



Comisión Nacional de Valores
República de Panamá

THE PANAMANIAN NATIONAL SECURITIES COMMISSION

Panama City, Republic of Panama
May 17th 2010

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- **DECREE LAW 1 OF 1999: THE PANAMANIAN SECURITIES LAW**
 - By which the National Securities Commission is created and the securities market is regulated
- The National Securities Commission is an autonomous agency of the federal government:
 - Administers its funds, which are independent from those of the central government
 - Prepares and presents a proposal of its budget to Congress for approval
 - Handles all administrative duties based on its internal code of conduct
- **ORGANIZATIONAL STRUCTURE**
 - Three (3) presidentially-appointed Commissioners for a five (5) year term
 - Chairman, legal representative and spokesman
 - VP Commissioner
 - Commissioner
 - Five (5) Directors
 - Officials

Market Participants

- **THE PANAMANIAN STOCK EXCHANGE (BVP)**, started operations in 1990



- **LATINCLEAR (Clearing House)**, started operations in 1997



- **THE PANAMANIAN SECURITIES COMMISSION (CNV)**, established in 1999

- Registered Market Intermediaries:
 - Broker-Dealer Houses
 - Investment Advisors, etc.



Main Legal Duties

- To promote market stability and strengthen market conditions for the development of the securities market
- To issue, suspend, revoke and cancel registration and/or operating Licenses: stock exchanges, clearing houses, broker-dealer houses, etc.
- To establish rules of good commercial standards and ethical principles that must be adopted by broker-dealer houses, investment advisors, self-regulatory organizations, mutual funds, mutual fund administrators, etc.
- To determine what accounting standards and principles must be used when preparing financial statements: **IASs and IFRSs**
- To examine and supervise the activities of any person subject to the control of the Commission
- To carry out inspections, investigations and judicial proceedings

Authorization of Entities and Individuals

REGISTRATION

- Mutual Funds
 - Prospectus
- Initial Public Offerings (IPO)
- Credit Rating Agencies
- Private Pension Funds
 - Prospectus

LICENSING

- Principals (natural person)
- Mutual Fund Administrators/ Managers
- Broker-Dealer Houses
- Investment Advisors
- Private Pension Fund Administrators
- Panamanian Stock Exchange
- Clearing Houses

Authorization Processes at the Commission

By Law, The Commission has thirty (30) calendar days to process:

- Registration,
 - Licensing, and
 - General Requests
-
- Subject to the Commission's comments and/or observations
 - Once all paperwork complies with the applicable legal requirements, a Resolution granting the authorization will be issued, and it will be made public in the Official Gazette (Presidential Ministry)
 - If the Commission considers that terms offered to investors are not fair or reasonable according to the Panamanian Securities Law and common international practices, the requested authorization could be denied

Registration Procedure for Mutual Funds

The application must be submitted by a Panamanian licensed Lawyer:

- Corporate name of the mutual fund and certificate of registration at the Panamanian Public Registry
 - If it is a foreign company, it must be registered at the Panamanian Public Registry as a foreign corporation
- Legal domicile and commercial address
- Identification of the appointed Mutual Fund Manager, which must be licensed by the Commission
- Identification of the appointed Compliance Manager and Principal (s)
- Identification of the Custodian
 - Copy of the signed Custodial Agreement
- Initial Public Offer (IPO) details
- Must comply with the minimum capital requirement for registration (USD 25,000.00)
- Must present a certificate of good standing
- Identification of the Board of Directors and its managerial team
- Financial Annual reports

Registration Procedure for Mutual Funds ⁽²⁾

- Copy of the Broker-Dealer Agreement
- Internal Code of Conduct
- Copy of advertisements intended to be distributed, including the Notice of Public Offer
- Sample of the investment contract to be presented to investors
- Minutes issued by the Board of Directors stating the terms and conditions for the operations of the fund

The Prospectus

The Prospectus must be filed as part of the registration process; its main characteristics are:

- Should provide information that is true, clear and easy to understand, precise, sufficient and supported by actual facts, must not omit relevant information
- Shall be presented before the Commission in Spanish, however it can be later published in a different language
- Provide the name of the mutual fund
- Indicate the type of fund: open or close-ended fund, private fund, etc.
- Provide detailed information regarding the fund's investment purpose, policies and risks
- Indicate the subscription procedure for shares or common stock
- Present the calculation procedure for the Net Asset Value (NAV) of shares
- Provide information regarding management commission and other applicable fees
 - If the Commission finds that fees are excessive, not necessary or not justified, it may render observations to the fund administrator and request their inclusion in the Prospectus
- Provide information regarding dividend distribution policies if applicable
- Indicate the intend to invest in derivatives when applicable

Investment Policies

INVESTMENT STRATEGY (MUTUAL FUNDS)

- Indicate the selection criteria for issuers and securities: fixed or variable income securities, sovereign bonds, etc.
- Must provide information regarding maturity dates, geographic distribution of the instruments, economic sectors (distribution min/max), currency, etc.
- Provide information regarding the risks relative to the fund's investments
- Comply with the requirements of information concerning investments in derivatives, and when applicable the fund must include warnings in the Prospectus

Real Estate Mutual Funds (REMFs)

- Must reveal the type of estate in which it intends to invest: residential, commercial, etc.
- Must provide information regarding its risk diversification criteria
- Must provide an action plan to be followed
 - Growing in popularity as there are many projects focused on the development of property in Panama

Registration of a Broker-Dealer House

Except for Banks, Broker-Dealer Houses are the only entities authorized to engage in activities to receive, process and execute orders and trades on behalf of others or on its own behalf.

AUTHORIZED ACTIVITIES

- Provide advisement to clients concerning investment opportunities
- Management of custodial accounts
- Management of individual investment portfolios
- Act as agent of payment, transfer and registration
- Grant loans for the purchase of securities
- Mediation in public offerings on behalf of the issuer

REGISTRATION REQUIREMENTS

- Comply with the minimum capital requirement (USD 150,000.00)

Regulatory Principles

The Commission is committed to the implementation of the International Organization of Securities Commission (IOSCO) standards:

- Investor's Protection
- Reduction of Systemic Risk
- Ensure that capital markets are fair, efficient and transparent

ON THE REGULATOR

- Responsibilities should be clear and objectively stated
- Should count with the required powers, proper resources and capacity to perform its functions
- Regulatory processes must be clear and consistent
- The staff should observe high professional and ethical standards (confidentiality)

Advertisement Materials

Advertisement principles are enforced so that public information is sufficient, clear and true.

- No guaranteed returns on any investment
- References to past returns must include a historical analysis of the fund's performance for a five (5) year period or greater
- Must describe the risks relative to the investment
- Must refer potential investors to the Prospectus
- Must indicate the type of authorization granted by the Commission
- The information must be vast so that individuals can have a good understanding of the fund's operations and investment policies

Regulation Scope by Type of Mutual Fund

Regulation requirements are applicable to mutual funds based on their investment goals and characteristics of incorporation.

- Mutual Funds that publicly offer shares in the Republic of Panama
 - Advertisement materials are directed to potential investors nationwide
 - The Fund Manager is domiciled in Panama
 - The fund's head office is domiciled in Panamanian territory or its prospectus indicates that the fund's main office is located in Panama
 - The Custodian's legal residence is in Panama
 - The majority of the mutual fund's Board of Directors reside in Panama

- Mutual Funds that offer shares only to individuals who reside and are domiciled outside the Republic of Panama
 - Investment policies and requirements are more flexible
 - Must have an appointed representative in Panama
 - Keeps both administrative and financial records and information concerning the fund's operations
 - Reporting requirements are more lenient
 - Documentation can be requested by the Commission, however its submission is not mandatory

Regulation Scope by Type of Mutual Fund ⁽²⁾

- Private Mutual Funds that are not registered, but are certified before the Commission as a “private mutual fund”, and which Prospectus must state that the fund is not registered at the Commission due to the following:
 - Maximum of fifty (50) investors, all offers must be made privately
 - Minimum investment amount is USD 100,000.00 per investor
 - Must appoint a legal representative in the Republic of Panama
 - Before starting operations, its legal representative must have received all documentation and relevant information certifying that the fund complies with the requirements to be considered as a private mutual fund
 - Must present an annual compliance certification before the Commission

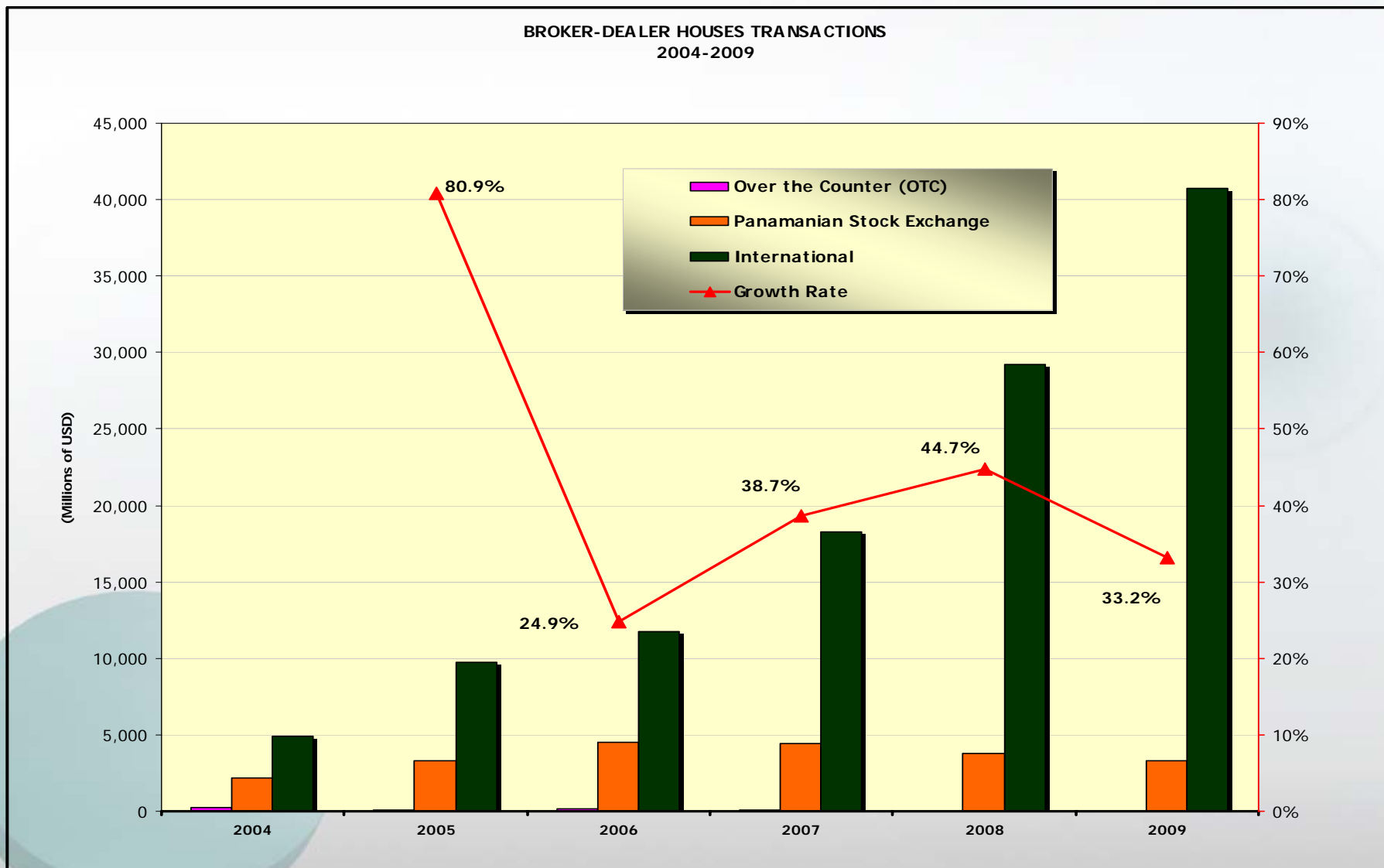
Securities Law Enforcement

- Violations to The Panamanian Securities Law may be subject to sanctions by the Commission
- The Commission can apply administrative sanctions for up to USD 1,000,000.00
- The Commission can apply sanctions for Confidential Information Disclosure for up to USD 100,000.00, in addition to any civil and penal sanctions
- Regulation and Supervision enforcement:
 - Inspections
 - Investigations
- Evidence of possible violations are obtained from market surveillance activities, investor's complaints and media reports from other jurisdictions, etc.



Annual Performance of the Panamanian Securities Market

TYPE OF TRADE TRANSACTION	2004	2005	2006	2007	2008	2009
OVER THE COUNTER (OTC)	233,331,299	119,980,372	196,591,282	69,454,259	2,528,253	16,488,423
PANAMANIAN STOCK EXCHANGE (BVP)	2,177,104,716	3,283,068,980	4,505,866,013	4,458,312,201	3,804,189,824	3,285,064,321
INTERNATIONAL	4,872,335,884	9,770,641,149	11,746,794,937	18,289,818,987	29,219,813,959	40,697,179,194
TOTAL	7,282,773,904	13,173,692,505	16,449,254,238	22,817,587,454	33,026,534,045	43,998,733,947
ANNUAL GROWTH RATE		80.89%	24.86%	38.72%	44.74%	33.22%



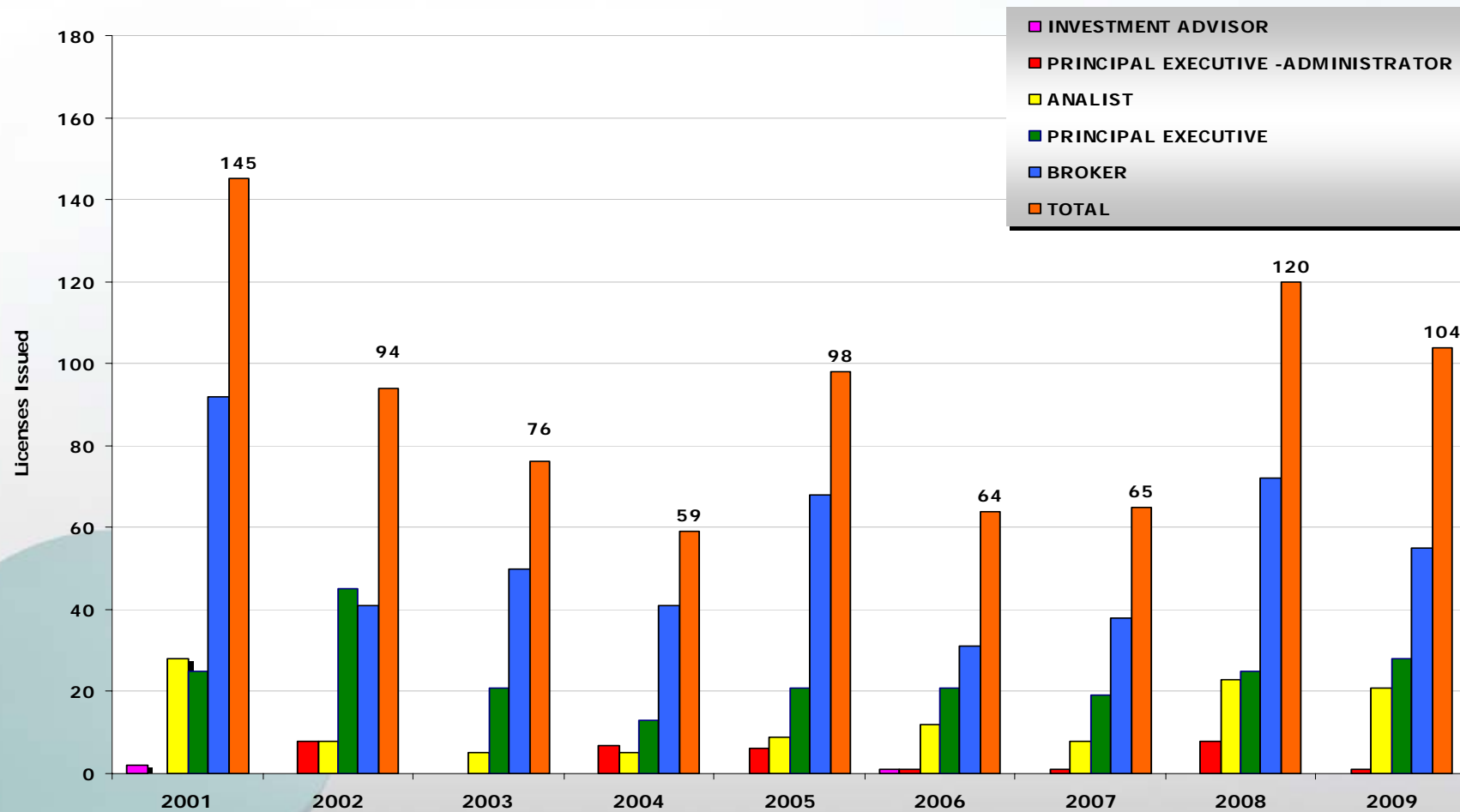


Natural Persons Authorized

YEAR	INVESTMENT ADVISOR	PRINCIPAL EXECUTIVE - ADMINISTRATOR	ANALIST	PRINCIPAL EXECUTIVE	BROKER	TOTAL
2001	2	0	28	25	92	145
2002		8	8	45	41	94
2003		0	5	21	50	76
2004		7	5	13	41	59
2005		6	9	21	68	98
2006	1	1	12	21	31	64
2007		1	8	19	38	65
2008		8	23	25	72	120
2009		1	21	28	55	104
TOTAL	3	32	119	218	488	825



LICENSES ISSUED TO INDIVIDUALS ANNUALLY, PER TYPE



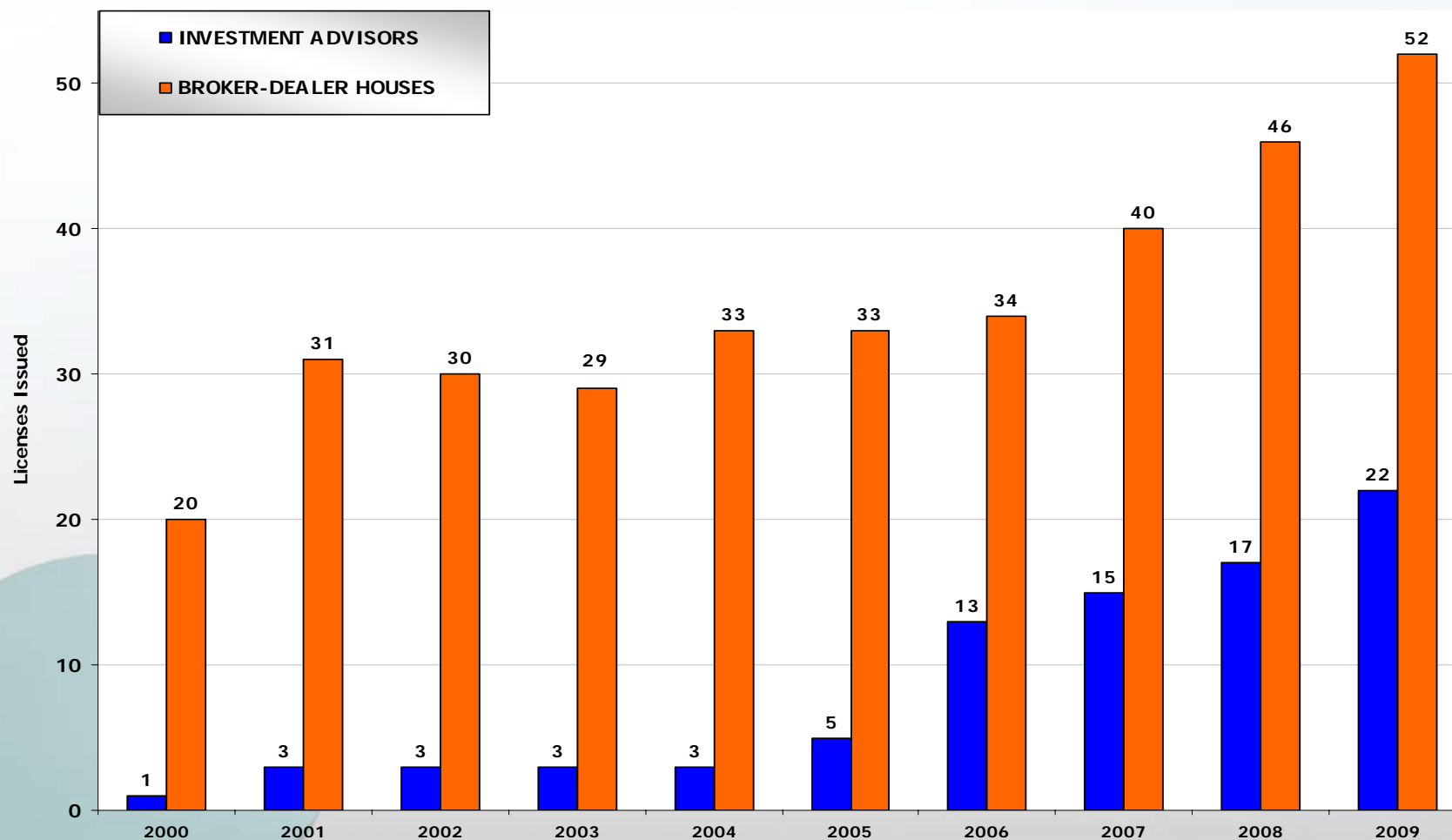


Active Licenses for Market Intermediaries

YEAR	INVESTMENT ADVISORS	BROKER-DEALER HOUSES
2000	1	20
2001	3	31
2002	3	30
2003	3	29
2004	3	33
2005	5	33
2006	13	34
2007	15	40
2008	17	46
2009	22	52



ACTIVE LICENSES FOR BROKER-DEALER HOUSES AND INVESTMENT ADVISORS



Quarterly Traded Volumes by Broker-Dealer Houses 2009

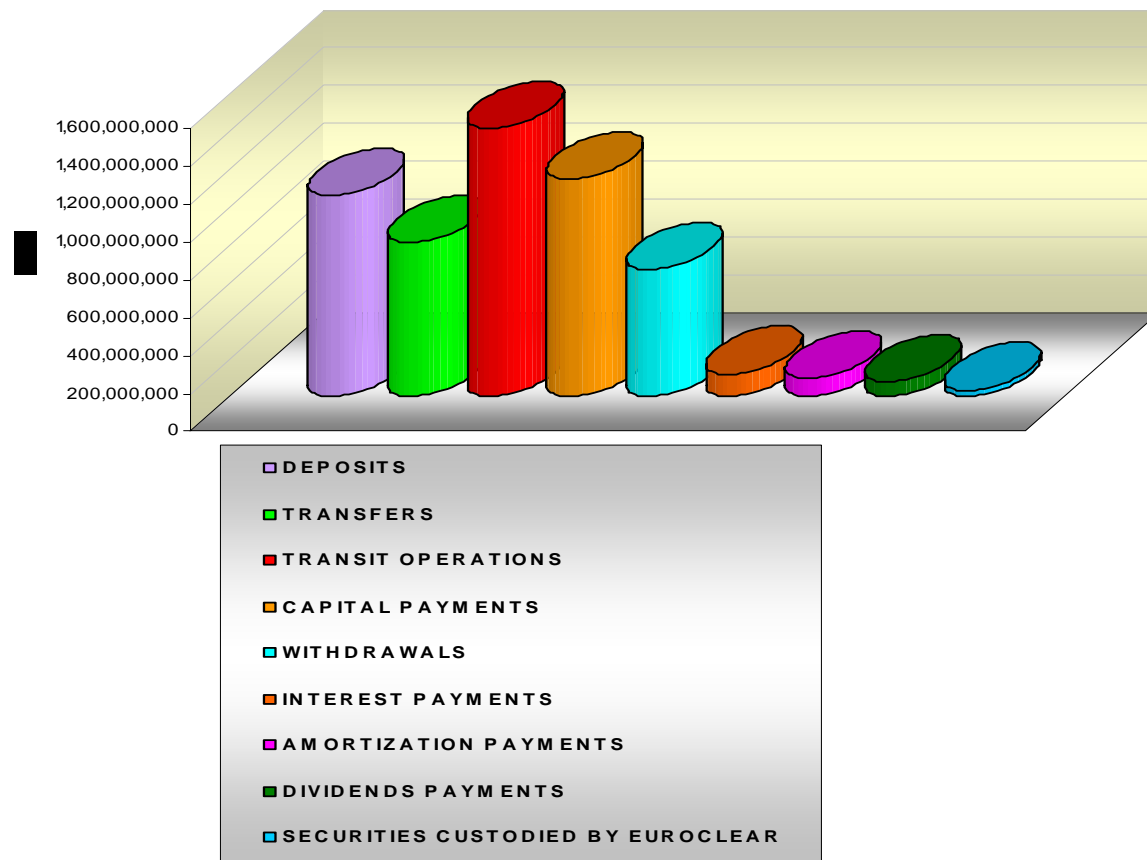
No.	B/D HOUSES REGISTERED AT THE PANAMANIAN STOCK EXCHANGE (BVP)	IQ09	IIQ09	IIIQ09	IVQ09	TOTAL
1	Bac Valores (Panamá), S.A.	13,831,845	636,037	42,009,401	8,935,537	65,412,820
2	Banco Nacional de Panamá	64,060,669	99,594,161	33,671,690	-	197,326,520
3	BG Investment Co. Inc.	22,197,433	75,192,923	29,115,192	75,245,664	201,751,211
4	Citivalores, S.A.	32,395,732	118,698,875	85,732,495	56,903,100	293,730,202
5	Credicorp Securities Inc.	1,560,731	1,318,696	10,187,422	1,163,700	14,230,550
6	Geneva Asset Management S.A.	1,105,000	18,954,484	32,854,936	14,139,950	67,054,370
7	Global Valores, S.A.	30,106,093	103,605,982	53,896,431	97,320,233	284,928,739
8	HSBC Securities (Panamá), S.A.	40,814,977	164,241,866	162,050,797	52,838,550	419,946,191
9	Lafise Valores de Panamá, S.A.	1,476,854	2,666,010	4,512,000	14,211,000	22,865,864
10	MMG BANK CORP.	23,946,657	155,587,522	107,205,416	168,279,717	455,019,312
11	Mundial Asset Management	154,025,390	66,991,076	100,160,923	113,577,906	434,755,294
12	Multi Credit Securities, Inc.	1,564,540	11,981,537	2,693,061	7,191,718	23,430,855
13	Mundial Valores, S.A.	-	-	52,450,211	55,184,938	107,635,150
14	Portobelo Advisors	-	49,558,173	2,807,964	5,751,848	58,117,985
15	Tower Securities Inc.	2,765,000	1,570,513	4,395,500	1,002,000	9,733,013
16	Valores Cuscatlán Panamá	2,063,740	19,736,933	-	-	21,800,673
17	Wall Street Securities, S.A.	117,363,112	200,148,495	116,516,099	123,251,803	557,279,509
TOTAL		509,277,772	1,090,483,283	840,259,539	794,997,663	3,235,018,257

Monthly Volume of Transactions by LATINCLEAR

MONTH	DEPOSITS	WITHDRAWALS	TRANSFERS	INTEREST PYMT	CAPITAL PYMT	AMORTIZATION PYMT	DIVIDEND PYMT	TRANSIT OPERATIONS	SECURITIES CUSTODIED BY EUROCLEAR	TOTAL
JANUARY	43,432,701	9,905,230	46,387,929	15,066,683	311,669,000	6,698,571	3,068,219	161,255,236	3,383,930	600,867,499
FEBRUARY	45,315,878	12,935,858	66,902,945	12,649,790	16,237,000	17,760,066	778,231	52,957,619	154,502	225,691,889
MARCH	55,874,461	16,616,002	66,335,007	6,460,795	107,180,000	8,359,877	10,827,308	59,749,296	1,053,795	332,456,541
APRIL	117,924,563	10,569,567	25,043,337	4,950,755	33,097,000	5,979,702	4,315,194	85,680,307	1,106,889	288,667,313
MAY	128,966,843	33,826,225	231,728,881	5,713,200	27,942,000	1,212,798	746,886	129,665,108	363,023	560,164,964
JUNE	62,004,985	15,033,313	61,620,244	13,338,948	21,093,000	7,144,094	11,116,562	135,564,238	2,164,947	329,080,332
JULY	100,422,342	41,257,539	53,924,895	6,711,178	34,179,000	5,723,752	4,338,706	186,605,910	11,276,008	444,439,331
AUGUST	47,406,229	7,244,589	22,889,863	13,689,265	34,458,000	17,899,022	3,741,665	74,541,876	133,013	222,003,522
SEPTEMBER	184,832,799	12,931,509	16,415,929	5,052,294	22,159,000	4,787,469	8,208,758	62,492,020	1,673,580	318,553,358
OCTOBER	70,832,564	15,021,654	139,594,755	6,953,841	80,748,000	8,291,492	4,921,801	122,151,659	1,188,494	449,704,261
NOVEMBER	33,560,340	464,430,863	26,012,950	12,126,669	264,164,733	1,886,040	3,736,385	196,775,365	119,246	1,002,812,590
DECEMBER	167,766,075	24,357,273	55,082,426	13,816,938	192,698,062	4,517,310	17,445,185	141,251,337	8,133,429	625,068,035
TOTAL	1,058,339,780	664,129,622	811,939,159	116,530,356	1,145,624,795	90,260,193	73,244,901	1,408,689,973	30,750,855	5,399,509,635

Monthly Volume of Transactions by LATINCLEAR

LATINCLEAR MONTHLY VOLUME OF TRANSACTIONS
2009





The National Securities Commission plays a key role in the development of the securities market:

- Promoting community awareness
- Commitment to the development of a more transparent capital market focusing on investor's protection
- Responsible for establishing regulations that are relevant to the market's condition and needs



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República de Panamá

THANK YOU!

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