



July 29, 2008
Circular No. 036-2008

General Manager
Panama City

Reference: Penal Code Reforms

Dear General Manager:

As you know, Law No. 14 of May 18, 2007 adopts the Penal Code of the Republic of Panama. This Law, which reforms the aforementioned Code, went into effect on May 23, 2008.

In this context, as the regulatory body of Panama's Banking Center, we have deemed it sensible to highlight the provisions contained in the Second Book, Title VII, Chapter III (Financial Crimes) and Chapter IV (Money Laundering Crimes) of the mentioned Code, which stipulate the penal obligations for the directors, executive officers, managers, administrators, legal representatives, members of the credit committee, employees or workers of a banking entity, financial or other company that captures or mediates with public financial resources.

By virtue thereof, and so as to make known the provisions and sanctions contemplated in the norm, we hereby quote the articles of the Penal Code that make reference to the aforementioned obligations, in the annex attached to this Circular.

We will be grateful to the Manager for making these provisions known to all the staff under his or her charge.

Attentively,

Olegario Barrelier
Superintendent

ANNEX

SECOND BOOK THE CRIMES

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Title VII

Crimes against the Economic Order

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Chapter III

Financial Crimes

Article 237. Whoever, for his or her own benefit or that of a third person, takes power of, causes the illegal transfer of or makes undue use of money, securities or other financial resources of a banking entity, financial or other company that captures or mediates with public financial resources or that has been entrusted, or engages in those conducts through computer manipulation, fraud or through technological means, will be sanctioned with four and six years in prison.

The sanction will be of six to eight years in prison, when the punishable act is perpetrated by an employee, worker, director, officer, administrator or legal representative of the entity or company, taking advantage of his or her position or of someone else's error.

Article 238. Anyone that destroys, conceals or forges the accounting books, other accounting records, financial statements or other financial information of a natural or legal person, aiming to obtain, maintain or extend a loan or capital facility of a banking entity, financial or other company that captures or mediates with financial resources that belong to the public or that have been entrusted to the former, in such a way that damage occurs, will be sanctioned with six to eight years in prison.

The same sanction will be applied to whoever makes use of the forged financial documents or benefits from the destruction, concealment or forgery thereof.

Article 239. Anyone that destroys, conceals or forges the accounting books or accounting entries, financial information or annotations of records or in accounts held by an issuer registered in the National Securities Commission, or of those that operate as a securities house, investment advisor, investment corporation, investment broker, or of a mediator or of a self-regulated organization or a member of a self-regulated organization, in such a way that damage occurs, will be sanctioned with six to eight years in prison.

Article 240. The sanctions imposed by articles 238 and 239 will be aggravated by a third to one half when:

1. The acts are performed by an authorized public accountant.
2. Whoever encourages or facilitates the behaviors is a director, manager, executive officer, administrator, legal representative, attorney-in-fact or employee of the natural or legal person that receives the loan or capital facility.

Article 241. The director, executive officer, manager, administrator, legal representative, member of the credit committee, employee or worker of a banking entity, financial or other

company that captures or mediates with public financial resources, who directly or indirectly approves one or several credits or other financing, going above the legal rules, in such a way that can cause mandatory liquidation, insolvency or permanent illiquidity, will be sanctioned with of four to seven years in prison. This same sanction will be imposed on the credit beneficiaries that participated in the crime.

The above sanction will be aggravated by one fourth of the maximum amount if it is done for self-benefit.

Article 242. Anyone that captures in a massive and habitual manner, financial resources from the public, without being authorized by a competent authority, will be sanctioned with eight to fifteen years in prison.

Article 243. Anyone that, for his own benefit or that of a third party, improperly uses or discloses privileged information obtained by a privileged relation, regarding securities registered in the National Securities Commission or securities traded in an organized market, in such a way that a damage is caused, will be sanctioned with six to eight years in prison.

For the purposes of this article, information will be deemed confidential when, due to its nature, it can influence the securities prices and has not yet been made of public knowledge.

Article 244. The director, executive officer, manager, administrator, legal representative or employee of a banking entity, financial or other company that captures or mediates with public financial resources who, in order to conceal illiquidity or insolvency situations of the entity, omits or fails to provide information, or provides false data to the supervision and oversight authorities, will be sanctioned with five to eight years in prison.

Article 245. Anyone that, seeking an undue benefit for him/herself or for a third party, makes purchase or sales bids on registered securities, or to purchase or sell said securities creates a false or misleading appearance that the registered securities are being actively traded, or establishes a false or misleading appearance regarding the market of registered securities, or manipulates the market price of any registered security, aiming to encourage the sale or purchase of said securities, will be sanctioned with four to six years in prison.

Article 246. The public official who negligently fails to perform the corresponding controls to which he or she is obliged by virtue of the attributions of his or her own position related to the aforementioned criminal types, will be sanctioned with one to three years of prison or its equivalent in fines or weekend arrest.

Article 247. Anyone that, directly or indirectly promises, offers, concedes, requests or accepts to or from a person who directs a private sector entity or fulfills any function in said entity, an undue benefit that results in his or her own gain or in that of another person, so that by omitting the duty inherent to his or her functions he or she acts or fails to act, will be sanctioned with a penalty of two to four years in prison or its equivalent in fines or community service.

Chapter IV Money Laundering Crimes

Article 248. Whoever, personally or by an intermediary, receives, deposits, trades, transfers or converts monies, titles, securities, goods or other financial resources, reasonably foreseeing they proceed from activities related to international bribery, crimes against Copyright and Related Rights, against Industrial Property Rights or against Humanity, drug traffic, illegal partnership to perpetrate drug-related crimes, qualified fraud, financial felonies, illegal arms traffic, people traffic, kidnapping, racketeering, embezzlement, compensated or paid homicide, against the environment, corruption of public officials, illegal enrichment, acts of terrorism, terrorism financing, pornography and corruption of minors, commercial sexual traffic and exploitation, theft or international traffic of vehicles, with the purpose of concealing, covering or hiding their illegal origin, or helping evade the legal consequences of such punishable acts, will be sanctioned with a penalty between five and twelve years imprisonment.

Article 249. Whoever does any of the following will be sanctioned with the penalty to which the previous article refers:

1. Without having participated, but with knowledge of its origin, hides, conceals or hinders the determination, the origin, the location, the destination or the ownership of monies, goods, securities or other financial resources, or helps to ensure their benefit, when the latter proceed from or have been obtained directly or indirectly from one of the illegal activities mentioned in the previous article or by any other means helps to ensure their benefit.
2. Executes transactions personally or by an intermediary, natural or juridical, in a banking, financial or commercial establishment or of any other nature, with money, securities or other financial resources coming from one of the activities specified in the previous article.
3. Personally or by an intermediary, natural or juridical, provides another person or a banking, financial or commercial establishment or of any other nature, false information for the opening of a bank account or for the execution of transactions with money, securities, goods or other financial resources, proceeding from any one of the activities stipulated in the previous article.

Article 250. Whoever, knowing its origin, receives or uses money or any financial resource product of money laundering, to finance a political or any other type of campaign, will be sanctioned with a penalty between five and ten years imprisonment.

Article 251. Whoever, knowing its origin, uses his function, job, trade or profession to authorize or allow the money laundering crime, described in article 248 of this Code, will be sanctioned with a penalty between five and eight years imprisonment.

Article 252. The public official who conceals, alters, removes or destroys the criminal evidence related to money laundering, or procures the escape of the apprehended, arrested or sentenced person, or receives money or another benefit aiming to favor or damage any of the parties in the process, will be sanctioned with a penalty between three and six years imprisonment.

Article 253. For the purposes of this Chapter, the following will be understood, among others, as transactions: those performed in or from the Republic of Panama, such as deposits, purchase of cashier's check, credit card, debit card or prepaid card, money order, certificate of deposit, traveler's check or any other security, transfer and payment order, currency purchase or sale, stock, bond or any other security coming from the customer, as long as the sum from such transactions is received in the Republic of Panama in money, in kind or in a security that represents it.