomerates under SBP supervision, improved the resolution framework for dealing with failed banks, and enhanced capital requirements based on calculated levels of risk in a bank's loan portfolio. It also provided the SBP with enhanced authority to impose corrective measures on troubled banks and gave the SBP faculties to reorganise or liquidate noncompliant institutions. Finally, it extended minimum capital-reserve requirements (30% of deposits) to all foreign banks operating with an international licence (offshore banks) in Panama. Previously, international-licence banks were not covered.

The superintendency sets minimum liquidity requirements. Superintendency Agreement No. 9–2006, in effect since January 2007, requires a minimum 30% of total local and foreign deposits to be held in liquid form. Although the superintendency may change that percentage as it sees fit, the figure may not

exceed 35% of total local and foreign deposits. By law, 85% of local assets must be kept within Panamanian territory. Banks that keep an average of 80% of their deposits in other (local or foreign) banks operating in Panama need only maintain 20% in liquid form.

Banks are not allowed to reduce their capital reserves below the minimum requirement without the superintendency's prior approval, nor are they allowed to distribute dividends or transfer any capital to other organisations until they have complied with the minimum capital requirements.

Foreign banks are required to possess total assets of at least US\$500m and to have a well-established presence in their countries of origin. Foreign banks must also comply with mandatory minimum-reserve ratios. The superintendency has drawn up guidelines for defining risk-weighted assets, which all banks in Panama must maintain at the 8% ratio recommended by the Basel II Accord of 2004.

The SBP regularly publishes regulations, agreements and circulars (*acuerdos, regulaciones and circulares*) complementing and clarifying the banking law. SBP Agreement No. 11-2005, implemented in November 2005, requires all financial institutions to obtain a credit rating from a recognised credit-rating agency, with ongoing evaluations to be published at six-month intervals.

SBP Agreement No. 8-2008 of October 2008 allowed banks to request that certain securities held by them under the "available-for-sale" category (*valores disponibles para su venta*) be transferred to the "held-by-maturity" category (*valores al vencimiento*) in order to reduce the impact of market volatility. Eligible securities under this provision included sovereign debt instruments issued by the government of Panama and other Latin American countries, as well as US Treasury bills and US Treasury notes.

SBP Agreements No. 6-2011 and No. 7-2011, both published in December 2011, deal directly with operational (including technical) risk. Agreement 6-2011 requires banks to carry out external audits to assess the vulnerability of their electronic banking and payment systems. (See Central bank passes new rules for electronic and internet banking.) Agreement 7-2011 establishes that banks must group cases of operational risk into different categories—such as internal fraud, external fraud or technological failures—and then measure the potential financial impact depending on how often they occur. These regulations come into effect in July 2012.

Until recently, Panama refused to enter into double-taxation treaties with other countries, in order to preserve its safe-haven status. Since 2010, however, Panama has signed a flurry of double-taxation agreements in an effort to improve financial transparency. As of March 2012 Panama had double-tax agreements in effect with Barbados, Mexico, Portugal and Spain. Agreements have been signed, but not yet been implemented, with France, Italy, Luxemburg, the Netherlands, Qatar, Singapore and South Korea. Negotiations for similar treaties were underway with Belgium, the Czech Republic, Hungary, Ireland, Israel and the United Arab Emirates. Most recently, in April 2011 Panama entered into a tax-information exchange agreement (TIEA) with France. Following the agreement, the OECD removed Panama from its "grey list" of

countries that had not yet “substantially implemented” policies in line with international standards of financial transparency and effective exchange of information.

In November 2010 Panama signed a tax-information exchange agreement (TIEA) with the US, giving US authorities complete access to information on US taxpayers suspected of hiding assets in Panama. The move is significant in view of Panama’s extensive offshore financial sector and reputation as a tax haven. The agreement came into force in April 2011 and preceded the October 2011 approval by US lawmakers of a US-Panama trade-promotion agreement (TPA), expected to come into effect in the second half of 2012.

Regulatory watchlist

There are 172 financial cooperatives in Panama, with assets totalling US\$688m, but as of March 2012 they remained in regulatory limbo as the government had yet to present the necessary guidelines for their supervision. They are currently monitored by the Ministry of Economy and Finance (Ministerio de Economía y Finanzas—MEF), but the MEF simply limits itself to enforcing anti-money-laundering rules. As a result, the government-run Panamanian Autonomous Institute of Cooperatives (Instituto Panameño Autónomo Cooperativo—Ipacoop) is expected to take over the regulatory functions of the sector. Ipacoop could possibly become a new superintendency charged with regulating cooperatives. A legislative initiative setting out regulations for the cooperatives has been lingering in the National Assembly since March 2011. The IMF, in its Article IV consultation with Panama in October 2010, stressed to Panamanian authorities the need to bring these institutions under supervision either by the Superintendency of Banks of Panama (Superintendencia de Bancos de Panamá—SBP) or another body.

In their 2010 Article IV consultation, Panamanian authorities agreed to explore the possibility of establishing a formal safety net for banks and other financial institutions. Such a system would protect their liquidity in the case of external shocks or contagion within the system in case of a large bank failure. Currently, banks self-insure against shocks by maintaining liquid asset reserves. The IMF proposed the scheme as a way of improving credit flows and lowering lending rates by reducing excess liquidity in banks. Panamanian authorities also agreed to explore the possibility of setting up a limited deposit-insurance scheme to protect depositors’ assets at onshore banks, financed with risk-based bank contributions, at the urging of IMF staff. There is currently no such deposit-insurance scheme in the country for private-sector banks. As of March 2012, however, no initiatives had been undertaken to achieve these goals.

SBP Agreements No. 6–2011 and No. 7–2011, both published in December 2011, deal directly with operational (including technical) risk. Agreement 6–2011 updates guidelines for electronic banking that were initially established in 2003. Among the several changes included in the new regulations, banks are now compelled to carry out external audits to assess the vulnerability of their electronic banking and payment systems, and to hire external consultants to perform security tests to prevent unauthorised access at least once a year. The new regulation, which is scheduled to come into effect in September 2012, outlines security guidelines for an array of electronic-banking systems (such as mobile banking). (See Central bank passes new rules for electronic and internet banking.)

Agreement 7–2011 establishes guidelines and norms regulating how banks assess and manage operational risks. The new regulation establishes that banks must group cases of operational risk into different categories—such as internal fraud, external fraud or technological failures—and then measure the potential financial impact depending on how often they occur. Additionally, the new regulations require banks to develop contingency plans and strategies to mitigate operational risks. These regulations come into effect in July 2012.

Domestic banks **Top ten domestic banks**

Ranked by assets as of end-September 2011—US\$ bn

Bank	Net profits ^a	Assets	Market share (%)
Banco General	128.71	8.84	11.3
Banco Nacional de Panamá ^b	82.91	6.38	8.2
Global Bank Corporation	11.95	3.15	4.0
Caja de Ahorros ^b	17.20	1.82	2.3
Banco Aliado	4.00	1.49	1.9
ES Bank	11.22	1.07	1.4
Credicorp Bank	4.98	1.04	1.3
Banco Panameño de la Vivienda	5.70	1.00	1.3
Towerbank	5.02	0.67	0.9
Popular Bank	14.24	0.66	0.8
Total market	989.47	77.96	100.0

Note: Includes state-owned banks.

(a) Cumulative net profits, January-September 2011—US\$ m. (b) State-owned.

Source: Superintendency of Banks of Panama (Superintendencia de Bancos de Panamá—SBP).

Assets in the banking sector totalled US\$77.96bn at end-September 2011, up from US\$69.88bn at end-September 2010, according to the Superintendency of Banks of Panama (Superintendencia de Bancos de Panamá). Total assets of private local banks rose by 12.2% to US\$21.01bn at end-September 2011 from US\$18.72bn at end-September 2010. Deposits held at private local banks rose 13.7% over the same period, to US\$16.79bn.

Banco General (BG) was Panama's largest domestic bank and second-largest bank overall in terms of assets at end-September 2011. Its assets totalled US\$8.84bn, representing an 11.3% share of the overall market. In the first nine months of 2011, BG posted net profits of US\$128.71m, compared with US\$114.73m for the same period in 2010. Seeking to extend its regional footprint, BG opened its first branch office in Costa Rica in 2009, offering a full range of services to corporate clients. In May 2010 BG expanded its services there to individual clients as well, primarily offering mortgage loans and credit cards. BG also has representational offices in Mexico, Guatemala, El Salvador and Colombia.

State-owned **Banco Nacional de Panamá (BNP)**, with US\$6.38bn in assets at end-September 2011, was the second-largest domestic bank, holding a market share of 8.2%. In the nine months to end-September 2011, BNP's cumulative profits climbed to US\$82.91m, compared with US\$80.10m for the same period in 2010. BNP has complete operational autonomy, though it is state-owned, and acts as a key financier of government programs and projects.

Global Bank Corporation (GBC) was Panama's third-largest local bank at end-September 2011. Its assets numbered US\$3.15bn, representing a 4% share of the market. In the first nine months of 2011 the bank posted cumulative net profits of US\$11.95m, down from US\$15.22m for the same period one year earlier. GBC is engaged in almost every aspect of financial services through its own banking activities as well as its seven subsidiaries, including factoring (Factor Global), real estate investment (Durable Investment), the securities market (Global Valores) and insurance (Aseguradora Global). Profits at GBC showed a strong

recovery in 2010 after showing the impact of the global economic crisis in 2009.

The state-owned **Caja de Ahorros** was the fourth-largest local bank at end-September 2011, with assets amounting to US\$1.82bn, representing a 2.3% share of the market. In the first nine months of 2011 Caja de Ahorros netted a profit of US\$17.2m, higher than the US\$16.2m recorded in the same period one year earlier. Caja de Ahorros is the country's largest mortgage savings bank; it is organised under Law 52 of 2000, which states that its mission is to promote savings and provide financing for individual homeowners. The law also authorised it to provide other financial services, including factoring, leasing and microcredit loans. In June 2008 the National Assembly (Asamblea Nacional) approved a change to the Preferential Interest Law of 1985 (Ley de Interés Preferencial), which offered low interest rates on mortgages under US\$62,500. The new law, which went into effect in June 2008, extends preferential interest rates to mortgages of up to US\$80,000 but only applies the preferential rates to the first US\$62,500 and regular market rates to the remaining amount up to US\$80,000.

Banco Aliado, the fifth-largest local bank, had assets totalling US\$1.49bn at end-September 2011. Founded in July 1992, the bank posted a net profit of US\$4m in the first nine months of 2011, up from US\$3.78 in the same period in 2010. The bank specialises in financing foreign-trade operations and offers its services to firms operating in Panama's Free Trade Zones. It also focuses its lending in the construction industry.

Foreign banks

Top ten foreign banks

Ranked by assets as of end-September 2011—US\$ bn

Bank	Net profits ^a	Assets	Market share (%)
HSBC Panama (UK)	61.47	10.73	13.8
Banco Latinoamericano de Comercio Exterior-Bladex (multinational)	76.07	6.27	8.0
Banco de Crédito del Perú (Peru) ^b	24.26	4.27	5.5
Bancolombia (Colombia) ^b	113.83	3.65	4.7
BAC International (Colombia)	159.24	2.65	3.4
Banco Bilbao Vizcaya Argentaria-BBVA (Spain)	27.77	2.12	2.7
Banesco (Venezuela)	30.39	1.98	2.5
The Bank of Nova Scotia (Canada)	33.78	1.81	2.3
Banco Internacional de Costa Rica (Costa Rica)	11.41	1.80	2.3
Citibank (US)	9.97	1.00	1.3
Total market	989.47	77.96	100.0

(a) Cumulative net profits, January-September 2011—US\$ m. (b) Offshore bank.

Source: Superintendency of Banks of Panama (Superintendencia de Bancos de Panamá—SBP).

Foreign banks can operate in Panama with a general or international (offshore) licence. They can also maintain a branch office in the country with a representational licence. General licences allow banks to operate with the normal full range of services anywhere within Panamanian territory, and they may provide services to both domestic and foreign customers. Foreign banks with international licences are required to adhere to all minimum capital requirements and lending restrictions of their jurisdiction of origin, and may

not offer services to domestic clients. These banks are not permitted to be located in a free zone.

At end-September 2011 there were 57 foreign banks in Panama, of which 29 were operating with general licences and 28 with international or offshore licences. Additionally, 14 foreign banks maintained a presence in the country through a representative office.

Foreign banks tend to handle most business for international clients, and many banks have branches throughout the country and carry out a wide range of general banking operations for domestic clients. A few European banks—especially from France, Switzerland and Germany—cater mainly to an international clientele and local affluent families, and provide services such as securities and currency trading.

Foreign general-licence banks held total assets of US\$33.5bn at end-September 2011, representing a year-on-year increase of 13.9%, according to the Superintendency of Banks of Panama (Superintendencia de Bancos de Panamá—SBP). Foreign deposits accounted for 54% of total deposits in foreign banks at end-September 2011. Foreign banks' credit portfolios totalled US\$21.8bn at end-September 2011, compared with US\$17.9bn in the same period in 2010. Credit to foreign clients predictably made up a much greater proportion of the total loan portfolios for foreign banks than it did for domestic banks (49% versus 10.3%, respectively).

HSBC Bank Panama, a fully owned subsidiary of HSBC Group (UK), is the country's largest bank in terms of assets, with total assets of US\$10.73bn and a leading market share of 13.8% at end-September 2011, according to the SBP. Cumulative net profits in the first nine months of 2011 reached US\$61.47m, compared with US\$62.39m for the same period in 2010. HSBC Group purchased domestic bank Banistmo in November 2006 and later merged it with HSBC Panama in July 2009. The merger made it the dominant player in Panama. HSBC Panama engages in a complete range of banking services, including personal financial services, commercial banking, international banking and private banking.

Banco Latinoamericano de Comercio Exterior (Bladex), a supranational bank operating with a general licence, was the second-largest foreign bank. At end-September 2011 it held assets of US\$6.27bn and a market share of 8%. Cumulative net profits in the first nine months of 2011 were US\$76.07m, compared with US\$33.88m for the same period in 2010. The jump in profits was a result of the bank's recovery in 2011 from losses in its asset-management and treasury divisions the prior year. Established in Panama in 1979 by a consortium of the region's central banks and commercial banks, Bladex is focused primarily on the financing of foreign trade throughout Latin America, and its clients include commercial banks, state-owned entities and private corporations. Local and foreign corporations operating in Panama may obtain trade financing for their exports from Bladex. Bladex's loan portfolio is primarily made up of short-term loans (73% of the total portfolio had maturities of one year or less at end-September 2011) and is dominated by credit to

businesses engaged in foreign trade (55% of the total portfolio at end-September 2011).

Banco de Crédito del Perú (Peru) was Panama's third-largest foreign bank and largest offshore bank. At end-September 2011 it had total assets of US\$4.27bn, representing 5.5% of the market. Cumulative net profits stood at US\$24.26m in the first nine months of 2011, compared with US\$5.75m for the same period one year earlier. The bank offers financial products and services to individuals, companies, and small and medium-sized enterprises (SMEs) through saving accounts, credit and debit cards, insurance, leasing, and collection and payment services. It also provides advisory services in the areas of foreign trade, investments, and agricultural loans for individuals and companies.

Bancolombia (Colombia) was Panama's fourth-largest foreign bank and second-largest offshore bank. At end-September 2011 it had assets of US\$3.65bn, representing 4.7% of the overall market. In the nine months to end-September 2011, Bancolombia posted cumulative net profits of US\$113.83m, compared with US\$78.32m for same period in 2010. Bancolombia offers products and services for individual clients, commercial clients and SMEs. Its banking services include investment, savings, financing and checking accounts. It also offers financial-consulting services. Although Bancolombia is registered as an off-shore bank, in January 2012 it submitted a request to the SBP to become a general-licence bank. No further details were available as of March 2012.

BAC International Bank (Colombia) was Panama's fifth-largest foreign bank at end-September 2011, when it held US\$2.65bn in assets, representing a 3.4% share of the market. In the first nine months of 2011, BAC posted US\$159.24m in net profits, compared with US\$112.86m for the same period in 2010. BAC's parent, BAC Credomatic, was sold in 2010 by GE Capital (US) to Grupo Aval Acciones y Valores, Colombia's biggest financial holding company.

Changes in the structure of Panama's banking sector during 2011 include the transfer of 51% of Banco Colpatria Multibanca (Colombia) to the Bank of Nova Scotia Panama (Canada). The transaction was part of Bank of Nova Scotia's purchase of a stake in Banco Colpatria Multibanca for US\$1bn, announced in October 2011. Also, in September 2011 Banco de Bogotá (Colombia), a subsidiary of Grupo Aval, which controls BAC International, requested a general banking licence from the SBP. Banco de Bogotá already has an international banking licence. Banisi, a subsidiary of Banco de Guayaquil (Ecuador), obtained a general banking licence and started operations in June 2011.

Investment banks and brokerages

Top ten brokerage firms

Ranked by total volume of trading in 2011—US\$ m

Company	Trading volume	Market share (%)
MMG Bank	637.0	18.9
HSBC Securities (UK)	602.1	17.9
BG Valores	413.0	12.3
Citivalores (US)	406.3	12.1
Prival Securities	293.5	8.7
Global Valores	277.9	8.3
Geneva Asset Management	164.0	4.9
Banco Nacional de Panamá	155.9	4.6
Multisecurities	131.2	3.9
BAC Valores	38.8	1.2
Total market	3,365.4	100.0

Source: Panama Stock Exchange.

Many domestic and foreign financial institutions have investment-banking arms that provide services in Panama. Under the Securities Law of 1999, foreign brokerage firms may establish a presence in Panama, and domestic banks and brokers may trade on behalf of US brokers.

The main underwriters of securities, mostly debt issues, are the wholly owned subsidiaries of banks that have seats on the Panama Stock Exchange (Bolsa de Valores de Panamá—BVP). At end-2011 a total of 72 brokerage firms had trading privileges granted by the National Securities Commission (Comisión Nacional de Valores). MMG Bank, a branch of MMG Bank Corporation, was the largest trader in 2011, with a market share of trading volume of 18.9%. It was followed by HSBC Securities (a subsidiary of UK-based HSBC), and BG Valores (a subsidiary of Banco General), each of which had trading volume representing 17.9% and 12.3% of the market, respectively.

Development and postal banks

Development banks are the main sources for longer-term borrowing, but their supply of credit is typically limited to the lines they obtain from international official lending institutions. There are no postal banks operating in Panama.

Banco de Desarrollo Agropecuario (BDA) is a government-owned entity and one of Panama's most important sources of medium- and long-term credit for agricultural and cattle-raising projects. BDA runs a programme to grant interest-rate subsidies, though these were trimmed in the Incentives Harmonisation Law of 1995. The subsidies allow banks to provide cheaper loans, including loans to foreign companies involved in agricultural production. Loans up to a US\$200,000 ceiling are subsidised by 2.25 percentage points. The reduction is financed through a government fund, the Fondo Especial de Compensación de Interés, which raises money through a 1% levy on all consumer and commercial loans (new loans of less than US\$5,000 are not subject to this charge). The stock of BDA's outstanding loan portfolio totalled US\$157.09m at end 2011, according to the most recent information available from BDA.

Multilateral and bilateral development banks are an important source of financing in Panama. The World Bank's International Finance Corporation finances infrastructure projects and has funded projects such as railroad

reconstruction. As of February 2011, there were ten active projects sponsored by the World Bank in Panama, representing a financial commitment of US\$491.5m. The Inter-American Development Bank (IDB) has financed several infrastructure development projects, such as the reconstruction of the Trans-American Highway that runs from Panama City to the Darien province. In October 2008 the IDB approved a US\$400m loan for the canal extension project.

The Japan Bank for International Co-operation (JBIC) provides long-term infrastructure project loans to finance the construction of roads and power plants, as well as irrigation, water supply and sewage facilities. The loans can be used for the procurement of facilities, equipment and services.

The German Investment and Development Company provides long-term loans and equity for private-sector projects (primarily in mining, agriculture, manufacturing, tourism and capital-market activities) that are joint ventures with German investment, but also for projects in which only local partners are involved. Denmark's Industrialisation Fund for Developing Countries provides loans, guarantees and equity for joint ventures abroad, but only to those that have a Danish company as a partner.

The Latin American Agribusiness Development Corporation (LAAD) is a private investment company supported by foreign-aid agencies, agribusiness and financial corporations throughout the continent. Most loans range from US\$200,000 to US\$2m and are made available mainly to nontraditional agricultural export projects. The loans have no nationality requirements and have terms of three to seven years, with grace periods of up to two years.

The Sustainable Development Foundation (Fundación para el Desarrollo Sostenible–FUNDES) grants loans of between US\$5,000 and US\$20,000 to small and medium-sized companies for up to 60 months, with an average interest rate between 10% and 15%. Larger loans, from US\$10,000 to US\$50,000, are available at 12%. Companies must be in business for at least three years prior to the loan and have a minimum of ten employees.

Offshore banks

There were 29 banks operating in Panama with international (offshore) licences at end-September 2011, two fewer than a year earlier. Panama's offshore sector traditionally adhered to a regime of bank secrecy. However, a tax-information exchange agreement (TIEA) with the US, effective from April 2011, has challenged this tradition. The treaty gives US authorities complete access to information on US taxpayers suspected of hiding assets in Panama.

Offshore banks held a total of US\$15.16bn in assets at end-September 2011, an increase year-on-year of 7.1%, according to the Superintendency of Banks of Panama (Superintendencia de Bancos de Panamá). Total deposits at offshore banks stood at US\$8.01bn at end-September 2011, a 3.6% increase from US\$7.73bn at end-September 2010. Meanwhile, the total credit portfolio of offshore banks increased 8.1% during the same period, from US\$9bn at end-September 2010 to US\$9.73bn at end September 2011.

Insurance companies**Top ten insurance companies**

Ranked by premiums earned in 2011—US\$ m

Company	Premiums	Market share (%)
Compañía Internacional de Seguros	194.07	18.4
ASSA Compañía de Seguros	180.37	17.1
Mapfre (Spain)	133.15	12.6
Assicurazioni Generali (Italy)	86.83	8.2
Aseguradora Ancón	63.62	6.0
American Life (US)	57.91	5.5
HSBC Seguros (UK)	49.30	4.7
National Union Fire Insurance Co	39.39	3.7
Seguros Suramericana	38.7	3.7
Pan American	29.44	2.8
Total market	1,052.7	100.0

Source: Superintendency of Insurance and Reinsurance.

The local insurance industry was composed of 32 companies at end-September 2011, according to the Superintendency of Insurance and Reinsurance of Panama (Superintendencia de Seguros y Reaseguros de Panama—SP). Of these, seven were also licenced as reinsurance brokers. Several insurance companies are subsidiaries of banks operating in the country.

Compañía Internacional de Seguros (CIA), established in 1910, is one of Panama's oldest insurance companies. According to the SP, CIA was the country's leading insurer in 2011, earning US\$194.07m in premiums, down from US\$209.15m in 2010. The largest share of CIA's insurance premiums was in health insurance (14.4%), followed by automobile insurance (12.5%) and life insurance (9%).

ASSA Compañía de Seguros was the second-leading insurer in 2011, earning US\$180.37m during the year, up from US\$162.43m in 2010. Life insurance policies made up the largest share (13.5%) of ASSA's premiums, followed by health insurance (13.1%) and automobile coverage (12.4%). ASSA has undertaken an expansion strategy in recent years, establishing a presence in El Salvador (July 2009), Nicaragua (September 2010) and Costa Rica (November 2010). According to the SP, ASSA was the sector's largest investor in commercial bonds on the Panama Stock Exchange (Bolsa de Valores de Panamá—BVP), holding 35% (US\$65.8m) of the insurance sector's total investments in these instruments at end-September 2011.

Mapfre (Spain), Panama's third-leading insurance company, emerged after the Spanish insurance company merged its Panama operations in 2009 with Aseguradora Mundial. The company officially changed its name to Mapfre in February 2011. Mapfre earned US\$133.15m in premiums in 2011, up from US\$118.52m in 2010. Life insurance policies made up 26.8% of Mapfre's insurance portfolio, followed by automobile policies (19.2%) and health insurance (17.6%). Mapfre was the sector's second-largest investor in commercial bonds on the BVP, holding 30.6% (US\$57.6m) of the insurance sector's total investments in these instruments at end-September 2011.

Assicurazioni Generali (Italy) was Panama's fourth-leading insurer, earning US\$86.83m in premiums in 2011, up from US\$74.58m in 2010. Assicurazioni's

parent, El Grupo Generali, is based in Italy and has more than 100 subsidiaries in over 50 countries. The company was the Panamanian insurance sector's largest investor in government bonds, holding 47% (US\$88m) of the sector's total investments in these instruments at end-September 2011.

Aseguradora Ancón began operating in Panama in 1992. In 2011 the insurer earned US\$63.6m, slightly higher than US\$63.5m in 2010. Nearly 40% of Ancón's premiums are in insurance bonds. Ancon offers various types of insurance bonds, including contract surety bonds, kidnap and ransom bonds, and proposal bonds (*fianza propuesta*).

Insurance companies are permitted to invest in a range of financial assets, including public-sector debt securities, mortgages, mortgage-backed securities and securities issued through a local stockmarket duly approved by the National Securities Commission. The securities-issuing companies must have been operating for at least three years and be proven solvent. According to the SP, at end-September 2011 insurance companies' portfolios were distributed mostly among fixed-term deposits and savings accounts with local banks (40.8%), government bonds (16.7%), and private-sector debt instruments through the local stock market (16%), with the remainder divided into real estate and guaranteed loans.

Law 59 of 1996 allows insurers to invest up to 75% of their total required reserves locally and up to 25% internationally. They are required to meet a mandatory reserve ratio as follows: 20% of net income before taxes, up to and including US\$2m, and 10% of net income before taxes over US\$2m. When investing internationally, insurers only may place their funds in investment-grade securities of well-established companies ranked by a recognised international rating agency.

Law 59 also created an Insurance Technical Committee, comprising four members of the private sector and five public officials, to promote optimal conditions for the development of the industry. The committee also approves or rejects applications of new insurance companies and resolves appeals against legal opinions made by the superintendency. The key industry group is the Panama Insurance Association (Asociación Panameña de Aseguradores).

Pension funds

Private pension-fund managers

Ranked by private funds under management at end-September 2011—US\$ m

Fund	Funds managed	No. of contributors
ProFuturo AFPC	122.2	27,217
Progreso AFPC	92.7	24,332
Total market	214.9	51,549

Source: National Securities Commission.

As of March 2012 there were two administrators of private pension and unemployment funds (Administradores de Fondos de Pensiones y Cesantía—AFPC) authorised by the Superintendency of Capital Markets (Superintendencia del Mercado de Valores—SMV) to operate in Panama: ProFuturo AFPC (owned by Banco General) and Progreso AFPC (owned by local mortgage bank Banco Panameño de la Vivienda). Total funds managed by

the two AFPCs at end-September 2011 grew to US\$214.9m from US\$164.4m one year earlier.

The SMV, through the Technical Bureau of Pensions and Investment Companies (Unidad Técnica de Pensiones y Sociedades de Inversión–UTP), regulates and audits funds managed by the private companies.

Social security. Panama also provides pensions under a compulsory social security system, the Program for Disability, Old Age and Death (Programa de Invalidez, Vejez y Muerte–IVM) administered by the Caja de Seguridad Social (CSS). Law 10 (1993) established a basic legal framework for private pension funds. Until October 1995 only those companies with a locally issued trust licence were allowed to manage funds. This practice was modified to allow global financial asset managers to provide pension services if they hold a licence elsewhere.

The CSS budget has been burdened by an inflated payroll as successive governments have used the agency to award jobs for their supporters. The fund's finances have also suffered shortfalls in contributions by employers and employees, and higher-than-projected numbers of retirees. Results of an official audit published in May 2010, the most recent probe of CSS data, indicated increasing deficits in coming years, possibly reaching US\$402m by 2018.

Under reforms to the Labour Code in 1995, corporations must set up severance funds (*fondos de cesantía*) managed by authorised banks, trust companies or asset managers. Law 44 of 1995 states that employers must establish such funds with a 2.25% allocation from their annual total payrolls. An additional 5% is to be set aside for indemnification for unjust layoffs, without regard to the amount of time a worker has been with the company. The creation of the severance funds has benefited local commercial banks by promoting internal savings.

In July 2007 a new regulation, Resolution 3969–2007–JD, created the Specialised Investment Technical Unit (Unidad Técnica Especializada de Inversiones–UTEI), which is responsible for investing CSS reserves in local development projects, real estate mortgages, consumer loans and deposits (*depósitos a plazo*) in local or foreign banks.

Mutual funds and asset-management firms

Mutual funds

Ranked by volume traded on the primary market in 2011—US\$ thousands

Fund	Volume traded	Market share (%)
Fondo General de Inversiones	65,596.0	45.1
Premier Latin American Bond Fund	30,693.3	21.1
Multistrategy Fixed Income Fund	22,163.5	15.2
MMG Fixed Income Fund	19,766.1	13.6
Tagua Fund	6,286.1	4.3
Premier Short Term Bond Fund	785.3	0.5
Premier Index Fund	116.4	0.1
Premier US Fixed Income	6.2	0.0
Total market	145,412.9	100.0

Source: Panama Stock Exchange.

Panamanian mutual funds are regulated by the Securities Law (Ley de Valores) of 1999 and must register with the Superintendency of Capital Markets

(Superintendencia del Mercado de Valores), formerly the National Securities Commission (Comisión Nacional de Valores). According to the Panama Stock Exchange (Bolsa de Valores de Panamá–BVP), mutual-fund trading volume on the primary market totalled US\$145.4m in 2011, up from US\$89.6m in 2010.

The **Fondo General de Inversiones** was the first mutual fund established in Panama, in 1997, and is managed by BG Investment Company, a fully owned subsidiary of local Banco General. According to the BVP, the fund's trading volume totalled US\$65.6m in 2011. The fund had assets totalling US\$239.6m, according to its certified financial statement at end-2011.

The **Premier Latin American Bond Fund**, formed in 1999, is one of a group of mutual funds managed by Premier Investment Funds, a subsidiary of BAC International (Colombia). According to the BVP, the fund's trading volume in 2011 totalled US\$30.7m. According to the fund's financial statement, it held total assets of US\$58.8m at end-2011. The fund invests mainly in financial sector securities (both domestic and international). Approximately 22% of its total investment portfolio was in US-based securities. Investment in the fund is open to individual and corporate investors, and requires a minimum US\$2,500 investment.

The **Multistrategy Fixed Income Fund** is a closed-end investment fund launched in September 2008 with investments in six Latin American countries, namely: Panama, Colombia, Brazil, Chile, Peru and Mexico. According to the BVP, the fund's trading volume in 2011 totalled US\$22.16m. The fund held total assets of US\$33.1m at end-2011, according to its audited financial statement.

At end-June 2011 (latest data available), there were 68 institutions registered at the Superintendency of Banks of Panama (Superintendencia de Bancos de Panamá–SBP) as asset managers ("trust companies"), including banks (30), co-operatives (22), law firms (22) and insurance companies (two). Trust assets at end-June 2011 totalled US\$7.5bn, the bulk of which (53%) was held by private banks, according to the SBP.

The legislation regulating trusts (Law 1 of 1984) grants a tax exemption for the establishment, modification or termination of a trust. Capital gains earned from the sale of foreign-sourced shares or properties are also tax exempt, even if administered by a trust located in Panama.

Venture-capital and private-equity firms

There are few venture-capital and private-equity firms based in Panama, although some regional funds also operate in the country. Aureos Capital (Mauritius), a global private-equity fund manager, manages two private-equity funds in Central America—the Aureos Central America Fund (ACAF), with US\$36.3m in capital, and the Emerge Central America Growth Fund (EMERGE). ACAF has invested in sectors such as engineering, construction, advertising, food processing and manufacturing. EMERGE targets investments in the lower range of the small and medium-sized enterprise (SME) market segment. The fund is supported by investments from the Multilateral Investment Fund of the Inter-American Development Bank (IDB), the International Development Bank of the Netherlands (FMO), and the Norwegian Investment Fund for Developing Countries, according to the company's website.

International and local development banks still provide the majority of equity financing. The World Bank's International Finance Corporation and the IDB's Inter-American Investment Corporation have financed projects in Panama on a much larger scale than a typical venture-capital firm would; for example, the IDB is helping finance the Panama Canal expansion project with a loan of US\$400m.

Factoring firms Several companies and most commercial banks provide factoring services in Panama, but there is no legal framework regulating the industry. Factoring activities are not subject to any taxes or regulation, and there are no official government statistics on the sector.

Among the larger firms offering factoring services in Panama is Factor Global (a subsidiary of locally owned Global Bank), established in 1995. Multicredit & Finance (part of Multibank) began providing factoring services in 2000. In June 2005 Super Arrendamientos was absorbed by Factoring Comercial de Panamá, which was in turn absorbed by Finanzas Generales. In July 2007 Finanzas Generales acquired Leasing Empresarial, a subsidiary of Banco Continental (now merged with Banco General). Capital One (US) began providing factoring services in Panama in January 2008.

Factoring in Panama is generally more costly than other forms of financing. Commissions average 7–12% of the client's invoice. Closing fees of up to 6% on US\$1,000–5,000, 1–3% on US\$5,001–15,000 and 1% on US\$15,001 or more are often assessed. Factors also charge a monthly financing fee on the invoice's nominal value until the amount has been collected, according to local factoring firms Factoring Panama and Helefactor Corp.

Financial leasing companies Leasing has become more common as commercial enterprises may take advantage of a 100% income-tax deduction for leasing costs, available until the leasing contract ends. Leasing is governed by Law 7 of 1990 and overseen by the Ministry of Commerce and Industries (Ministerio de Comercio e Industrias).

Although 115 leasing companies were registered at the ministry as of November 2010 (the latest information available), many were either inactive or provided leasing services only occasionally to their customers. Because these companies are not required to submit financial information to the ministry, as of March 2012 there was no up-to-date, official data on these companies.

Many commercial banks in Panama offer financial leasing to corporate clients and some have created leasing subsidiaries, such as Finanzas Generales (a subsidiary of Banco General) and Arrendadora Centroamericana (of the UK's HSBC). Finanzas Generales, a large firm with total assets of US\$141.7m at end-September 2011, provides mainly financial and personal leasing services. Financial leasing represented 63% of its total loans at end-September 2011, according to its most recent published financial statement. PLG Capital Partners, a regional company with offices in Mexico, Colombia and throughout Central America, opened offices in Panama in 2002. It provides operating leasing with an option to buy at the end of the lease contract. The company leases only to firms with a minimum of US\$1m in sales and US\$500,000 in capital.

Other institutions There were 146 finance companies (*financieras*) registered with the Ministry of Commerce and Industries (Ministerio de Comercio e Industrias–MICI) in Panama at end-2009 (according to the latest information available). Finance companies had combined assets worth US\$997m at end-2008, according to the latest available information from the MICI. (There was no financial information available for finance companies in 2009–11).

Finance companies are supervised by the MICI's Finance Companies Directorate (Dirección de Empresas Financieras), under Law 42 of 2001. The legislation standardises the calculation of interest rates and the documents that consumers sign when they take out loans. It is designed to protect consumers, but does not limit maximum interest rates. Finance companies must have minimum registered capital of US\$500,000, and the MICI's Finance Companies Directorate may inspect their books at any time.

Central bank passes new rules for electronic and internet banking

Eight years after approving the first guidelines for electronic and internet banking, in December 2011 the Superintendency of Banks of Panama (Superintendencia de Bancos de Panamá–SBP) passed a new set of rules (SBP Agreement No. 6–2011). Among other regulations, the agreement establishes and outlines security guidelines for mobile banking; these include requiring customers to submit a four-character identification-authentication code. Security guidelines are also detailed for other electronic-banking, payment and communication channels, such as point-of-sale (POS) systems, automatic-teller machines (ATMs), social networks and instant messaging.

The agreement requires banks to comply with risk management principles set out by the Basel Committee on Banking Supervision in 2003. Banks must establish an Information Security Unit (Unidad de Seguridad de la Información) responsible for protecting clients' banking information. Additionally, banks must have an action plan to address potential technological failures. Banks have until September 2012 to implement the new rules.

The Panamanian Banking Association (Asociación Bancaria de Panamá–ABP) has welcomed the rules, saying that they will help guarantee consumer confidence in the new platforms. The ABP noted that in many cases banks in Panama are already ahead of the regulations. One of the main changes, however, shifts supervision of a bank's electronic platforms from its management to its board of directors. External audits and other security tests are also required to assess the vulnerability of electronic banking systems at least once a year.

Monetary and currency policies/regulations

Overview Panama uses the US dollar as its currency and does not operate an independent monetary policy. Interest rates and money supply are determined by the commercial banking system, and are closely tied to those in the international US-dollar market.

The state-owned Banco Nacional de Panamá (BNP) serves as a repository for public-sector funds and as the government's official banker and treasurer. BNP keeps a percentage of legal cash reserves of other banks in the financial system and provides a clearing service for cheques through its Compensation House (Cámara de Compensación), where banks meet the obligations on cheques drawn against them.

Panama has no exchange controls, but it does have reporting requirements designed to minimise money-laundering and terrorist financing. Cash or financial instruments worth over US\$10,000 brought in or taken out of the country must be reported to the Ministry of Economy and Finance's (Ministerio

de Economía y Finanzas) customs offices. Offices are located at all ports of entry. No reporting restrictions apply to companies or private individuals remitting royalties or fees, dividends, profits, or interest or principal on foreign loans. The remittance process requires disclosure of the beneficiary and its representative, along with the physical destination of funds.

Given its history of secrecy and confidentiality in its offshore banking system, Panama has struggled to tackle money-laundering. The country was listed as a country of “primary concern” in the US State Department’s International Narcotics Control Strategy Report in March 2010 and March 2011. Some progress in this area has been noted, however, as reflected by the OECD’s decision in July 2011 to remove the country from its so-called grey list of nations that had not yet “substantially implemented” policies in line with the agreed international standards of financial transparency and effective exchange of information. The OECD’s decision came after Panama entered a tax-information exchange agreement (TIEA) with France in April 2011. In November 2010 Panama signed a tax-information exchange treaty with the US, giving US authorities complete access to information on US taxpayers suspected of hiding assets in Panama. The treaty entered into effect in April 2011.

Panama implemented measures against money-laundering in 2002, which included an extension of the legal definition of money-laundering to encompass the proceeds from arms trafficking, terrorism, extortion, corruption, and international trafficking in persons and vehicles. The reporting of cash transactions over US\$10,000 is obligatory for casinos, real-estate firms, insurance companies, and companies in the Colón Free Zone.

Other reforms boosted international co-operation in combating money-laundering by increasing the exchange of information and granting more independence to the Financial Analysis Unit (Unidad de Análisis Financiero—UAF), which investigates suspicious financial transactions. According to Panamanian law, banks must have a control officer who specialises in tracing dubious operations and reporting them to the UAF.

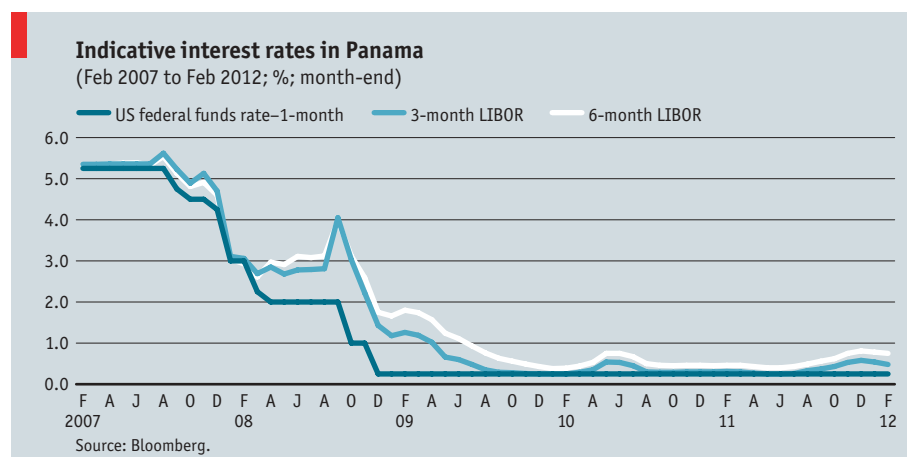
The Superintendency of Banks of Panama (Superintendencia de Bancos de Panamá—SBP) passed further regulations tightening controls on money-laundering in 2005 and 2008. Superintendency Agreement No. 2-2005 requires banks to comply with “know your client” policies for regulating and registering transfers. Agreement No. 12-2005 requires that banks apply due diligence to prevent money-laundering, including paying special attention to transfers over US\$10,000 and developing client profiles. Executive Decree 52 (April 2008) reiterates the “know your client” policies outlined in Agreement 2-2005 and strengthens the SBP’s mandate for monitoring banks’ compliance with anti-money-laundering rules.

The US Federal Reserve Board’s overnight federal funds target (“fed funds”) rate is the key money-market interest rate in Panama. It serves as the benchmark for credit from private banks and other financial institutions.

Base lending rates

The Fed began an aggressive cycle of monetary easing in September 2007, cutting the federal funds rate in response to the financial crisis that emerged

from the bursting of the housing-market bubble. In September 2007 the Fed introduced an aggressive halfpoint cut to the target rate, dropping it to 4.75% from a previous 5.25%. It cut the rate twice more in 2007, bringing it to 4.25% by year-end as the economy began to show signs of weakness. In 2008 the Fed cut the rate seven times. The latest cut was made in December 2008, when the rate fell from 1% to 0.25%, where it remained at end-February 2012.



Monetary policy

Panama uses the US dollar as its local currency. Lacking a central bank and the independent monetary policy tools common in other nations, the country's money supply and interest rates are determined largely by the commercial banking system. The Banco Nacional de Panamá (BNP), the state-owned bank, is responsible for managing the supply of dollars through an agreement with the Federal Reserve Bank of New York. This agreement does not, however, prevent other banks from entering into agreements to supply dollars to Panama.

A fully dollarised economy and the lack of a central bank or independent monetary policy mean that Panama continues to import loose monetary policy from the US. Interest rates and the money supply respond to developments in the banking system. Very low US interest rates, firm credit growth, rising wages and still-high commodity prices complicate the Panamanian authorities' efforts to contain inflation. Officials could raise reserve requirements, but this is unlikely (they last raised requirements in 2008, when inflation was approaching double-digit rates).

Currency

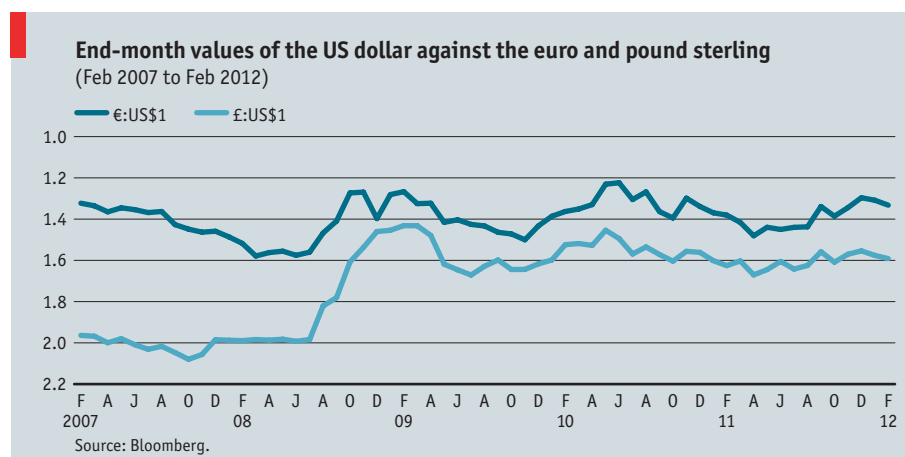
The US dollar became the legal currency in Panama in 1904, and the economy is fully dollarised.

The dollar depreciated against the euro from US\$1.34:€1 at end-2010 to US\$1.48:€1 at end-April 2011—its weakest point since end-November 2009—before strengthening to US\$1.30:€1 by the end of the year. At end-February 2012 the dollar stood at US\$1.33:€1, stronger than its US\$1.38:€1 exchange rate one year earlier.

Reflecting ongoing concerns about the euro zone, the Economist Intelligence Unit expects the dollar to continue strengthening. By the end of 2012 we expect the dollar to strengthen to US\$1.28:€1, then to US\$1.24:€1 at the end of 2013.

However, risks to the euro are on the downside: a substantial weakening could occur very rapidly if the euro zone begins to show deeper signs of strain.

A stronger US dollar will erode the competitiveness of Panama's exports to the EU, but given that less than 20% of domestic exports are sold in this market, Panama's trading prospects will not be seriously affected. Shifts in the real exchange rate, relative to trading partners other than the US, remain of limited significance to trade performance, given the high import content of re-exports.



Loan inflows and repayment

There are no restrictions on borrowing from abroad. There are no restrictions on remittance on foreign loans.

Tax consequences. Interest payments are 100% deductible from taxable business income and recipients are subject to a 10% withholding tax.

Repatriation and remittance of capital

No restrictions apply on capital repatriation, but a party repatriating more than US\$10,000 in cash or other financial instruments must file a report with the customs office of the Ministry of Economy and Finance (Ministerio de Economía y Finanzas). No restrictions apply on the remittance of dividends and profits, nor on the remittance of royalties and fees.

Tax consequences. Royalties paid to foreign affiliates are 100% deductible from taxable business income and the recipient is subject to a 10% withholding tax. There is a 10% withholding tax on dividends from operations in Panama proper; holders of bearer shares are subject to a 20% withholding tax. A 10% complementary tax (*impuesto complementario*) is levied on distributions amounting to less than 40% of after-tax earnings; the tax is imputed on 40% of after-tax earnings, yielding an effective rate of 4%.

Under Law 31 of December 1991, the taxation of dividends paid to non-residents depends on how dividends are taxed in the recipients' home countries. Non-residents receiving dividends or other profit distributions from companies operating in the Colón Free Zone are required to submit a certificate to the Panamanian tax authorities showing that the dividends are taxable in their country of residence and that a credit for foreign tax is granted there. In this instance, Panamanian taxes are to be paid up to the amount of the foreign

tax credit. If no foreign tax credit is granted in the country of residence, the dividends are exempt from Panamanian tax.

Restrictions on trade-related payments

There are no restrictions on export proceeds or import payments. There are no restrictions on the leading or lagging of payments.

Tax consequences. Trade-related proceeds, except from businesses operating within the country's free-trade zones, are considered locally sourced income and are taxable at the regular corporate rate.

Short-term instruments/regulations

Overview

Traditional savings accounts, overnight deposits, time deposits and certificates of deposit are the main investment vehicles for excess cash in Panama. Treasury bills, repurchase agreements and short-term commercial paper gained popularity in the 1990s, and all are traded on the Panama Stock Exchange (Bolsa de Valores de Panamá–BVP).

It is rare to find business credit terms with maturities exceeding five years. Short-term loans are much more common. These are usually granted for one year and rolled over as needed. Both foreign and domestic companies use short-term loans, usually from foreign and domestic banks, respectively. Domestic borrowing rates may be based on a spread above three- or six-month LIBOR (London interbank offered rate) or the US prime rate. The spreads vary according to the quality of the client, the volume of business it generates for the bank and the assessed value of the collateral. Spreads above LIBOR or the US prime rate can vary considerably, ranging from 2 to 7 percentage points. In certain cases, rates are negotiable.

A common practice among borrowers is to obtain funds collateralised by their time deposits, as this provides leverage for up to 100% of the amount pledged. Commercial paper is a widely used form of short-term financing. Some offshore finance companies borrow from other financial institutions and then lend money to related companies.

The market for spot currency trading is small. Futures and forward contracts, options, swap-financing techniques and exotics are rarely used in Panama's underdeveloped capital markets.

Holding companies also operate in the country, and cash-pooling is unrestricted. Residents and non-residents may freely hold foreign and domestic currency, and bilateral and multilateral netting are freely permitted.

Cash management

Many cash-management systems and financial vehicles commonly employed in other parts of the world are less applicable in Panama. However, companies have adapted specialised global financial vehicles (such as re-invoicing centres, captive finance companies and global netting systems) that exploit the country's tax advantages and the absence of foreign-exchange controls or other restrictions on cross-border capital movements.

Many companies use in-house collection departments to bill customers, follow up on payments and maintain contacts with banks for collections. As the postal

system is slow and inefficient, most customers use messengers to pay by cheque; government agencies also use messengers for their payments. The Ministry of Economy and Finance (Ministerio de Economía y Finanzas) allows for the payment of taxes and related transactions through selected banks and via the internet.

Most banks offer clients online access to their accounts. As of February 2012 virtually every bank in Panama offered secure online transactions and made use of digital signatures. Online bank transactions typically include fund transfers and payments. In December 2011 the Superintendency of Banks of Panama (Superintendencia de Bancos de Panamá–SBP) issued SBP Agreement No. 6-2011, which updated the guidelines for electronic banking initially established in SBP Agreement No. 5-2003 (June 2003). Among the several changes included in the new regulations, banks are required to carry out external audits and other security tests to assess the vulnerability of the electronic banking systems at least once a year. The new regulations establish security guidelines for a variety of electronic-banking channels (such as mobile banking), and maintain “know your customer” practices to online banking as initially outlined in SBP Agreement No. 5-2003. (See Central bank passes new rules for electronic and internet banking.)

Offshore finance companies—legal entities that serve as intercompany banks—perform such functions as borrowing medium- and long-term funds from financial institutions, lending money to related companies, purchasing foreign exchange and investing excess cash. Generally, the finance company assumes the risks a bank would ordinarily take. Offshore finance companies, even when located in Latin America, are rarely used exclusively for regional trade, but instead serve the entire global corporate group.

Offshore finance companies and other holding companies operating in Panama take equity positions in subsidiaries; in turn they are owned by the parent company or by another holding company. They may be used for both intra-country and regional operations. When established for strictly domestic purposes, holding companies provide the following benefits:

- centralised financial management, which enables companies to obtain economies of scale and allocate resources optimally;
- consolidated tax reporting on the books of the holding company, which offsets the gains and losses of several entities and may qualify the holding company for tax benefits; and
- legally sanctioned shifts of excess liquidity from cash-rich subsidiaries to cash-poor ones.

Holding companies also are set up in Panama for international operations. The advantages of such an arrangement are several: holding companies reduce withholding taxes on foreign dividends to the parent; they more efficiently channel dividend income into subsidiaries in need of funding (since Panama is a low-tax country); and they lower taxes on the sale of a foreign subsidiary by passing the proceeds through the country.

Cash pooling is unrestricted in Panama. Many international companies install offices in Panama with the specific purpose of managing the cashflows of their subsidiaries in the region. Companies can have a preset arrangement with a bank for wire transfers, but it is not required.

Residents and non-residents may freely hold foreign and domestic currency. Residents may hold foreign currency abroad. Deposits over US\$10,000 in cash from local banking institutions must be accompanied by a form containing information on the person making the transaction and the source of the funds.

Bilateral and multilateral netting are freely permitted.

Payment-clearing systems The state-owned Banco Nacional de Panamá (BNP) provides a clearing service for cheques, called the Compensation Bureau (Cámara de Compensación), through which banks meet the obligations of cheques drawn against them. Local cheques usually take up to two business days to clear. Foreign cheques may take up to 15 business days and incur a commission. According to the Banking Superintendency Agreement (Acuerdo de la Superintendencia de Bancos) No. 7-2005, cheques must be cleared within a maximum of 15 days, or the bank may incur sanctions.

The BNP also has an electronic interbank payment-clearing system called the Automatic Clearing House. Most major private commercial banks (including BAC, HSBC, Banco General, BBVA and Global Bank) and both state-owned banks in Panama are connected to the system.

Panama is a member of the Brussels-based Society for Worldwide Interbank Financial Telecommunications (SWIFT), which allows the electronic relay of information on fund transfers and account balances. Through most of the large banks, companies may transfer funds electronically from Panama across the globe, subject to money-laundering regulations.

Receivables management To speed payment, companies usually deliver invoices by mail or fax, usually during the first five days of the month.

Although some companies charge a 2% fee on overdue payments, the charge is often ignored and only the net amount is paid. In extreme cases companies take legal action and repossess assets, but this rarely happens given inefficiencies in the legal system and expenses involved. Companies generally rely on their in-house credit analyses to measure credit worthiness, although there is a Consumer Credit Association (Asociación Panameña de Crédito) that provides credit investigations.

Payables management The small size of Panama's market and the relative rapidity of the local cheque-clearing facilitate payments. Buyers commonly negotiate directly with a supplier when they need more time to make overdue payments.

Currency spot market Panama's spot foreign-exchange (forex) market is free from external restrictions. There is no regulation or supervision of the forex market in Panama. Rates are determined by local banks, which usually quote from foreign institutions. Investors and speculators trade all major foreign currencies (except for US

dollars), especially the euro, the pound sterling, the yen and the Canadian dollar. The currencies of most major European and Latin American countries may be bought and sold at branches of foreign commercial banks or local private banks. As of March 2012 the Superintendency of Capital Markets (Superintendencia del Mercado de Valores—SMV) listed 13 private companies through which private trading accounts may be opened; however, the SMV does not certify, register or supervise them.

Futures and forward contracts

Futures and forward contracts are rarely used in Panama's capital markets.

Tax consequences. Capital gains from the sale of futures and forward contracts registered with the National Securities Commission (Comisión Nacional de Valores) are not taxed.

Options

Options are not traded on the Panama Stock Exchange.

Swaps

Swap instruments are not traded on the Panama Stock Exchange.

Exotics

Exotic instruments are not traded on the Panama Stock Exchange.

Bank loans

Banks offer loans at rates and terms similar to those in the US. For short-term loans, real estate, commercial paper, time deposits, certificates of deposit (CDs) and securities issued by banks are also acceptable as collateral.

Loans for more than one but less than three years are usually made at fixed rates. Loans for one year or less are based on the prevailing rate at the time of refinancing and thus can be considered variable rate. No legal restrictions apply on their terms.

At end-2011 interest rates on commercial loans with a maturity of up to one year at Panamanian banks averaged 7.19% (down from 7.44% one year earlier); the rate at foreign banks was 6.38% (down from 6.88% one year earlier), according to the Superintendency of Banks of Panama (Superintendencia de Bancos de Panamá).

The Tax Incentives Harmonisation Law (Ley de Armonización de Incentivos Tributarios) of 1995 trimmed back the interest-rate subsidies that commercial banks pass on to certain clients. This subsidy allows banks to provide cheaper loans to customers, including foreign companies operating in Panama and involved in activities related to agricultural production.

Law 25 of 2002 created a special US\$30m fund to finance the agricultural sector with subsidised loans. Since then, the country's larger banks have signed an agreement with the Ministry of Agriculture (Ministerio de Desarrollo Agropecuario—MIDA) to administer these funds. The banks receive a small commission (in general, not more than 1%) in return for handling them.

Tax consequences. A withholding tax of 10% is levied on interest payments on loans from international sources. In addition, there is a 1% withholding tax on all nonagricultural loans in the country, which finances an interest-rate subsidy for the country's agricultural sector.

Time deposits Banks may set their own interest rates on local- and foreign-currency time deposits. The banking law of 1998 eliminated all previous interest-rate regulations. Rates are negotiable, depending on the client-bank relationship. For overnight time deposits, the minimum amount is US\$100,000. Foreign-currency and interbank time deposits are not regulated and may be for any amount or duration.

The average interest rate on time deposits at local banks at end-2011 was 1.19% for one-month deposits (compared with 2.70% at end-2010), 1.40% for three-month deposits (2.05% in 2010), 2.08% for six-month deposits (2.72% in 2010), and 2.64% for one-year deposits (3.21% in 2010), according to the Superintendency of Banks of Panama (Superintendencia de Bancos de Panamá—SBP).

Rates at foreign banks for the same period were mostly lower: 1% for one-month deposits at end-2011 (compared with 2.62% in 2010), 1.28% for three-month deposits (1.71% in 2010), 1.66% for six-month deposits (1.64% in 2010), and 2.81% for one-year deposits (2.79% in 2010), as reported by the SBP.

The government requires that local banks adhere to money-laundering guidelines. To open accounts and establish commercial relations with local banks, depositors must go through a process that includes a background check. This requires the interested party to present a series of documents, including a legal, notarised document describing the company and its directors; a letter naming and authorising a local or resident legal representative to deal with the process; identification, such as passports; and a notarised signature from a representative of the Republic of Panama in the country of origin (that is, a representative of the embassy, consulate or trade office). The bank engages in a one-week investigation of the company. Some banks require several banking references.

Tax consequences. Interest on bank deposits, certificates of deposit and Treasury bills is not taxed.

Certificates of deposit HSBC Panama (UK), Banco General, Citibank (US), BAC International Bank (Colombia), local Global Bank and BBVA (Spain) all trade and issue certificates of deposit (CDs), which are only offered as non-negotiable instruments.

The banking law of 1998 eliminated all regulations on CD interest rates. Foreign banks usually peg their rates to LIBOR (London interbank offered rate). Depending on the maturity, yields are often less than those earned in standard time deposits.

Tax consequences. Interest income from CDs is not taxed.

Treasury bills During 2011 the Ministry of Economy and Finance (Ministerio de Economía y Finanzas) issued Treasury bills (*letras del tesoro*) on the Panama Stock Exchange (Bolsa de Valores de Panamá—BVP) on ten occasions. The maturities of the bills were of six, nine and 12 months. There were US\$347.7m in circulation at end-2011, according to the latest information available from the Superintendency of Capital Markets (Superintendencia del Mercado de Valores—SMV).

The average rate on Treasury bills is typically 100–200 basis points over LIBOR (London interbank offered rate). The six-month LIBOR stood at 0.75% at end-February 2012, up from 0.46% one year earlier.

In 2011 the government sold US\$715.9m worth of Treasury notes (*notas de tesoro*) to help meet a projected revenue gap of 1.5% for the year. A similar budget deficit is expected for 2012, and the government is expected to issue Treasury notes for around US\$600m. Public debt amounted to US\$12.8bn at year-end 2011, according to the Ministry of Economy and Finance.

Tax consequences. Interest income from Treasury bills is exempt from income tax.

Repurchase agreements

No legal regulatory framework exists for repurchase agreements (*repos*), which usually have maturities of short periods (30, 90, 180 or 270 days). Their yields are based on comparable returns on deposits or short-term paper. Some of the transactions are carried out through the Panama Stock Exchange (*Bolsa de Valores de Panamá–BVP*). Some banks engage in overnight repos, using US Treasury securities, with their institutional bank or their broker in the US.

Tax consequences. Repos and commercial-paper transactions carried out through the BVP are not taxed.

Commercial paper

Commercial paper became popular following the introduction in 1992 of negotiable commercial notes (*valores comerciales negociables–VCNs*) on the Panama Stock Exchange (*Bolsa de Valores de Panamá–BVP*). Yields on such instruments are an attractive alternative to deposit rates offered on amounts less than US\$10,000. VCNs accounted for 10.8% of capital instruments traded in 2011.

VCNs traditionally offer investors more generous rates than deposits and they are often accepted as loan collateral for short-term loans. In addition, obtaining funds through VCN issues is easier and cheaper than through short-term commercial loans. The minimum requirement for a VCN issue is US\$1,000; the maximum amount issued to date has been US\$20m. The US/UK-based credit agency Fitch Ratings rates Panamanian issues from local offices and from its offices in Colombia and Mexico.

To issue VCNs on the primary market, a company must obtain authorisation from the Superintendency of Capital Markets (*Superintendencia del Mercado de Valores–SMV*). It also must use a local attorney and provide the SMV with the following:

- articles of incorporation, byelaws and amendments of the corporation;
- a certificate (not over 60 days old on the date submitted) issued by the National Public Register (*Registro Público*) upon registration of the VCN, stating the names of the company's directors and legal representatives, or a recognised certification from the Panamanian consulate or embassy in the foreign enterprise's country of origin;
- a selling memorandum or prospectus, in compliance with the rules of the SMV;

- a resolution containing the amount and price of the issue, and submitted by the company's board of directors or legal entity, authorising the sale of the securities; and
- a copy of audited financial statements, prepared using generally accepted accounting principles (GAAP), over the preceding three-year period.

Tax consequences. Gains or losses from commercial-paper transactions on the BVP are tax exempt.

Overdrafts Most banks offer overdrafts, with amounts and terms depending on the client's background and the amount of other banking business. Two types of overdrafts typically exist in Panama: advised overdrafts, where the bank and the client have made an open agreement for credit supply, usually around 1% over the company's regular line of credit; and unadvised overdrafts, which may have interest rates as high as 18% annually.

To open a line of credit, interested parties must present their audited financial statements or their income tax declarations (usually for the past two years). Lines of credit are provided for six months to one year. If a customer is deemed to be in good standing, lines of credit may easily be rolled over. Commercial lines of credit are usually guaranteed by a time deposit, but also may be backed by tradable goods.

Corporations normally maintain credit lines, which they renew once each year, with one or two local banks. These banks aim at compensating balances of about 10% of credit facilities, but this depends on the client's credit standing.

Tax consequences. Interest paid is deductible from taxable corporate income, provided the loan is used for productive purposes.

Banker's acceptances Banker's acceptances (BAs) emerged as tradable securities after their introduction on the stockmarket in the mid-1990s, but as bank liquidity increased this paper fell out of use. According to exchange officials, BAs have not been traded since 2002.

Supplier credit Supplier credit is not a widely used financing technique in Panama. In those instances when supplier credit is used, it is normally available for 30–60 days and may be extended up to 180 days.

Tax consequences. Interest payments are deductible from corporate taxes.

Intercompany borrowing Many foreign firms use intercompany loans from their parent companies to finance local operations. This practice is a commonly used alternative to locally sourced funding.

Tax consequences. Interest payments on intercompany loans greater than US\$5,000 are subject to a 1% withholding tax.

Discounting of trade bills Discounting of trade bills is not a widely used financing technique.

Medium- and long-term instruments/regulations

Overview Credits with maturities extending beyond five years are not common in Panama, though medium- and long-term financing alternatives are developing. Credit for five years or more is less common, but some banks issue long-term paper through the stock exchange and then lend the proceeds to their customers. There are no restrictions on medium- and long-term borrowing by foreign-owned firms.

Financial leasing and corporate bond issues are common longer-term financing techniques for the private sector. Shares, bonds, mutual funds and other national and international government and private-company issues are traded on the Panama Stock Exchange (Bolsa de Valores de Panamá–BVP).

Developers of important infrastructure projects—such as toll roads, railways and port facilities—generally seek financing in the international capital markets through eurobonds and credits from multilateral agencies, although some syndicated loans have been constituted locally for port expansion. The expansion of the Panama Canal project (targeted for completion in 2014) is being financed primarily by loans from multilateral or development banks, including the European Investment Bank (US\$500m), the Japan Bank for International Co-operation (US\$800m), the Inter-American Development Bank (US\$400m), the International Finance Corporation (US\$300m) and the Andean Development Corporation (US\$300m).

Securities markets The Panama Stock Exchange (Bolsa de Valores de Panamá–BVP), the country's only securities market, opened on June 26th 1990. The exchange abides by the rules of the Superintendency of Capital Markets (Superintendencia del Mercado de Valores–SMV). Shares, bonds, mutual funds, and other national and international government and private-company issues are traded on the BVP.

The SMV replaced the former National Securities Commission (Comision Nacional de Valores–CNV) under Law 67 of September 2011. The law grants broad regulatory powers to the SMV over an array of capital-market activities such as public offerings of capital instruments, credit-risk ratings, and the administration of fiduciary and investment accounts.

The Securities Law (Ley de Valores) of July 1999 replaced legislation introduced in 1970. The 1999 law was designed to improve efficiency, increase transparency and facilitate the flow of information, as well as to establish a formal and independent three-member commission to help oversee the sector. The SMV is charged with licensing traders and brokerage firms, and establishing rules and capital requirements for mutual funds, which were previously unregulated. It is responsible for enforcing sanctions against insider trading, which include fines up to three times the damage incurred or profits made. Previously, these sanctions were administrative penalties without criminal repercussions, but the National Assembly (Asamblea Nacional) passed Law 45 of June 2003, which imposes prison sentences on persons found guilty of financial crimes, such as insider trading. Terms range from three to ten years, depending on the type of crime.

The SMV is funded both by the Ministry of Economy and Finance (Ministerio de Economía y Finanzas) and through its own operations. The exchange, securities issuers, brokerage firms and custody services pay the CNV stockmarket and annual supervision fees. Law 67 of September 2011 updated the costs of licences, which vary from US\$300 for a single broker to US\$25,000 to be listed as brokerage firm. Supervision fees range from 0.010% to 0.025% of the total volume of sales.

Nonresidents and all institutional investors—such as insurance companies, banks and private pension funds—are allowed to invest in the stockmarket. Traders and brokerage houses must apply for licences in a manner similar to that of banks, but the activity is now open to all that pass a required exam given by the SMV.

Trading on the primary market was up in 2011, extending a recovery in 2010 following a slump in 2009. Trading volume on the primary market stood at US\$2.61bn in 2011, up from US\$2.13bn in 2010 and US\$1.65bn in 2009. Trading volume in the secondary market jumped in 2011 to reach US\$756.3m from US\$366.4m in 2010, and US\$226.7m in 2009.

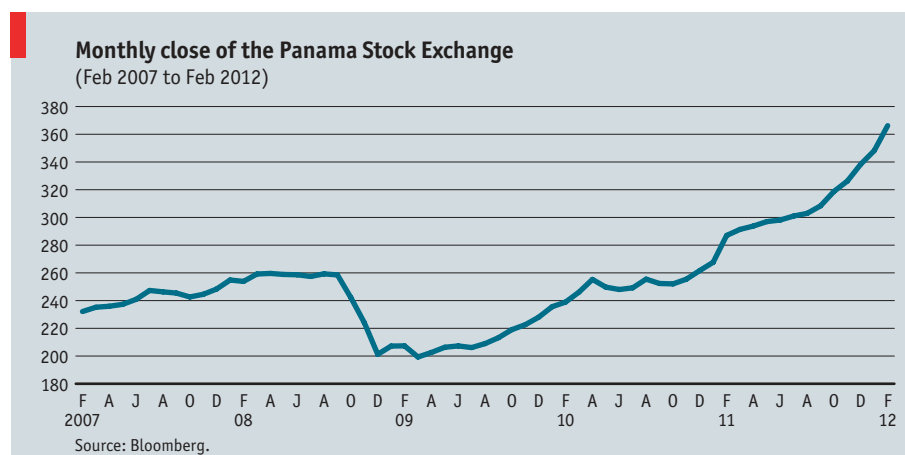
The BVP is primarily a market for debt securities, with trading in bonds (*bonos*), commercial paper (*valores comerciales negociables*—VCNs) and repurchase agreements (*recompras*). Companies from all sectors list their bonds; leasing companies are the largest issuers of VCNs. In 2011 VCNs accounted for 10.8% of all debt securities issued, compared with 11.6% in 2010.

The BVP has a small market for shares. The total trading volume of BVP-listed shares (preferred and common shares) was US\$119m at end-2011, compared with US\$134m in 2010. Banks and insurers are the leading issuers of equity, but other listed firms represent such diverse sectors as brewing, bottling, cement, publishing and tourism.

The BVP Stock Index (BVPSI) is calculated daily and is available worldwide from specialised financial-news services, as well as on the BVP's website (www.panabolsa.com). In August 2003 the index was recalculated to respond better to real market value. The methodology used to determine the index is similar to that employed by both the S&P 500 and Nasdaq. It is based on the value of all 23 companies registered on the BVP. Previously, the index was calculated based on only the 12 largest listed companies. The new index is reviewed every six months. The BVPSI registered strong performance in 2011, rising from 261.68 points at end-2010 to 338.44 points by the end of the year. This upward trend continued in the first two months of 2012, with the index closing February at 366.21.

In 2006 an important step was taken towards further regional market integration. The US Securities and Exchange Commission (SEC) recognised the BVP as a Designated Offshore Securities Market. With this classification, qualified US investors can acquire shares, bonds, and other national and international government and private-company issues on the BVP, and resell them to other investors without having to register these titles at the SEC or having to limit the sale to institutional investors. For transparency purposes, companies listed on the BVP are required to submit unaudited financial

statements every quarter. Audited financial statements must be submitted annually. Listing requirements are less stringent than those of the NYSE Euronext.



Portfolio investment There are no restrictions on portfolio investment.

Tax consequences. Capital gains or losses from sales of debt or equity shares registered with the National Securities Commission (Comisión Nacional de Valores) are tax exempt.

In the case of normal shares, Panama levies a 10% withholding tax on dividends from operations in Panama proper. For bearer-type stocks, the withholding tax is 20%. In the case of companies that do not distribute a dividend during the year, or in which the dividends distributed amount to less than 40% of earnings after income tax, a complementary tax (*impuesto complementario*) is levied. This 10% tax is applied to 40% of earnings after income tax, giving an effective rate of 4%.

Under Law 31 of December 1991, the taxation of dividends paid to non-residents depends on how dividends are taxed in the recipients' home countries. Non-residents receiving dividends or other profit distributions from companies operating in the Colón Free Zone are required to submit a certificate to the Panamanian tax authorities showing that the dividends are taxable in their country of residence and that a credit for foreign tax is granted there. In this instance, Panamanian taxes are to be paid up to the amount of the foreign tax credit. If no foreign tax credit is granted in the country of residence, the dividends are exempt from Panamanian tax.

Trading, clearing and settlement

The Panama Stock Exchange (Bolsa de Valores de Panamá–BVP) trades electronically from 10 am to 3 pm, Monday through Friday. Electronic trading, previously available only on the secondary market, was extended to the primary market in July 2001. Following that of Costa Rica, the Panama exchange was the second in Central America to install an electronic trading system. It bought the US\$500,000 software from Chile's Open Gates, a joint venture involving Nasdaq, Sun Microsystems and the Chilean stock exchange. The system allows brokers to trade from their offices in real time. These innovations have made the exchange more transparent.

As of March 2012 there were 72 brokerage firms (*casas de valores*) registered with the Superintendency of Capital Markets (Superintendencia del Mercado de Valores—SMV). Not all of these are registered with or trade through the BVP, however. Those registered with the BVP are called *puestos de bolsa*, of which there were 19 in March 2012. The SMV licenses brokers, which are mostly subsidiaries of the main domestic and foreign commercial banks. The US-based Lafise is the only foreign-owned nonbank company trading on the market.

Central Latinoamericana de Valores (Latinclear), a centralised depository and custody service, began operations in 1996. All securities listed on the BVP are assigned an International Securities Identification Number and are compliant with standards set by Clearstream, a division of the Deutsche Bourse and a major clearing system for Eurobonds. (The system was not modelled on Clearstream, however; it follows more closely the G30 standard.) This allows foreign corporations to take advantage of the low cost of issuance in Panama through the offering of Global Depositary Receipts.

The first rating company located in Panama—Duff & Phelps (US)—began operations in 2001. Its credit-rating division was taken over by Fitch (US/UK) a year later and assumed the name Fitch Centroamerica. According to the latest data available from the SMV, as of February 2011 there were a total of eight ratings agencies registered with the SMV.

Tax consequences. Capital gains or losses from sales of debt or equity shares registered with the National Securities Commission (Comisión Nacional de Valores) are tax exempt.

Corporate governance

The Panamanian business code (Código de Comercio), last updated in 1999, addresses some aspects of corporate governance for publicly owned corporations (*sociedades anónimas*) in Panama. Law 32 of 1927, the Law of Corporations (Ley de Sociedades Anónimas), deals more specifically with corporate governance issues. In addition, Agreement No. 12–2003, published by the National Securities Commission (Comisión Nacional de Valores—CNV) in 2003, elaborates corporate governance guidelines for companies registered with the Panama Stock Exchange (Bolsa de Valores de Panamá). The guidelines in Agreement 12–2003 are, nevertheless, voluntary.

The Superintendency of Banks of Panama (Superintendencia de Bancos de Panamá—SBP) regularly publishes regulations, agreements and circulars (*acuerdos, regulaciones and circulares*) complementing and clarifying the banking law. SBP Agreement No. 5–2011 (September 2011), which took effect in January 2012, updated the corporate-governance rules for banks that were previously established under SBP Agreement No. 4–2001 (September 2001). The new regulations established broad responsibilities for boards of directors in the banking sector and detailed guidelines for internal audits. The document establishes that banks must have a code of conduct and guidelines to deal with potential conflicts of interest. SBP Agreement No. 5–2011 establishes that at least two members of the board (which must have seven seats) must be independent directors who do not have managerial positions in the bank. The new rules also establish for the first time that the board of directors is responsible for ensuring that all banking regulations are enforced by the financial institution, a responsibility that was not explicit in previous regulations. The board of directors must submit to an examination by external consultants to evaluate its own performance and activities at least once every three years.

As part of its efforts to shed its reputation as tax haven, Panama has changed its regulations concerning bearer shares, which allow holders to remain anonymous and are commonly used to hide illicit financial dealings such as money-laundering. Although banks have been prohibited from using bearer shares in accordance with Article 5 of SBP Agreement No. 3–2001, the use of bearer shares was a particularly serious problem for corporations that only had foreign-sourced income and were thus not subject to Panamanian tax. In such cases, Panamanian authorities had no legal recourse to any

financial or ownership information of the corporation. That changed in February 2011 with the passage of Law 2, which includes “know your client” provisions that require law firms or resident agents responsible for bearer shares to know the identity of bearer shareholders and to disclose that information when requested by Panamanian authorities.

CNV Agreement No. 18-2000 (October 2000) requires that issuers of stock (*emisores*) complete annual and quarterly financial reports. Reporting is done via completion of two forms: the Annual Update Report form (Informe de Actualización Annual, form IN-A) and the Quarterly Update Report form (Informe de Actualización Trimestral, form IN-T), both of which are accessible on the website of the Superintendency of Capital Markets (Superintendencia del Mercado de Valores–SMV, formerly the CNV); a summary of the firm’s financials, including general balance sheet, income and a profit/loss statement; a summary of all corporate-governance policies adopted and implemented by the firm during the reporting period; and, for the annual report, a complete financial statement certified by an authorised public accountant. The forms must be submitted to the SMV and made public via one of the following vehicles: publication in a daily newspaper with national circulation; publication in a business magazine with national circulation; publication on the firm’s website; or through direct distribution to shareholders. Annual reporting is due within 90 days of the end of the fiscal year (January 1st–December 31st), and quarterly reports are due within 30 days of the end of each quarter. Panama mandated that all financial reporting follow International Financial Reporting Standards (IFRS) via CNV Agreement No. 8-2000 (May 2000); firms must also comply with US Generally Accepted Accounting Principles (GAAP).

In addition to annual and quarterly financial reporting, firms are required to publish announcements of significant events (*hechos de importancia*); a complete list of events that trigger the reporting requirement is published in CNV Agreement No. 10-2005 (July 2005).

Family-owned businesses still dominate in Panama, and there is a strong culture of secrecy in the business sector, which has dampened any movement toward stronger regulation of corporate governance in the country.

Listing procedures

Registration requirements are fairly simple and cover annual disclosure of basic financial data. The publication of a prospectus is required for initial public offerings. A company wishing to issue new shares for public purchase must register with the Superintendency of Capital Markets (Superintendencia del Mercado de Valores–SMV) and follow the guidelines set by the SMV and the Panama Stock Exchange (Bolsa de Valores de Panamá–BVP). The SMV replaced the former National Securities Commission (Comisión Nacional de Valores–CNV) in September 2011. CNV Agreement No. 05-2004 (July 2004) details the registration process. In addition, CNV Agreement No. 01-2006 (February 2006) outlines prerequisites for the registration of foreign firms.

The BVP requires an annual fee of US\$250 in addition to registration costs of US\$250 and an International Securities Identification Number charge of US\$75. Approval and review of documentation by the SMV and the BVP can take up to 30 days.

Foreign companies issuing securities are required to submit a prospectus to the BVP detailing the issue. Foreign companies must submit copies of their most recent financial statements covering a period ending within 120 days of the application date, along with financial statements from the past three years of operation, audited by an independent certified accountant in accordance with internationally accepted accounting principles. On request, a foreign firm may also have to include an affidavit from a competent authority in its country of origin providing proof of registration. The issuer also must give a local legal agent full power of attorney to represent it in Panama, in addition to appointing a member of the BVP as the market-maker of its security.

The process of preparing an equity public offering may cost up to US\$100,000. Brokers may charge commission fees of 1–2% of the offering. The various charges and fees are considered business expenses for tax purposes.

Tax consequences. There is no tax on the listing of shares on the stockmarket.

Recent initial public offerings

There were no initial public offerings (IPOs) on the Panama Stock Exchange (Bolsa de Valores de Panamá–BVP) during 2011 and 2010, and just one in 2009. **Odin Energy**, a fully owned subsidiary of Amiworld (Panama), launched an offering of 20m shares on October 28th 2009. Odin Energy, formed in Bogotá, Colombia, in 2008, produces and sells biofuels mainly derived from palm oil. The issue raised US\$19m.

Underwritten offerings There are no restrictions on underwritten offerings. Local brokerage houses, through their parent banks, may provide underwriting facilities and assume the risk of the primary offer. The paper is then resold or kept as an investment, particularly if the bonds are issued by a well-recognised corporation or bank.

Investment-banking fees may be up to 2% of the amount raised through a debt or equity issue. Brokerage commissions to the issuer are an additional 0.5–1.5%.

Foreign investors or issuers may freely access the country's securities market, and, technically, bonds may be issued in any currency. To date, however, bonds have been issued only in US dollars.

Tax consequences. Income obtained from the transfer of registered securities is not subject to any tax.

Rights offerings Rights offerings are unregulated for both local and foreign investors, but must be made in accordance with a company's *pacto social*, a memorandum that establishes a company's options for issuing more shares. If the *pacto social* does not specify a particular procedure, then the company must offer shares to existing shareholders before going to the market.

The cost of rights offerings vary with the price and value of the shares. Most underwriters work on firm commitment, but best-effort underwriting is also practised. The market's largest underwriters work on a standard fee structure based on the volume and price of the issue.

Tax consequences. Income obtained from the transfer of registered securities is not subject to any tax.

Private placements Companies planning a private placement normally hire a financial consultant who works with the company in developing a "project memorandum" or "private placement memorandum", and then offers the investment opportunity to a select group of potential investors. Consultants usually charge commissions of 1–2% of the amount to be raised.

Tax consequences. Income obtained from the transfer of registered securities is not subject to any tax.

GDRs/ADRs Global Depositary Receipts and American Depositary Receipts are permitted, and there is no cap placed on volume. Banco Latinoamericano de Comercio

Exterior, Copa and Willbros Group are Panamanian stocks traded on the NYSE Euronext.

Tax consequences. Income from abroad is not taxed in Panama.

Alternative markets No alternative markets exist in Panama.

Bank loans Private banks are the most important sources of medium- and long-term credit for agriculture and cattle-raising. The state-owned Banco de Desarrollo Agropecuario (BDA) also lends to the agriculture sector.

The interest rate on loans with terms of 1–5 years averaged 6.85% at local banks and 6.50% at foreign banks at end-September 2011, according to the Superintendency of Banks of Panama (Superintendencia de Bancos de Panamá—SBP). Loans under US\$200,000 are subsidised at a rate of 8.75%, but any larger amount tends to carry the going rate, regardless of maturity.

According to the SBP, credit to the private sector from Panamanian banks stood at US\$27.4bn at end-September 2011, an increase of 14.5% compared to one year earlier. The three sectors receiving the largest proportion of credit were commerce (30%), real estate (mortgages), which received 27%, and personal consumption (20%).

Syndications, or club loans, are relatively rare but are available on a case-by-case basis, usually with the involvement of several international banks.

Tax consequences. Interest income from loans destined for the construction of houses is tax exempt, as is interest income from loans for agro-industrial activities, provided the interest rate conforms to the preferential rate established by the National Banking Commission.

Financial leasing Leasing has become more common as commercial enterprises may take advantage of a 100% income-tax deduction for leasing costs, available until the leasing contract ends. Leasing is governed by Law 7 of 1990 and overseen by the Ministry of Commerce and Industries (Ministerio de Comercio e Industrias).

Although 115 leasing companies were registered at the ministry as of November 2010 (latest information available), many were either inactive or provided leasing services only occasionally to their customers. Because these companies are not required to submit financial information to the ministry, as of March 2012 there were no up-to-date, official data available on these companies.

Many commercial banks in Panama offer financial leasing to corporate clients and some have created leasing subsidiaries such as Finanzas Generales (a subsidiary of Banco General) and Arrendadora Centroamericana (of the UK's HSBC). The leasing arms of the larger banks are well placed to take advantage of their parent banks' existing customer base.

Tax consequences. One of the greatest advantages of financial leasing is that companies may deduct 100% of their lease costs from taxable income. Once a lease ends, a company may keep the equipment for an additional monthly payment and the levy of a 5% retail tax.

Corporate bond issues Bond offerings on the Panama Stock Exchange (Bolsa de Valores de Panamá—BVP) are a common alternative for companies seeking long-term capital. Corporate bonds have traditionally been a favourite financial instrument of both issuers and buyers on the BVP. Conservative Panamanian investors also typically prefer fixed-income placements.

There were 18 corporate bond issues placed in the primary market in 2011, totalling US\$850m. An additional US\$146m was traded on the secondary market in the same time period.

Bonds on the BVP may range in maturity from six months to 15 years or more, but generally extend 1–5 years. Mortgage bonds range in maturity 10–30 years. Interest on bonds usually follows the US prime rate or LIBOR (London interbank offer rate), plus 1–4 percentage points. Normally, terms are around 7–8%, but at times they have reached as high as 12%.

Since the first Panamanian issuer defaulted in December 2000, issuers have been required to obtain a credit rating, and the monitoring of issues has become more stringent.

Investment-banking fees may be up to 2% of the amount raised through a bond issue. Local brokerage houses, through their parent banks, provide underwriting facilities and thus assume the risk of the primary offer. The paper is then resold or kept as an investment, particularly if the issuer is a well-recognised corporation or bank. Brokerage commissions to the issuer add an extra 0.5–1.5%.

Foreign investors or issuers may freely access the country's securities market, and—technically—bonds may be issued in any currency. So far, however, bonds have been issued only in US dollars.

Tax consequences. In 1996 the government revised the previous year's Tax Incentives Harmonisation Law (Ley de Armonización de Incentivos Tributarios) to partially reinstate the tax incentive for investments in securities issued to raise capital for the development of agribusiness and agro-industrial ventures. A deduction of up to 30% of the nominal amount of an investment is allowed, but only when capital is raised for the development of agro-industrial projects.

Private placement of notes Private placement of notes is not an important source of finance. Nevertheless, when unable to raise funds on the stockmarket or through banks, commercial groups or private parties may form partnerships to raise the capital among themselves.

Tax consequences. Placements made by companies not registered with the Superintendency of Capital Markets (Superintendencia del Mercado de Valores—SMV) are subject to tax on the interest from the bonds. Buyers of bonds from companies registered with the commission must pay a 5% withholding tax on any interest not going through the market. Any issue made through the market is tax free.

Structured finance Securitisation of assets is completely unrestricted in Panama. Securitised assets, most commonly mortgages or personal loans, tend to take the form of bonds

that are usually collateralised by property or personal-loan receivables. Banks, insurance companies, and pension and mutual funds often buy these securities.

The mortgage arm of Wall Street Securities, a leading investment bank now part of Banco General, launched the debut issue of an ongoing mortgage-backed securitisation programme in 1999. Most mortgage-backed bonds (bonos hipotecarios) in circulation (well over 90%) have been issued by La Hipotecaria, a major Panamanian mortgage lender. According to the latest information available from the Panama Stock Exchange (Bolsa de Valores de Panamá–BVP), at end-September 2010 there were US\$179.9m mortgage-backed bonds in circulation, of which US\$177.5m were issued by La Hipotecaria.

Tax consequences. There are no tax breaks to foster securitisation, but any registered bond issue passing through the BVP is tax exempt.

Infrastructure financing

As Panama's economy is mostly services based, there is not a great need for infrastructure financing in the private sector. Most public infrastructure projects in Panama are financed under concession agreements granted by the government that can either be enacted by specific legislation or entered into under the governing regulatory framework.

Large projects in the maritime and energy sectors have often been financed with syndicated loans in which both domestic and foreign banks have taken part.

Financing for the expansion of the Panama Canal (targeted for completion in 2014) is being provided by loans from multilateral banks, including the European Investment Bank (US\$500m), the Japan Bank for International Co-operation (US\$800m), the Inter-American Development Bank (US\$400m), the International Finance Corporation (US\$300m) and the Andean Development Corporation (US\$300m). To help finance the project, the Canal Authority began raising toll rates by an average of 3.5% a year for 20 years beginning in 2007. The authority expects that the project's construction costs will be fully recovered in 11 years.

Tax consequences. Interest paid on loans or debt instruments is considered Panama-sourced income and subject to a 15% income tax, which must be withheld from interest payments. Some concession agreements enacted by special legislation contain tax-exemption clauses. Also, debt instruments may be registered with the Superintendency of Capital Markets (Superintendencia del Mercado de Valores–SMV) and offered on the Panama Stock Exchange (Bolsa de Valores de Panamá–BVP) in order to take advantage of tax exemptions for debt instruments listed on the BVP.

Trade financing and insurance

The Panamanian government does not play a significant role in the financing or insuring of exports. Most trade financing and export insurance is obtained through the highly liquid private financial sector.

Firms engaged in the export of certain nontraditional agricultural products may apply for a tax-reduction certificate called an agricultural export promotion certificate (*certificado de fomento a las agroexportaciones*–CeFA). The CeFA is transferable, and its value is determined by a set formula, which calculates a

percentage of the cost of export processing of over 200 products (listed in Annex 1 of Law 82, implemented December 31st 2009). CeFAs must be redeemed within six months of the date of export of the goods to which the CeFA corresponds. Applications for CeFAs are accessible on the Ministry of Commerce and Industries (Ministerio de Comercio e Industrias–MICI) website (www.mici.gob.pa).

The government has placed emphasis on providing a legal and fiscal framework to promote exports, especially since it does not play an important role in providing export-finance or insurance. Private insurance companies generally provide export insurance to locally based companies.

The Latin American regional bank, Banco Latinoamericano de Comercio Exterior (Bladex), is based in Panama and focuses on financing export activities from numerous countries in Latin America and the Caribbean. It offers a range of products to exporting firms, including loans, lines of credit, bankers' acceptances, leasing, export guarantees and factoring.

Most commercial banks provide some form of financing or credit arrangements for both importers and exporters. However, offshore banks are limited to servicing foreign-based companies. Terms and rates are similar as for other types of borrowing. Several countries provide specialised import financing. Goods exported from the US and imported to Panama by US-based companies may qualify for financing from US institutions such as the Overseas Private Investment Corporation (OPIC) and the Export-Import Bank. France's export agency, Coface, re-established a medium-term government guarantee to French companies exporting goods to Panama in 2000.

Tax consequences. Income from insurance and reinsurance policies offered to foreign companies is tax exempt.

Key contacts

- **Banco de Desarrollo Agropecuario (BDA)**, PO Box 5282, Zona 5, Panama City; tel: (507) 512-9000; fax: (507) 262-5398; internet: <http://www.bda.gob.pa> (Spanish only).
- **Banking Superintendency of Panama** (Superintendencia de Bancos de Panamá), Avenida Samuel Lewis, Torre HSBC, PO Box 0832-2397 WTC, Panama City; tel: (507) 506-7800/ (507) 506-7900; fax: (507) 264-9560; internet: http://www.superbancos.gob.pa/home_eng.asp (in English). Includes the Financial Analysis Unit (Unidad de Análisis Financiero–UAF), tel: (507) 206-7941 (both English and Spanish).
- **Colón Free-Zone Administration** (Administración Zona Libre de Colón), PO Box 0302-00079, Colón; tel: (507) 445-9500/9501/9502; fax: (507) 475-9622; internet: <http://www.colonfreezone.com> (in English).
- **Latin American Export Bank** (Banco Latinoamericano de Comercio Exterior–Bladex), 50th Street and Aquilino De La Guardia, Panama City; PO Box 6-1497, El Dorado, Panama City; tel: (507) 210-8500; fax: (507) 269-6333; internet: <http://www.blx.com> (both English and Spanish).
- **Ministry of Commerce and Industries** (Ministerio de Comercio e Industrias), Plaza Edison, Sector El Paical, Floors 2 and 3, PO Box 0815-01119, Panama City; tel: (507) 560-0600/0700; fax: (507) 315-0480; internet: <http://www.mici.gob.pa> (Spanish only).
- **Ministry of Economy and Finance** (Ministerio de Economía y Finanzas), Vice Ministry of Finance: Avenida Perú, Antiguo Edificio de Hacienda y Tesoro, Panama 5; Vice Ministry of Economy: Vía España, Edificio Ogawa, P.O. Box 7304, Panama 5; tel: (507) 507-7000/7600, 506-6600; internet: <http://www.mef.gob.pa>.
- **National Bank of Panama** (Banco Nacional de Panama–BNP), Bolívar Pariente, Vía España, Torre Banconal, Panama City; tel: (507) 505-2000/264-7091; internet: <http://www.banconal.com.pa> (Spanish only).

- **Panama Banking Association** (Asociación Bancaria de Panama), PO Box 4554, Zona 5, Panama City, PB Box 0832-2281; tel: (507) 263-7044; fax: (507) 263-7783, 223-7630/5800; internet: <http://www.asociacionbancaria.com>.
- **Panama Insurance Association** (Asociación Panameña de Aseguradores), Calle Venezuela, Bella Vista 46-113, PO Box 7465, Zona 5, Panama City; tel: (507) 225-4445/9475; fax: (507) 225-8259; (no website).
- **Panama Stock Exchange** (Bolsa de Valores de Panamá–BVP), Avenida Federico Boyd at Calle 49, Edificio Bolsa de Valores de Panamá, Panama City; tel: (507) 269-1966; fax: (507) 269-2457; internet: <http://www.panabolsa.com> (Spanish only).
- **Public Register** (Registro Público), Calle 67-A, Este Vía España, in front of the Clínica San Fernando, Panama City; tel: (507) 501-6000; fax: (507) 278-1014; internet: <http://www.registro-publico.gob.pa> (Spanish only).
- **Public Workers' Savings and Pension Capitalisation System** (Sistema de Ahorro y Capitalización de Pensiones de los Servidores Públicos–SIACAP), PO Box 0419-10713, El Dorado; tel: (507) 260-2624/6998; fax: (507) 260-9178; internet: <http://www.siacap.gob.pa> (Spanish only).
- **Superintendency of Capital Markets** (Superintendencia del Mercado de Valores–SMV), Avenida Balboa, Edificio Bay Mall, 2nd Floor, Office 206, PO Box 0832-2281 WTC, Panama City; tel: (507) 501-1700; fax: (507) 501-1709; internet: <http://www.conaval.gob.pa>.
- **Superintendency of Insurance and Reinsurance** (Superintendencia de Seguros y Reaseguros), Avenida Ricardo Arias Calle 51, Panama City, PO Box 832-1683 WTC; tel: (507) 560-0511/12/13/14; fax: (507) 560-0518/19; internet: <http://www.superseguros.gob.pa/> (Spanish only).
- **Sustainable Development Foundation** (Fundación para el Desarrollo Sostenible–FUNDES), Avenida Principal Los Angeles, L-21, Panama City, PO Box 0819-09616; tel: (507) 236-0433; fax: (507) 236-0048; internet: <http://www.fundes.org/?cat=0&title=Micro,%20small%20and%20medium%20enterprises%20lose%20market%20participation&lang=en> (English website).

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