Unified Text,
comprising Decree Law 1 of 1999 and laws amending it,
and Title II of Law 67 of 2011,
(modified by Law No. 12 of the 3rd of April of 2012, and
Law No. 56 of 2nd of October of 2012)
Of the securities market in the Republic of Panama
and the Superintendence of the Securities Market.[1]

THE NATIONAL ASSEMBLY
DECREES:

Preliminary Title
Superintendence of the Securities Market

Chapter I
Establishment, objectives and agencies

Article 1. Scope. For the purposes of this Title, it is understood that the Securities Market Law are the provisions contained in this Law concerning the Superintendence of the Securities Market as well as the provisions of Decree Law 1 of the 8th of July 1999 and the regulations thereof.

Article 2. Superintendence of the Securities Market. Hereby is established the Superintendence of the Securities Market, hereinafter the Superintendence, as an autonomous government agency, a legal entity with its own patrimony, and with administrative, budgetary and financial independence.

The Superintendence shall be the sole agency authorized to regulate and supervise the issuers, broker-dealer firms, intermediaries and other persons participating in the securities market.

In order to guarantee its autonomy, the Superintendence shall have the following powers and advantages:

1. To act independently in exercising its functions, subject to oversight by the Office of the Comptroller General of the Republic, as stipulated in the Political Constitution of the Republic. Such oversight shall not imply any inherence in the administrative powers of the Superintendence.

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[1] **This Single Text of Decree Law No. 1 of 1999 is a document prepared by the Superintendence of Securities Market, as a working document, and is not an official publication, therefore, if you require an official version, please refer to the Official Gazette No.26979-A.**

2. To have funds both separate and independent from the Central Government as well as the power to manage such funds.
3. To prepare the draft the project of its own budget which upon consideration and approval through the proper procedures of the Executive Branch and the National Assembly, shall become a part of the General State Budget.
4. To choose, appoint, dismiss and determine the remuneration of its personnel according to the provisions of its own internal regulations, which shall be prepared by the superintendent.
5. To establish its organization and administration structures.
6. To have the power to engage external consultants, lawyers and accountants, whom it may deem necessary in order to perform its functions and duties under the Securities Market Law. It may also determine the remuneration of said persons and the terms of their contracts. The appointments and contracts may be permanent or temporary.
7. To enjoy the guarantees and immunities established for the State and its public agencies.
8. To be exempt from the payment of national taxes, dues, fees, charges, contributions or imposts, with the exception of social security contributions, education insurance tax, of professional risks duties, mandatory complementary funds, public utility fees, import duties and tax on the transfer of tangible goods and on services rendered.

Article 3. Objectives of the Superintendence. The general objective of the Superintendence shall be the regulation, supervision and oversight of activities conducted in or from the Republic of Panama in the securities market, in order to foster the rule of law for all persons participating in the market and guaranteeing transparency, with a special protection for the rights of investors.

Article 4. Activities of the securities market. The following shall be the activities of the securities market:

1. Registration of securities and authorization of public offers of securities.
2. Investment advisory services.
3. Acting as intermediaries in respect of securities and financial instruments.
4. Opening and managing investment and custody accounts.
5. Administration of investment companies.
6. Custody and deposit of securities.
7. Administration of systems of trading securities and financial instruments.
8. Compensation and settlement of securities and financial instruments.
9. Credit rating.
10. The service of providing information about securities prices.
11. Self-regulation as referred in the Securities Market Law.
12. Providing information to the securities market, including gathering and processing of such information.
13. Other activities contemplated in the Securities Market Law or determined by other laws, provided always that they represent the activities of handling, utilizing and investing resources obtained from the public in securities or financial instruments.

The entities conducting any of the activities indicated in this article, either in or from Panama, shall be subject to the supervision of the Superintendence of the Securities Market. Banks (except when they are broker-dealer firms), financial enterprises, and the natural persons or legal entities expressly exempted by law shall not be subject to the supervision of the Superintendence of the Securities Market.

Article 5. Bodies of the Superintendence. The Superintendence shall have a superintendent and a Board of Directors

The Executive Branch shall appoint the superintendent and five of the members of the Board of Directors, and shall be subject to ratification by the National Assembly, as stipulated by Law 3 of 1987.

The two additional members shall be appointed as stipulated on the article that follows, and shall not be subjecto to ratification by the National Assembly.[2]

Chapter II
Board of Directors

Article 6. Composition and remuneration of its members. The Board of Directors shall act as the chief body of consultancy, regulation and establishment of the Superintendence's general policies, and will be integrated by seven members entitled to speak and vote shall form it. Five of the members of the Board of Directors shall be chosen in accordance with the requirements stipulated in the following article, among whom a president and a secretary shall be elected to hold such offices for one year, which may be extended for the same period of time.

The other two directors shall be respectively appointed by the board of directors of the Superintendence of Banks of Panama and by the board of directors of the Superintendence of Insurance and Reinsurance of Panama, for a period of two years, which may be extended.

The members of the Board of Directors shall receive no remuneration or expense allowances, with the exception of such fees as the Executive Branch may determine for attending the meetings of the Board of Directors, as well as ***per diem*** for participating in official missions.[3]

Article 7. Requirements. In order to be a member of the Board of Directors, the following is required:

1. To be a Panamanian citizen.
2. To have a university degree and at least ten years of experience in the financial sector.
3. Not being a person who has been sentenced by a national or foreign competent authority for crimes against the economic system, against the national administration, against public trust, against collective safety or for crimes punishable with at least four years of

[2] MODIFIED by article 1 of Law No. 56 of the 2nd of October of 2012.

[3] MODIFIED by article 292 of Law No. 12 of the 3rd of April 2012.

imprisonment, nor a person who has been penalized by a supervisory entity of the financial sector for a serious or very serious infringement in Panama or in a foreign jurisdiction.

4. Not being a blood relative of another director or of the superintendent within the fourth degree of consanguinity; not being involved a kinship relative of another director or of the superintendent within the second degree of affinity; and not being the spouse of another director or of the superintendent.
5. Not holding a full time employment in civil service, with the exception of that of a university professor.
6. Not being a person who has been declared bankrupt or in creditors' meeting by a court, and may not be a person who is evidently insolvent.
7. Not being the direct or indirect owner of more than 5% of the shares of a legal entity that has a license issued by the Superintendence, and may not be the direct or indirect owner of 5% of the shares of a registered issuer.
8. Not being a director or an officer of a legal entity that has a license issued by the Superintendence, and may not be a director or officer of a registered issuer.
9. Not being a director or an officer of a legal entity that owns 25% or more shares of a legal entity that has a license issued by the Superintendence, and may not be a director or an officer of a legal entity that owns 25% or more shares of a registered issuer.
10. Not being carrying out any activity requiring a license issued to natural persons by the Superintendence.

Article 8. Term of office. The members of the Board of Directors shall hold their posts during an extendable term of five years, with the exception of the members appointed respectively by the board of directors of the Superintendence of Banks of Panama and by the board of directors of the Superintendence of Insurance and Reinsurance of Panama, who shall have an extendable term of office of two years.

The appointment of the members of the Board of Directors shall be conducted so as to ensure their staggered renewal. In the event of the premature termination of the tenure of office of a director, the replacement shall be appointed for the respective remaining term.

Provisional paragraph. In order to enable the staggered renewal of the five directors whose original Board of Directors is appointed by the Superintendence, the initial appointment shall be as follows: one director for a term of five years, one director for a term of four years, one director for a term of three years, one director for a term of two years and one director for a term of one year.[4]

[4] **MODIFIED by a**rticle 293 of Law No. 12 of the 3rd of April 2012.

Article 9. Quorum and decisions. The presence of at least four of its members is required in order to obtain a valid quorum for meetings of the Board of Directors, in which case four votes shall be required to approve decisions.

Whenever the quorum is more than four members, the decisions shall be adopted by majority vote.

Article 10. Functions. The functions of the Board of Directors are:

1. To adopt, amend and revoke agreements implementing the provisions of the Securities Market Law.
2. To recommend to the Executive Branch the approval of the regulations of the Securities Market Law through executive decrees.
3 To recommend registered issuers to adopt principles of corporate governance.
4. To adopt rules of good conduct in trading and and ethical standards to be complied with by the persons subject to regulation and supervision.
5. To adopt principles, standards, interpretations, guidelines, technical rulings, practices and general rules established by national or international accounting organizations, which have to be complied with to prepare financial statements, as well as to adopt their form and contents, and to establish the form and contents of any other financial information to be submitted by registered issuers, investment companies, entities with a license issued by the Superintendence and any other person subject to the provisions of the Securities Market Law.
6. Upon the prior favorable opinion of the superintendent, to recognize jurisdictions where legislation contains sufficient elements to be deemed as a recognized jurisdiction, as defined by the Securities Market Law. Such recognition may be general or partial, and it may be revoked or made more encompassing according to the opinion of the board of directors.
7. To establish standards, to ensure the independence of those authorized certified accountants who prepare and examine the financial statements of registered issuers, investment companies and entities with a license issued by the Superintendence.
8. To authorize collective class proceedings.
9. To resolve appeals against the resolutions of the superintendent or resolutions issued upon delegation by the superintendent.
10. To conduct a yearly evaluation of the amounts of the fees for registration and supervision, which may be increased according to the rate of inflation accumulated since the past year when the last increase was enforced, on the basis of publications of the Office of the Comptroller General of the Republic. This revision shall imply the prior submission of a study of those markets competing with the Panamanian jurisdiction, and it shall require the favorable vote of five of its members. As long as funds originating from surplus exist, increases in the amounts of the fees may not be applied.
11. To adopt the procedure for imposing penalties on the basis of the principles and the guidelines established in Decree Law 1 of 1999.
12. To approve the goals and objectives of the Superintendence.

13. To approve or disapprove the draft project of the annual budget of the Superintendence, which the superintendent has submitted to its consideration prior to the respective constitutional procedure.
14. To approve the organic administrative structure of the Superintendence and its functions, and to review it whenever it may deem convenient.
15. To approve the internal rules concerning work, as well as the internal regulations of the Superintendence.
16. To approve programs of bonuses for the performance of employees of the Superintendence or any other incentive that may foster their productivity.
17. To approve contracts entered into by exceptional procedures, which require sums higher than thirty thousand dollars ($30,000.00) and lower than one hundred thousand dollars ($100,000.00), in accordance with the provisions of the Law of Public Contracting and its regulations concerning such procedure.
18. To determine the administrative standards required for compliance with the functions and duties of the Superintendence.
19. To approve the Code of Ethics and Conduct of the Superintendence for its employees and directors. Among other standards, such Code shall stipulate guidelines in respect of conflicts of interests, direct or indirect interest in registered securities and regulated entities, obligations to disclose and separate information, as well as the applicable penalties.
20. To exercise the other functions stipulated by the Securities Market Law and other legislation enacted.

    The Board of Directors may delegate to the superintendent any function described above, whenever it may deem necessary and is not in conflict with its duties.

Article 11. Advisory Council of the Board of Directors. The Advisory Council of the Board of Directors of the Superintendence of the Securities Market is hereby established, and it shall consist of the organizations, which are formally established in the Republic of Panama and represent the stock market sector or the investors sector. For these purposes, the Advisory Council of the Board of Directors of the Superintendence shall, in principle, consist of the following organizations

1. The Panamanian Chamber of the Capital Market.
2. The Panamanian Association of Securities Sales Agents.
3. The Panamanian Chamber of Securities Issuers.
4. The Panamanian Association of Compliance Officers.

These organizations must formally submit to the Superintendence their representatives duly chosen among their members. In the event of incorporating other organizations, they shall first be accredited before the Superintendence of the Securities Market, and for such purposes, the Board of Directors of the Superintendence shall decide by resolution if they are admitted to the Advisory Council, whereupon they shall be allowed to designate their respective representatives.

The representatives in the Advisory Council shall be designated by the organizations they represent, for an extendable term of two years, and they shall act with no remuneration or per diem for the meetings that take place.

Persons who have been penalized by the Superintendence for serious or very serious misdemeanor may not be representatives in the Advisory Council.

The Advisory Council shall have the function of issuing its opinion before the resolutions, which the Board of Directors may submit to it, are generally applied, and the opinions of the Advisory Council will not be binding. Whenever so invited, the President of the Advisory Council may attend the meetings of the Board of Directors with the right to speak.

The Representatives of the Advisory Council shall be entitled to choose among themselves both their president and their secretary.

Chapter III
Superintendent

Article 12. The office of superintendent. The superintendent shall be the legal representative of the Superintendence and shall be in charge of administering and handling its daily affairs. The superintendent shall be a full time public official and shall be remunerated with a salary according to the sum the Executive Branch decides for such purposes. The superintendent shall be appointed for a period of five years extendable once, and shall be acting as from the first of January after the beginning of the usual period of the president. However, the superintendent shall remain in office until the National Assembly ratifies the replacing superintendent. The superintendent shall attend the meetings of the Board of Directors with the right to speak, except in the event when the matters to be dealt with, in the opinion of the Board of Directors, should be discussed without the presence of the superintendent.

The superintendent may not engage in liberal professions or hold positions or engage in activities that are against, or interfere with the public interest entrusted to the functions exercised by the superintendent, whether such activities have or do not have remuneration.

In the event that the tenure of office of superintendent ceases prematurely, the replacement shall be appointed for the rest of the remaining period. In the event of temporary absence of the superintendent, the president of the Board of Directors shall have the legal representation of the Superintendence. In such cases, the Board of Directors shall appoint an officer of the Superintendence as an interim superintendent.

The superintendent shall comply with and implement the agreements and the resolutions approved by the Board of Directors, and shall supervise the compliance with the rules and policies established in respect of the securities market.

Similarly, the superintendent shall submit to the consideration of the Board of Directors the adoption of the decisions that should be adopted by it.

Provisional paragraph. The first superintendent of the securities market shall be appointed upon the enactment of this Law, and shall remain in office until the 31st of December 2014.

Article 13. Requirements to hold the office of superintendent:

1. To be a Panamanian citizen.
2. To have a university diploma and a minimum of ten years of experience in the private or public financial sector.
3 Not being a person who has been sentenced by a national or foreign competent authority for crimes against the economic patrimony, against the economic system, against Public Administration, against public trust or against collective safety nor for a crime with a minimum sentence of four years imprisonment, and may not be a person who has been penalized by a supervising entity of the financial sector for a serious or very serious misdemeanor in Panama or in a foreign jurisdiction.
4. Not being a blood relative within the fourth degree of consanguinity or a kinship relative within the second degree of affinity or the spouse of a member of the Board of Directors.
5. Not holding a full time employment in civil service, with the exception of that of a university professor whose working hours differ from those of the Superintendence.
6. Not being a person who has been declared bankrupt or in creditors' meeting by a court and may not be evidently insolvent.
7. Not being the direct or indirect owner of shares of an entity having a license issued by the Superintendence, or of a corporation of a registered issuer, except if the person is a beneficiary of a trust or a private interest foundation, the terms of which prevent the beneficiaries from having knowledge or inherence in the investments to be made by the fiduciary or by the foundation council.
8 Not being a director of an entity holding shares of a corporation having a license issued by the Superintendence or of a corporation of registered issuers.

Article 14. Functions of the superintendent. The following are functions of the superintendent:

1. To resolve the applications for the registration of securities for public offers, as well as any other applications submitted to the Superintendence according to the Securities Market Law.
2. ***Ex officio*** or upon a request, to cancel the registration of securities in the Superintendence.
3. To suspend the public issuances that infringe provisions of the Securities Market Law or whenever the law so stipulates.
4. To issue, suspend, revoke, cancel and refuse licenses granted by the Superintendence according to the provisions of the Securities Market Law.
5. To receive notifications in case of branches or subsidiaries to be opened in Panama and abroad by entities with a license issued by the Superintendence.
6. To examine, supervise and oversee the activities of entities that have a license issued by the Superintendence, as well as those of their principal executives, securities brokers and analysts in respect of the functions inherent to their licenses, as the case may be.
7. To examine, supervise and oversee the activities of the investment companies.

8. To supervise and oversee branches established abroad by entities having a license issued by the Superintendence, in accordance with the procedures established through an agreement.
9. To issue, cancel or refuse the registration of credit rating entities and price appraisal entities in accordance with the procedures established through an agreement.
10. To conduct inspections, investigations and proceedings contemplated in the Securities Market Law, in accordance with the procedure of the Superintendence in respect of investigations and penalties.
11. To impose the penalties stipulated by the Securities Market Law.
12. To authorize the draft of articles of incorporation and amendments related to the activities of the securities market, in the event of changes of corporate name, fusion, liquidation and reduction of corporate capital when it implies cash reimbursements of contributions of entities having a license issued by the Superintendence.
13. To establish links of cooperation with the supervisory entities of other jurisdictions in order to strengthen the means of control and to update prevention regulations.
14. To establish links of cooperation with public or private institutions of a professional or an educational nature.
15. To issue certificates in connection with the existence of entities that have a license issued by the Superintendence or by the National Securities Commission, on the basis of information existing in the Superintendence.
16. To issue certificates in connection with the registration of securities in the Superintendence.
17. To initiate collective class proceedings through a decision of the Board of Directors of the Superintendence, and to undertake other actions and measures within its scope, in order to enforce the Securities Market Law.
18. To issue opinions expressing the administrative position of the Superintendence in respect of the application of the Securities Market Law.
19. To issue the necessary circulars of instructions for the compliance of the Securities Market Law and the rules implementing it.
20. To acquire the assets and engage the services required for the proper functioning of the Superintendence and for executing or conducting the functions entrusted to it by the Securities Market Law.
21. To prepare the draft project of the year's budget, the annual report of activities and projects of the Superintendence, and submit them to the Board of Directors for its consideration.
22. To determine salaries and other remunerations, and to select, appoint, transfer, promote, grant leaves with or without salary and dismiss employees and officials of the Superintendence, and to apply the respective disciplinary penalites to them.
23. To supervise the execution and efficient administration of the annual budget of the Superintendence.
24. To approve contracts, through an exceptional procedure, required by the Superintendence for less than thirty thousand balboas (B/.30,000.00) according to the

cases contemplated in the Law of Public Contracting and its regulations concerning such procedure.

25. To submit the following documents to the Board of Directors:
    a. The unaudited financial statements of the Superintendence. The quarterly reports shall be submitted not later than two months after the end of every quarter in every fiscal year, and the annual report not later than two months after the end of the year.
    b. Within the same terms as the financial reports, submit the annual and quarterly reports concerning its work.
    c. The monthly execution of the budget.
26. To resolve any matter concerning the administration, which is not expressly reserved to the Board of Directors, or to another authority.
27. To authorize, modify and revoke exceptions to the use of denominations related to the securities market, as well as the communications and actions referred to in article 332 of Decree Law 1 of 1999.[5]
28. To exercise the other functions entrusted to the superintendent by the Securities Market Law and by other legislation.

    The superintendent may delegate functions on officials of the Superintendence subject to the decisions and guidelines of the Board of Directors, with the exception of adopting or modifying opinions.

Chapter IV
Provisions concerning the Members of the Board of Directors and the Superintendent

Article 15. Removal of the members of the Board of Directors and of the superintendent. Once appointed, the members of the Board of Directors and the superintendent may not be removed except for a cause contained in this Law, by the decision of the Plenary of the Supreme Court of Justice and in accordance with the procedure stipulated in the Judicial Code. The Executive Branch and the Board of Directors are authorized to request such removal.

The Plenary of the Supreme Court of Justice may order the removal of a member of the Board of Directors or of the superintendent for having incurred in any of the following causes:

1, Permanent inability to comply with the person's duties,
2. Declaration of bankruptcy or creditors' meeting or a situation of evident insolvency.
3. Failure to comply with any of the requirements stipulated for the person's appointment.
4. Lack of integrity in exercising the person's functions.
5. Repeated and unjustified failures to attend the meetings of the Board of Directors.
6. Non-compliance with the person's duties or responsibilities.
7. A violation of the provisions of the Securities Market Law.
8. To have been condemned for committing a crime.

[5] **MODIFIED by a**rticle 294 of Law No. 12 of the 3rd of April 2012.

Article 16. Conflicts of interests. Whenever the matters to be dealt with in a meeting of the Board of Directors may imply a conflict of interests of any of its members or of the superintendent, said member or the superintendent must abstain from attending the meeting. In the event that the person does not voluntarily abstain, the Board of Directors may formally request the director or the superintendent, as the case may be, to abstain from attending the meeting and, consequently, in the decision.

During the year immediately after the end of the superintendent's term of office or after the superintendent's resignation, said person may not work for an entity that has a license issued by the Superintendence or is under an investigation conducted by the Superintendence.

Article 17. Presumption of legality. Acts of the Board of Directors, of the superintendent and of the superintendent's delegates in the exercise of their functions and duties are presumed to be legal, diligent and of good faith. No demand against them for any of their acts shall imply the separation from office until the cause has been decided.

Article 18. Protection of the institution. The members of the Board of Directors, the superintendent and the superintendent's delegates, as well as any other official authorized by the Board of Directors through a resolution setting down the reasons, shall be entitled to have the Superintendence cover the expenses and court costs of their defense whenever any actions, proceedings, trials or grievances are filed against them due to acts and decisions adopted in accordance with the Securities Market Law, and in the proper exercise of their duties, functions and obligations in good faith.

The institutional protection, which this article refers to, shall apply to said officials for acts conducted in the exercise of their office, even after having ceased in their functions.

In the event that the official is sentenced and that his lack of good faith is proven, said official shall have to reimburse the Superintendence, within the term indicated by it, for the expenses incurred in the official's defense.

The Superintendence shall subrogate the rights of the defendant or denounced party in order to recover the expenses and court costs. The Board of Directors shall establish and provide whatever may be necessary for the faithful performance of the provisions of this article.

Chapter V
Decisions of the Superintendence, publicity and remedies.

Article 19. Decisions, opinions and resolutions of the Superintendence. The decisions shall be limited to the administrative execution of the respective provisions of the Securities Market Law, in order to enable the Board of Directors and the Superintendent to exercise the powers, which this legislation grants them. The decisions shall be adopted by the Board of Directors and shall be generally applicable.

The resolutions may not be in contravention with the Securities Market Law or the regulations enacted by the Executive Branch on the matter.

The administrative positions shall be adopted by the superintendent and called opinions, which shall be generally applicable and binding. The opinions issued by the superintendent shall be limited to expressing the administrative position of the Superintendence concerning the application of a specific provision of the Securities Market Law to a given case in particular, but may not be in contravention with resolutions approved by the Board of Directors or by the Judicial Branch on the same subject.

The superintendent may issue opinions ***ex officio*** or upon request from a interested party in the matter, and may repeal a previous opinion if it contrary to agreements or opinions issued afterwards.

Resolutions may be issued by the superintendent or by the Board of Directors. When the Board of Directors issues them, the resolutions may be generally applicable or applicable to a single given matter, but when the superintendent issues them, they may only be applicable to a single given matter.

Article 20. Publication, notification and effective date. The agreements issued by the Board of Directors, as well as the resolutions generally applicable which it may issue, shall be published in the Official Gazette and shall come into force and effect as from their enactment unless the Board of Directors has established a different date.

The opinions issued by the superintendent in exercise of the superintendent's functions shall be in force and effect as soon as notified, unless the Superintendence establishes a different date. Furthermore, such opinions must be published in the Official Gazette.

The resolutions applicable to a single given matter, which are issued by the Board of Directors or by the superintendent, shall come into force and effect upon being notified, unless provided otherwise.

Article 21. Emergency measures. In order to prevent real, imminent and considerable damage caused by a resolution coming into force and effect or because the legal representative of the entity may not be located in its domicile, the Superintendence may, in order to obtain the expedite compliance of its purposes, notify the resolution by delivery in person to the principal executive of the entity.

If no principal executive is found in the main domicile of the entity, notice may be served by posting the resolution on the door of the entity. In the event of notification by such posting, minutes of said action shall be drafted and signed by an official of the Superintendence and two witnesses, and a copy of the resolution shall be printed for two days in a daily newspaper of general nationwide circulation.

Article 22. Remedies against the decisions of the superintendent. The resolutions of the superintendent and those issued by delegation of the superintendent's authority shall admit the motion of reconsideration, without prejudice to the remedies available in the contentious-administrative jurisdiction. They shall also admit the motion of appeal before the Board of

Directors. The term for filing any of these remedies shall be five business days after notification. The resolution deciding the remedy of appeal shall preclude any other governmental remedy. It is up to the appellant party to file the motion of appeal without resorting previously to the remedy of reconsideration.

Article 23. Effect of filing remedies. Remedies of reconsideration and appeal submitted against decisions of the superintendent or issued by delegation of the superintendent's authority shall be granted with effects of suspention, with the exception of the following cases, in which they shall be granted with effects not suspended:

1. If in the opinion of the Superintendence there are serious imminent damages to the investing public, which may be prevented by the immediate enforcement of the resolution.
2. Remedies against resolutions issued during proceedings of intervention, reorganization or mandatory liquidation, as well as resolutions ordering the suspension of operations or suspension of securities trading.
3. Decisions related to submitting or admitting evidence.

Chapter VI
Assets and resources of the Superintendence

Article 24. Patrimony and income of the Superintendence. The Superintendence shall have the following patrimony and income:

1. Public property and rights of use thereof, which may be granted to the Superintendence for any reason.
2. Transfer of funds received by the Superintendence from the General State Budget.
3. The rates, dues and fines, which the Superintendence may receive according to the provisions of the Securities Market Law. Concerning fines specifically, unless otherwise stipulated by a special law, the amount collected shall be allocated by the Superintendence to a special account, which may be disposed of exclusively in programs of education for investors.
4. Donations and bequests accepted by the Superintendence.
5. Income derived from its own patrimony.
6. Other properties and assets acquired by the Superintendence for other reasons.

Budget entries allocated to the National Securities Commission shall be transferred to the Superintendence of the Securities Market when this Law comes into effect, to be disposed of during the remainder of the period of the General National Budget.

Public officers working in the National Securities Commission shall be relocated in the Superintendence with the same salaries. The internal organization, structure and other aspects of personnel existing in the Superintendence shall be maintained. Similarly, all properties and rights of the National Securities Commission shall become a part of the patrimony of the Superintendence.

Article 25. Registration rates. Persons applying to the Superintendence for the following registrations or licenses shall be subject to paying the following rates:

1. Public offers of securities or derivative instruments, which are subject to registration according to item 1 of article 115 of Decree Law 1 of 1999, 0.015% of the initial offer price, with a minimum of five hundred balboas (B/.500.00) and a maximum of fifty thousand balboas (B/.50,000.00).

   However, public offers of renewable programs of negotiable instruments subject to registration according to item 1 of article 115 of Decree Law 1 of 1999 shall pay 0.030% of the initial offer price, with a minimum of five hundred balboas (B/.500.00) and a maximum of fifty thousand balboas (B/.50,000.00).

   Public offers of securities of the government of the Republic of Panama, foreign sovereign debt securities and debt securities of multilateral organizations shall not be subject to the payment of this fee.

   The registration fee shall not apply to securities already registered and authorized in jurisdictions recognized by the Superintendence.
2. Securities subject to registration in accordance with item 2 of article 115 of Decree Law 1 of 1999, as well as securities that have been the subject matter of a private offer and apply for registration, 0.015% of the paid in capital of the respective corporation at the close of the fiscal year prior to the year when the application is submitted, with a minimum of five hundred balboas (B/.500.00) and a maximum of fifty thousand balboas (B/.50,000.00).
3. Notice of an public offer of purchase shares, ten thousand balboas (B/.10,000.00).
4. Investment company, two thousand five hundred balboas (B/.2,500.00). This fee shall be computed per investment company and not on the basis of the funds or sub-funds it may have.
5. Modification of the terms and conditions of an issuance, one thousand balboas (B/.1,000.00). An increase in the amount of the issue shall not be considered as a modification.
6. Registration of companies with foreigners as shareholders in accordance with article 150 of Decree Law 1 of 1999, ten thousand balboas (B/.10,000.00).
7. Stock Exchange license or other exchange license, twenty-five thousand balboas (B/.25,000.00).
8. Clearinghouse license, twenty-five thousand balboas (B/.25,000.00).
9. Broker-dealer firm license, ten thousand balboas (B/.10,000.00).
10. Investment advisor license, five thousand balboas (B/.5,000.00).
11. License of fund administrator, ten thousand balboas (B/.10,000.00).
12. License of Administrative Services Provider for the Securities Market, ten thousand balboas (B/.10,000.00).
13. Registration of a credit rating entity, five thousand balboas (B/.5,000.00).
14. Registration of a price appraiser entity, five thousand balboas (B/.5,000.00).
15. License of principal executive, three hundred balboas (B/.300.00).

16. License of principal executive of a fund administrator, three hundred balboas (B/.300.00).
17. License of securities broker and analyst, three hundred balboas (B/.300.00).
18. Application for the termination of registration of securities and investment companies, five hundred balboas (B/.500.00).
19. Cancellation of the license of principal executive, of principal executive of a investment company, and of securities broker and analyst, one hundred and fifty balboas (B/.150.00).
20. Cancellation of license of stock exchange and of other exchanges, two thousand five hundred balboas (B/.2,500.00).
21. Cancellation of clearinghouse license, two thousand five hundred balboas (B/.2,500.00).
22. Cancellation of broker-dealer firm license, two thousand five hundred balboas (B/.2,500.00).
23. Cancellation of fund administrator license, two thousand five hundred balboas (B/.2,500.00).
24. Cancellation of investment advisor license, one thousand balboas (B/.1,000.00).
25. Cancellation of registration of credit rating entity or of price appraiser entity, five hundred balboas (B/.500.00).
26. Cancellation of Administrative Services Provider for the Securities Market license, five hundred balboas (B/.500.00).
27. Application for shareholding control change in entities with a license issued by the Superintendence, five hundred balboas (B/.500.00).
28. Authentication of documents, two balboas (B/.2.00) per page.
29. Certificates generally, ten balboas (B/.10.00).
30. Right to an examination for the licenses of securities broker and analyst, principal executive and principal executive of a fund administrator, one hundred balboas (B/.100.00) per examination.
31. Every license renewal permitted by the Superintendence shall pay a renewal fee of the same amount as the applicable registration fee.

Article 26. Supervision rates. The following registrations and licenses shall be subject to paying the Superintendence an annual supervision rate as indicated below in detail:

1. Registered securities, 0.010% of the market value of the registered outstanding securities, with a minimum of five hundred balboas (B/.500.00) and a maximum of fifteen thousand balboas (B/.15,000.00) per registered issue.
2. Public offers of government securities in the Republic of Panama, foreign sovereign debt and multilateral organizations' debt securities shall not be subject to paying this fee. Securities already registered and authorized in jurisdictions recognized by the Superintendence shall not be subject to paying such fee.
3. Investment company, 0.0010% of the net average value of the assets of the investment company during the year, in respect of the participation quotas registered in the Superintendence and sold in the Republic de Panama, with a minimum of five hundred balboas (B/.500.00) and a maximum of five thousand balboas (B/.5,000.00). This fee shall

be computed per investment company and not on the basis of the funds or sub-funds it may have.

4. Stock exchange and other exchanges, 0.0020% of the annual amount of trading carried out, with a minimum of ten thousand balboas (B/.10,000.00) and a maximum of one hundred thousand balboas (B/.100,000.00).
5. Clearinghouse, 0.0010% of the annual amount of the securities held in custody, with a minimum of five thousand balboas (B/.5,000.00) and a maximum of one hundred thousand balboas (B/.100,000.00).
6. Broker-dealer firm, 0.0025% of the annual amount of trading securities and financial instruments carried out, with a minimum of five thousand balboas (B/.5,000.00) and a maximum of one hundred thousand balboas (B/.100,000.00).
7. Investment advisor, two thousand five hundred balboas (B/.2,500.00).
8. Fund administrator, five thousand balboas (B/.5,000.00).
9. Credit rating entity, two thousand five hundred balboas (B/.2,500.00).
10. Price appraiser entity, two thousand five hundred balboas (B/.2,500.00).
11. Administrative Services Provider for the Securities Market, two thousand five hundred balboas (B/.2,500.00).
12. Principal executive and principal executive of fund administrator, one hundred and twenty-five balboas (B/.125.00).
13. Securities brokers and analysts one hundred and twenty-five balboas (B/.125.00).
14. Renewal of identification sticker of regulated and supervised entities due to change or deterioration, twenty-five balboas (B/.25.00).

Supervised entity rates stipulated in this article shall continue to be in force until the Board of Directors determines otherwise.

The Superintendence is expressly authorized to establish surcharges to supervised entities that fail to make timely payment of the supervision fees applicable to them.

Article 27. Criteria for determining rates. Registration and supervision fees shall maintain a close relation with the costs, in which the Superintendence hast to incur in order to perform its duties rationally and efficiently complying with its budget. For this purpose, the Board of Directors of the Superintendence shall review the fees every year during the process of approving its budget of income and expenses.

Notwithstanding, if at the end of the term of the budget there is any surplus originating from the payment of fees, the Superintendence shall transfer such budget to a special account intended at covering expenses of ensuing budget years.

Should there be a surplus during two consecutive budget years, the Board of Directors may reduce the fees as it may deem convenient to prevent such surplus in the ensuing years.

Chapter VII
Memoranda of Understanding

Article 28. Intergovernmental relations. In its relations with the Executive Branch, the Superintendence shall act through the Ministry of Economy and Finances.

Article 29. Supervision abroad. Outside of the Republic of Panama's frontiers, only the Superintendence shall conduct the supervision of origin of the intermediaries that hold a license issued by the Superintendence and have branches abroad.

The Superintendence may establish standards, procedures and requirements, which must be complied with in applying this Chapter.

Article 30. Understandings with foreign supervisory entities. The Superintendence shall reach bilateral or multilateral understandings with foreign supervisory entities, which may enable it to carry out the supervision abroad, which this Chapter refers to, and a global evaluation of the entities that hold a license issued by the Superintendence and are subject to regulation and supervision according to the Securities Market Law. These understandings shall, inter alia, specify the criteria applicable to inspections, investigations and exchange of information and cooperation between entities.

Cooperation with foreign supervisory entities shall be based on principles of reciprocity and confidentiality, and must strictly abide by the goals of supervision and oversight of the securities market.

The Superintendence may establish standards, procedures and requirements that have to be complied with in order to apply this article.

Chapter VIII
Career of official of the securities market

Article 31. Creation. The career of Official of the Securities Market is created, and it shall be developed by means of a system of administration of human resources, in order to establish the standards, procedures and the plan of remuneration applicable to public officials working in the Superintendence, on the basis of merit and efficiency.

Article 32. Objectives. The main objectives of the career are:

1. To guarantee that the administration of the Superintendence's human resources is strictly based on the official's effective and efficient performance in his overall professional development and an appropriate remuneration according to the needs and the actual financial situation of the Superintendence.
2. To guarantee fair treatment for all officials with no discrimination due to race, birth, disability, social class, sex, religion or political orientation.
3. To guarantee equality of opportunities of advancement.
4. To achieve an increase in the efficiency of the officials and the Superintendence.
5. To guarantee a working environment in the Superintendence free from pressures and from apprehensions due to political reasons.

6. To promote the flow and diversity of ideas, which may lead to dignified officials, who are conscious of their role in the service of society and who guarantee the Superintendence's competitiveness.
7. To promote recruitment and retention of officials who will distinguish themselves by their capabilities, competence, loyalty and integrity, which are qualities required for holding positions in the Superintendence.

In the event that any of the provisions of this Chapter is not considered clear, it should be construed according to these principles and the definitions established in Title I of Decree Law 1 of 1999.

Article 33. Main bodies of the career. The superior bodies of the career of Official of the Securities Market are:

1. The Board of Directors, which shall be the competent body for adopting provisions, in-house working rules, manuals and policies required to enforce the standards of the career of Official of the Securities Market.
2. The superintendent.
3. The National Directorate of Administration of the Superintendence.

The Board of Directors shall operate as regulatory body, and the other two bodies shall operate as the ones in charge of the execution of the human resources policies of the Superintendence established in this Chapter, and said main bodies shall act in compliance with the Political Constitution, this Law and the internal regulations approved for the development of said policies.

Article 34. Career Committee. The following are duties of the Board of Directors acting as Career Committee:

1. In connection with the application and development of this Law, to act as a body to be consulted by the executive bodies of the career.
2. To serve as second instance in connection with appeals submitted against penalties imposed on Career Officials.

The operations of the Career Committee shall be determined by resolution adopted by the Board of Directors.

Article 35. Career Officials. Career Officials shall be the ones who have been or are admitted as Career Official of the Securities Market, according to the procedures stipulated in this Chapter.

The superintendent is not a Career Official.

Article 36. Acquiring the rank of Career Official. The official who begins working in the Superintendence according to the regulations concerning recruitment and selection established in this Chapter, and according to the regulations adopted in order to create the career, shall acquire the rank of Career Official after a trial period of at least two complete consecutive years with a satisfactory evaluation.

Selection procedures shall be designed on the basis of professional competence, formal education, experience and moral stature, which shall be proven by satisfactory means of evaluation prepared and approved previously according to the provisions of this Chapter.

The persons who, on the date this Law comes into effect, are officials of the National Securities Commission shall be accepted as Career Officials provided always that they have already worked for the National Securities Commission for at leas two years and that they fulfill the requirements and the profile required for the position they hold.

All ranks of Career Official of the Securities Market shall be acknowledged by a formal recognition.

Article 37. Internal contests. Any official of the Superintendence may choose to participate in internal contests to be held to fill in vacancies arising in Career Official positions. Should no personnel comply with the requirements of the position, an external personnel selection process shall be carried out.

Article 38. Special rights of the Career Officials. Career Officials shall have the rights stipulated in this Chapter, in the internal regulations of the Superintendence, and mainly but not only the following rights:

1. Stability in the position.
2. Promotions and transfers.
3. Seniority bonuses.
4. Leaves with or without salary.
5. Indemnification for dismissal without just cause.

The stability of the Career Officials shall be subject to effective, productive, honest, expedite and responsible work, and to treating users and citizens equally, impartially and with respectful attention.

Article 39. Seniority bonus. At the time when the labor relationship with the Superintendence ends, the Career Official shall be entitled to a seniority bonus at the rate of two weeks salary for each year of work, up to a maximum of twelve months salary. The computation shall be made according to the last salary earned by the Career Official. In the event that a given year is not fully complied with, the Career Official shall be entitled to the respective proportion of the bonus. The time of continuous work in the National Securities Commission shall be recognized for the bonus.

Only those Career Officials who cease work because they have resigned or have been dismissed without just cause or due to a reduction of the work force or invalidity shall receive the seniority bonus.

Article 40. Manual of policies and procedures. Based on the rules adopted by the Board of Directors, the Superintendence shall prepare a detailed manual defining the human resources measures and the procedures to be complied with in order to carry them out, and specifying the duties and obligations of the officials.

Article 41. Description and classification of positions. The Superintendence shall prepare a manual describing and classifying positions. Each position shall have a specific description of the tasks to be performed and the minimum requirements to hold the position. The descriptions shall be periodically reviewed and updated.

The classification of positions shall include the respective nomenclature, according to the definition of the duties, responsibilities and minimum requirements. A grade shall be allocated to each position according to its complexity and hierarchy.

Article 42. Determining remuneration and salary scale. The Superintendence shall determine a salary scale on the basis of the classification, the financial situation of the Superintendence, the conditions of the labor market and the salary standards of Panama, particularly in the securities market.

At least every two years, the Superintendence shall review its remuneration policy in order to guarantee to the Career Official a remuneration that will provide proper living conditions, as well as to respect the principle of salaries equal to the work involved.

Article 43. Policies concerning standard of living and incentives. The Superintendence shall establish policies or programs of incentives for the Career Officials, with a view to fostering their productivity, efficiency and competitiveness, as well as to improve their moral, social and cultural development, and their attitudes toward work.

Policies concerning the standard of living shall establish economic, moral and cultural incentives strictly based on performance and achievement of the official's objectives.

Article 44. System of evaluation of performance and productivity. The Superintendence shall establish a system of evaluation of performance and productivity, which will be the basis of the systems of remuneration, incentives, qualification and dismissal.

The system of evaluation of performance and productivity is a set of rules and procedures to evaluate and qualify the performance and productivity of officials. The evaluations and qualification shall be based exclusively on performance and productivity without any prejudice whatsoever. This system shall be adopted by resolution of the Board of Directors.

Article 45. Imposing penalties. Failure to comply with the duties, obligations, prohibitions and other legal or regulation provisions concerning the Career of Official of the Securities Market shall be considered an administrative infringement.

The provisions of the Internal Regulations of the Superintendence shall also be applied to such officials.

Article 46. Termination of employment. The official's employment in the Superintendence shall terminate in the following cases:

1. Duly accepted written resignation.
2. Reducing personnel.

3. Dismissal.
4. Disability declared by public health services.
5. Separation due to evaluation of performance.
6. Demise.

Article 47. Indemnification for dismissal without just cause. Regardless of the right to stability, the Career Official may be dismissed from any position by the superintendent at any time and for any cause, provided that said Career Official be indemnified at the rate of one week salary per year of work up to a maximum of ten months salary, without prejudice to the accrued seniority payment. In the event that the official does not complete the last year, the payment shall be computed in proportion to the period actually worked.

The time worked continuously in the Superintendence shall be recognized, and the basis for the computation shall be the last salary earned.

The Superintendence shall pay said indemnification for dismissal without just cause within a term no longer than sixty business days after the right thereto arises.

Article 48. Application of rules in the event of provisions to the contrary. For the purposes of this Chapter, in case of contrdiction with other rules, the provisions established in this Chapter and in the rules that determine and establish their administrative interpretation and scope shall apply.

Law 9 of 1994 and amendments thereof shall only apply as supplementary.

Title I
Definitions

Article 49. Definitions. For the purposes of this Law, the following terms shall be construed as follows:

1. *Share or shares.* Includes common or preferred shares, any certificates of participation or of investment and any other titles or rights that represent an interest of participation in a corporation or in another legal entity or trust, as well as securities convertible into shares, instruments granting the right to subscribe or purchase shares and any other securities with similar characteristics as the Superintendence may determine.
2. *Financial assets.* Include any security, cash money and any other movable property, which an intermediary may keep in a custody account in favor of a given person, if the intermediary and said person have agreed to recognize said movable property as a financial asset subject to Title X of this Law, provided that said movable property has not been excluded from said meaning by the Superintendence.
3. *Agreement.* Every generally applicable decision adopted by the Superintendence.
4. *Investment fund administrator*. A person to whom, individually or jointly with other fund administrator, a investment company delegates the power to manage, handle, invest and dispose of the mutual company's securities and assets. The investment company

administrator may provide the services usually provided by a administrative service provider exclusively to investment companies.

5. *Affiliate*. A person who directly or indirectly through a different person controls or is controlled by a different person or is under the same control as said different person.
6. *Sales agent.* Shall have the meaning ascribed to item 1 of the definition of offerer contained in this article.
7. *Analyst.* A natural person who works for an investment advisor providing investment advisory services, and has the License of Securities Broker and Analyst.
8. *Investment advisor*. A person that, for a remuneration, is engaged in the business of advising others in respect of determining the price of securities or the convenience of investing, purchasing or selling securities or financial instruments or prepares and publishes studies or reports about securities, and in respect of Forex. This term does not include accountants, lawyers, professors or other professionals, whose investment advice is merely incidental in the exercise of their profession, or publishers, producers, journalists, writers, commentators and other employees of newspapers, magazines, publications, television channels, radio broadcasting companies or other telecommunication media, provided always that said persons only communicate criteria or opinions as part of their job in the media, that they do not directly or indirectly have or acquire an interest in the securities that are the subject matter of the criteria or opinions which they express, and that they do not receive any commission or payment for doing so, except for their usual remuneration for their job or employment in such communication media.
9. *Stock exchange.* A legal entity that maintains and operates facilities where persons meet to trade financial instruments, or a mechanical, electronic or other kind of system, which enables to trade financial instruments by matching offers of purchase and sale.
10. *Broker-dealer firm.* A legal entity engaging in the business of purchasing and selling securities or financial instruments for third parties or on its own account. Offering and opening investment accounts is also understood to be activities of a broker-dealer firm. This term does not include securities brokers.
11. *Clearinghouse.* A legal entity engaging in one or more of the following activities:
    a. Keeping records of securities transactions for the purpose of clearing and settling rights created by said transactions.
    b. Keeping records of transfers of securities and guarantees granted for them with the purpose of establishing the title of property and guarantee rights over said securities.
    c. Keeping security certificates deposited for the purpose of making the transfer of said securities possible by means of accounting entries.
    d. Conducting the activity of custody, administration, compensation and settlement of financial instruments.

    This term does not include broker-dealer firms, members of self-regulatory organizations, banking or finance institutions that may carry out one or more of the above-mentioned activities incidentally within their usual course of business. It does not

include either registration agents or transfers of issuers or any other entities excluded from this definition by the Superintendence.

12. *Circular.* The circular letter or notice addressed to entities holding a license issued by the Superintendence and established in Panama, whereby instructions are given in respect of rules to be complied with,
13. *Commission.* The National Securities Commission.
14. *Control.* For the purposes of the term affiliate contained in this article and in article 56 of this Law, is the power to exercise directly or indirectly a decisive influence over the management, the conduct and the policies of an legal entity through the ownership of shares with voting rights, contractual rights or otherwise. Any person who individually or by agreement with other persons has the title or the right to cast the vote of more than 25% of the shares issued and outstanding of a corporation shall be deemed to exercise control of said corporation. Similarly, the person who has less than 25% does not exercise control of said corporation. Both presumptions may admit evidence to the contrary.

    The Superintendence may identify situations in which control exists regardless of the ownership of more or less than the percentage mentioned above.
15. *Securities broker.* A natural person who works for a broker-dealer firm and purchases and sells securities or other financial instruments on its behalf, and may also engage in providing investment advice and promoting and opening investment accounts, in which cases the person shall have to obtain the respective license from the Superintendence.
16. *Margin account.* A contract entered into to make cash transactions for the purchase of shares for the account of a client, involving amounts higher than the resources provided by said client, envisaging the settlement of open positions to be carried out completely or partially with the resources or the securities obtained through the settlement of a securities purchase transaction, profit, simultaneously or temporary transfer of securities.
17. *Participation quota.* Any share, certificate or participation or investment or any other title or financial right representing a participating interest in a investment company.
18. *Custodian.* A legal entity that has the custody of money, securities or assets belonging to another person.
19. *Trading rights*. A set of chattel and real rights, including property rights and pledge rights, which an indirect holder has in respect of financial assets according to Title X of the Decree Law.
20. *Domicile.* The place where a person is usually active in a job, a profession, a trade or an industry, or where its main establishment is located. The domicile of legal entities is the place where they have their main office, their address or administration, and the place where the legal entity's branches or agencies are located in respect of acts or contracts of said branch or agency.
21. *Principal executive.* Any executive or employee of a broker-dealer firm, of an investment advisor, of a fund administrator or of a self-regulatory organization, who has key responsibilities for the business, the administration, the operations, the accounting, the finances or the supervision of operations or of the employees of said broker-dealer firm, of said fund administrator or said self-regulatory organization. The Superintendence shall,

by means of an agreement, identity the responsibilities, which are to be considered key responsibilities for the purposes of this term.

22. *Principal executive of an investment fund administrator*. Every executive or employee of an investment fund administrator, who has the responsibility of implementing the investment policy of a investment company or of a pension fund. This person is deemed to have key responsibilities concerning the business.
23. *Issuer*. A legal entity that has securities issued and outstanding or intends to issue securities.
24. *Registered issuer*. Any issuer having registered securities or an investment company registered with the Superintendence.
25. *Credit rating entity*. Any legal entity whose sole purpose is to provide investors a professional opinion, updated by rating securities, legal entities or issuers, for which purposes it must apply to registration with the Superintendence.
26. *Legal entities with a license issued by the Superintendence*. The stock exchanges, the financial instruments exchanges, the clearinghouses, the broker-dealer firms, the investment fund administrators, the investment advisors, the fund administrator, the managers of pension funds and other legal entities having a valid license issued by the Superintendence or by the National Securities Commission.
27. *Price appraiser entity*. The one usually and professionally engaged in providing computation, determination and procurement or supply of prices updated for the evaluation of securities, derivative financial instruments in markets recognized by the financial authorities or indexes, as well as in providing information related to said activities. It excludes the transmission of prices in respect of instruments, through electronic means, telecommunications or printed material.
28. *Forex or Foreign Exchange Currency Market*. The usual transaction of purchase and sale of currencies at a price or a kind of exchange at the moment of the contract, as an investment activity and acting for clients with this purpose.
29. *Importance or of Importance*. When used in connection with information disclosure requirements, it restricts the information to that which the holder or purchaser or seller of a security, or the person to whom such information is addressed, would consider important at the time of deciding upon a course of action. In determining whether future or uncertain actions are of importance, their magnitude and the extent to which their occurrence is a probability must be taken into consideration. In respect of the unlawful use of privileged information referred to in article 247, information that is not public knowledge shall be deemed of importance whenever its disclosure may be expected to have a significant effect on the price of the security.
30. *Registered institution*. Any broker-dealer firm, stock exchange, clearinghouse, investment company or investment fund administrator registered with the Superintendence.
31. *Valid instructions*. Shall have the meaning ascribed to it in article 210 of this Law.
32. *Financial instrument.* Any contract that creates a financial asset for an entity and creates a financial liability or an instrument of capital for the other entity. Thus, the financial instruments include all financial assets and financial liabilities securitized or not

securitized, as well as their derivatives, the underlying assets of which may be currency, precious metals and others.

33. *Intermediary*. Any clearinghouse or participant in a clearinghouse or bank or broker-dealer firm, as well as any other legal entity authorized by the Superintendence to keep custody accounts.
34. *Qualified investors*. Natural persons or legal entities engaged in a business that usually includes trading, for their own account or for third parties, either securities or assets of the kind that exist in the investment portfolio of a investment company, of a hedge fund or of a material part of either, or natural persons or legal entities that have signed a statement expressing that individually, or together with the spouse, they own a patrimony consisting of no less than one million balboas (B/.1,000,000.00) or its equivalent in another currency, and who give their consent to be treated as a qualified investors.
35. *IOSCO* (International Organization of Securities Commissions).
36. *Recognized jurisdiction.* Any jurisdiction which the Superintendence recognizes as having laws and regulations which, although not the same as the ones in the Republic of Panama, in the opinion of the Superintendence offer a degree of protection to investors, which is substantially the same or better than the protection offered by the Panamanian legislation, and have a regulatory entity that supervises compliance with is said laws and regulations to the Superintendence's satisfaction.
37. *Securities Market Law*. The law that creates the Superintendence of the Securities Market, this Decree Law and their regulations.
38. *Over-the-counter market.* A market for the purchase and sale of securities or derivatives, which are not listed in organized stock exchanges.
39. *Member of a self-regulatory organization*. A participant in a clearinghouse and any trading post in a stock exchange.
40. *Offerer.* A person engaged in one or more of the following activities:
    1) To offer or sell securities of an issuer representing said issuer or an affiliate thereof, as part of an offer subject to the registration requirements stipulated in Title V.
    2) To buy or acquire from an issuer or an affiliate thereof the securities issued by said issuer or an affiliate, for the purpose of offering said securities or some of them as part of an offer subject to the registration requirements stipulated in Title V. If the person purchasing said securities is engaged in the business of underwriting securities and maintains the investment in said securities for at least one year or a different period of time established by the Superintendence, it shall be presumed that there was no intention of offering or again selling said securities.
    3) To purchase or acquire from an issuer or an affiliate thereof, or from another offerer securities issued by said issuer in a private placement or offer made to institutional investors exempt from registration, and selling those securities or part of them again within a period of one year following the last purchase, unless it is done in compliance with the restrictions and limitations established by the Superintendence.

41. *Offer.* It is a statement, a proposal or an expression made for the purpose of selling, transferring or disposing of securities in exchange of the payment of a consideration as well as any request intended at inducing a person to make an offer to purchase securities for a consideration. Said expression does not include preliminary negotiations among an issuer or an affiliate thereof and offerers with a view to a public offer.
42. *Offer to purchase.* It is a statement, a proposal or an expression made for the purpose of acquiring securities in exchange of the payment of a consideration, as well as any request intended at inducing a person to make an offer to sell for a consideration.
43. *Compliance officer.* Is the principal executive who has to see to the faithful compliance with the Securities Market Law, the prevention of forbidden activities described in the Decree Law and the faithful compliance with the laws enacted for the purpose of preventing money laundering and financing terrorism, in the entities with a license issued by the Superintendence, which are required by law to hire a compliance officer.
44. *Opinion.* An administrative position adopted by the Superintendence.
45. *Self-regulatory organization.* Any securities exchange, any financial instruments exchange and any clearinghouse.
46. *Related party.* Is the one that is deemed to be linked to the entity if:
    a. Said party directly or indirectly through one or more intermediaries, controls or is controlled or is under the same control as the entity (this includes the parent party, the dependents and other dependents of the same parent party); said party has such a participation in the entity that it enables it to control the entity or has a joint control of the entity.
    b. Said party is an associate of the entity, and an associate is understood to be the entity which the investor controls, and is not dependent and does not have a participation in a joint business venture.
    c. It is a joint business venture, in which the entity is one of the participants. A joint business venture is understood to be a contractual agreement through which two or more participants undertake an economic activity under joint control.
    d. Said party is any other determined by national or international accounting organizations.
47. *Participant.* Any member of a clearinghouse.
48. *Person.* Any natural person or legal entity, including trusts, as well as any State and it political subdivisions, dependencies, autonomous and semiautonomous entities. When a provision of this Decree Law requires that a given number of persons be determined, the legal entities and the trusts shall be considered as one person, except when they have been established with the intention of evading said provision.
49. *Entitled person.* Any person that complies with the requirements stipulated in Article 209 of this Decree Law.
50. *Control.* Shall have the meaning ascribed in Article 211 of this Decree Law.
51. *Securities rotating program*. Is the program that, once it has been registered and authorized for a public offer by the Superintendence, does not require that the securities

it refers to, which have been offered previously within the term of the program, be registered again with the Superintendence for their public offer.

52. *Beneficial owner.* When used in connection with securities, the person or persons that, being registered or not registered as owner of said securities, are directly or indirectly entitled to receive the return of said securities, may exercise the power to vote in connection with said securities, may transfer or dispose of said securities and are entitled to receive the product of the transfer or disposal of said securities. For the purpose of establishing the number of beneficial owners of given securities, when two or more persons are entitled to exercise the above-mentioned rights, all those persons shall be considered as one sole beneficial owner.
53. *Administrative Service Provider for the securities market*. The legal entities that usually engage in providing exclusive and specialized administration services such as accounting, secretarial work, handling relations with shareholders, payments, registration and transfers, as well as other services not related to decisions to invest in legal entities regulated by the Superintendence of the Securities Market for carrying out activities in the securities market either in of from Panama.
54. *A seat in the stock exchange*. Any member of a stock exchange.
55. *Regulation*. Includes executive decrees approved by the Executive Branch to regulate this Decree Law, as well as the agreements and resolutions approved in the past by the National Securities Commission, those approved by the Superintendence of the Securities Market and the opinions issued by either of them.
56. *Internal rules.* Articles of incorporation, by-laws and any internal regulations, as well as other rules generally applicable, which have been approved by self-regulatory organizations.
57. *Resolution*. Any decision individually applicable, which the Superintendence has adopted.
58. *Investment company*. A legal entity, trust or contractual arrangement that, by issuing and selling its own participation quotas, engages in the business of obtaining money from the investing public through one payment or periodical payments for the purpose of investing and trading securities, foreign exchange, metals and supplies, chattel property or any other property determined by the Superintendence.
59. *Private investment company*. An investment company managed in or from the Republic of Panama, whose participation quotas are not offered in the Republic of Panama and whose articles of incorporation or instrument of trust or constitutional document contains one of the following provisions:
    a. The number of beneficial owners of its participation quotas is limited to fifty or the requirement that offers be made by private communication and not by public means of communication.
    b. To establish that its participation quotas may only be offered to qualified investors for a minimum of one hundred thousand balboas (B/.100,000.00).

    Private investment companies shall not be considered as registered investment companies and shall not be subject to the provisions of Chapter II of Title VIII of this Decree Law.

60. *Branch.* An office other than the main office, in which an entity, different from a legal entity, is operating with a license issued by the Superintendence.
61. *Superintendence*. The Superintendence of the Securities Market, whose general regular purpose is to regulate, supervise and oversee the activities of the securities market in or from the Republic of Panama, fostering the rule of law in all those who take part in the securities market, and to guarantee transparency, with a special protection of the rights of investors.
62. *Subscriber.* Shall have the meaning of item 2 of the definition of offerer contained in this article.
63. *Indirect holder.* A person to whom an intermediary has recognized trading rights on financial assets in a custody account by entering such rights in said account. The persons referred to in Article 233 shall be indirect holders even if the intermediary has not entered them as such in the custody account.
64. *Third party.* A person who enters into a contract for services with a broker-dealer firm, an investment advisor, a fund administrator or an administrator of pension funds or retiree funds but is not a party related to such funds.
65. *Transaction between related parties.* Any transfer of resources, services or obligations between related parties, regardless of whether a price is being charged or not.
66. *Security.* Any bond, negotiable commercial title or debenture, share (including treasury shares), trading right recognized in a custody account, participation quota, certificate of title, trust certificate, deposit certificate, mortgage bond, warrant or any other instrument or right usually recognized as a security or a security determined as such by the Superintendence.

    Said meanings do not include the following instruments:

    1. Non-negotiable certificates or titles that represent obligations, issued by banks to its customers as a part of its usually offered banking services, such as non-negotiable certificates of deposit. This exception does not include negotiable bank acceptances or negotiable commercial securities issued by banking institutions.
    2. Insurance policies, certificates of capitalization and similar obligations issued by insurance companies.
    3. Any other instruments, titles or rights, which have been determined by the Superintendence as not being securities.

Title II
Broker-dealer firms and investment advisors

Chapter I
General provisions

Article 50. Mandatory licenses. Without considering whether they do or do not provide services in connection with securities registered in the Superintendence, only those persons having a

license issued by the Superintendence may engage in the business of a broker-dealer firm or of an investment advisor, in or from the Republic of Panama.

Broker-dealer firms may engage in the business of investment advisors without being required to obtain an investment advisor's license.

Article 51. License Granting. The legal entity applying to the Superintendence for the issue of a license of broker-dealer firm or investment advisor must do the following:

1. Show that it has the technical, administrative and financial capability, as well as the necessary personnel to provide the services that are the object of the license, and to supervise that its directors, officers and employees comply with the regulations of the self-regulatory organization to which it belongs.
2. Comply with the requirements of this Decree Law and its regulations concerning the issuance of the respective license and the operations of the business.
3. Comply with the requirements established in Article 79 of this Decree Law and confirm that its directors and officers also comply with said requirements.
4. Comply with the requirements established in Article 78 of this Decree Law if it is a natural person.
5. Keep no less than two natural persons residing in Panama, with enough authority to receive administrative and judicial notices on behalf of the regulated entity.
6. Maintain offices in commercial premises in the Republic of Panama.
7. Submit an application containing the information and documentation required by the Superintendence in order to prove that the applicant complies with the requirements necessary for the license to be issued and for its business operations.

Article 52. Suspension and revocation of licenses and other measures. Through a resolution of the superintendent and according to the seriousness of each case, the Superintendence may (A) suspend or revoke the license granted to a broker-dealer firm, to an investment advisor, to a principal executive, to a securities broker or to an analyst, (B) restrict the transactions with securities, which a broker-dealer firm, an investment advisor, a principal executive or a securities broker or an analyst may carry out, (C) forbid a principal executive from having any association with a broker-dealer firm, and/or (D) admonish a broker-dealer firm, an investment advisor, a principal executive, a securities broker or an analyst, provided that, after serving notice to the party and allowing said party the opportunity to be heard (except in the event that the immediate action of the Superintendence is necessary to prevent imminent, substantial and irreparable damages), the Superintendence may determine that said party:

1. Submitted to the Superintendence an application for a license that contained false or misleading information in some material issue or omitted material information;
2. Knowingly, submitted reports or documents to the Superintendence containing false or misleading nformation concerning some material issue or omitted material information, or did not submit to the Superintendence any rectifying information after becoming aware of the inaccuracy of the information submitted previously to the Superintendence;
3. Did not comply with a requirement for the issue of the respective license.

4. Became subject to proceedings or is in a state of voluntary liquidation, dissolution, insolvency, intervention, reorganization, mandatory liquidation, creditors' meeting, bankruptcy or similar proceedings;
5. Incurred in practices that are dishonest or contrary to the securities trading industry;
6. Did not continue to supervise its directors, officers or employees properly as required by this Decree Law and its regulations; or
7. Infringed or did not comply with the provisions of this Decree Law or of its applicable regulations or the internal rules of self-regulatory organizations to which the party belongs.

Article 53. Voluntary cancellation of a license. Upon request of the party concerned, the Superintendence may cancel the license granted to a broker-dealer firm, to an investment advisor, to a principal executive, to an investment fund administrator, to a compliance officer, to a securities broker or to an analyst, provided that the party concerned complies with the conditions and procedures established by the Superintendence for such purposes, in order to protect investors.

Chapter II
Broker-dealer firms

Article 54. Authorized activities. The legal entity with a Broker-dealer Firm License granted by the Superintendence can only engage in the business of brokerage firm, with the exception of banks and investment fund administrators.

Banks that have obtained a Broker-dealer Firm License may also engage in trust activities after having obtained the respective license.

However, the legal entity having a Broker-dealer Firm License may provide services and engage in activities and business related to the business of broker-dealer firm, such as Forex, handling custody accounts, investment advisory services, granting loans of securities and of moneys for acquiring securities. It may also conduct the activity of investment management for investment companies, for which it shall require the License of Investment Manager of Investment company.

The Superintendence may restrict the activities conducted by broker-dealer firms whenever in may deem necessary in order to protect the interests of the investors.

Article 55. Net capital and liquidity requirements. Broker-dealer firms shall maintain the minimum capital necessary to comply with the obligations incurred to their clients and their creditors, computed on the basis of the regulations concerning net capital, as established by the Superintendence. Similarly, they shall comply with the liquidity requirements established by the Superintendence.

The requirements of net capital and liquidity shall be established by the Superintendence on the basis of the obligations incurred by the broker-dealer firm, its transactions in securities

and the risks it has assumed. For such purposes, the transactions of the broker-dealer firm on its own account shall be distinguished from the transactions for third parties.

The Superintendence may not establish net capital or liquidity requirements, which unreasonably or excessively limit the participation of persons in the securities market.

Broker-dealer firms shall report their compliance with the requirements of net capital and liquidity according to the form and frequency stipulated by the Superintendence

Article 56. Broker-dealer firm shareholders. The shares of a broker-dealer firm shall be issued as registered shares. Broker-dealer firms must inform the Superintendence which are the names of the beneficial owners of their shares, who have the control of the broker-dealer firm, and must obtain the prior consent of the Superintendence in order to be able to carry out any change of shareholders affecting the control of the broker-dealer firm.

Article 57. Foreign broker-dealer firms. It shall be deemed that foreign broker-dealer firms are those that fulfill any of the following requirements:

1. To be organized or formed under the laws of a foreign country or have its main domicile located outside of the Republic of Panama; or
2. To have a license granted by the proper authority in the jurisdiction within which their main domicile is located, enabling it to engage in the business of a broker-dealer firm in said jurisdiction.

Whether in a specific case, by a resolution of the superintendent or in general by means of an agreement, the Superintendence may exempt a foreign broker-dealer firm from the exact compliance with some of the provisions of this Decree-Law and the regulations thereof, if it proves to the Superintendence that it complies with other applicable provisions in the jurisdiction of its domicile which, although different from the ones in Panama, in the opinion of the Superintendence, generally provide as a whole a degree of protection substantially the same or greater than the one provided by Panamanian legislation, and provided that such exemption does not impair the interests of investors.

Article 58. Relations with foreign broker-dealer firms. Broker-dealer firms may maintain correspondent relations with foreign broker-dealer firms authorized to operate in jurisdictions, which the Superintendence has recognized for the purposes of trading securities outside of the Republic of Panama through said broker-dealer firms. Broker-dealer firms that are subsidiaries or branches of a foreign broker-dealer firm authorized to operate in an approved jurisdiction may maintain such correspondent relations with their own parent firm or with an affiliate. Broker-dealer firms shall report to the Superintendence any correspondent relations established by them, and they shall send to the Superintendence a copy of the pertinent agreements or arrangements and amendments thereof, if any.

Securities traded through such correspondent relations shall not be deemed offered in the Republic of Panama, provided always that the broker-dealer firm does not offer said securities in public communications media in the Republic of Panama, does not actively solicit purchase or sale orders in the Republic of Panama in connection with such securities, informs

investors that such securities are not registered with the Superintendence, and that the purchase and sale is perfected outside of the Republic of Panama.

Foreign broker-dealer firms that maintain correspondent relations with broker-dealer firms registered with the Superintendence shall not be deemed to be conducting business in the Republic of Panama solely because they maintain such relations.

The Superintendence may require a broker-dealer firm to terminate any relations with a foreign broker-dealer firm whenever it deems that it is in the best interest of investors to do so.

Article 59. Broker-dealer firms offering securities abroad. Banks established in the Republic of Panama with an international license may obtain a license as broker-dealer firms, and manage or carry out transactions in securities from their offices in the Republic of Panama with persons domiciled outside of the Republic of Panama even if such securities are registered with the Superintendence. If the transactions in securities are carried out between beneficial owners who are not domiciled in the Republic of Panama, and are perfected, concluded or have effects abroad, the fees earned by such broker-dealer firms and securities brokers for managing such foreign transactions from the Republic of Panama shall not be deemed to have been generated in the national territory.

Article 60. Books, records and financial statements. Broker-dealer firms and securities brokers shall keep their books, records and other documents of operations in the form prescribed by the Superintendence.

Broker-dealer firms shall appoint an external and independent certified public accountant that shall prepare audited financial statements at least once a year in accordance with the accounting standards adopted by the Superintendence.

Article 61. Submission of reports to the Superintendence. Broker-dealer firms shall submit their audited and interim financial statements to the Superintendence, as well as the reports which the Superintendence may require for the purposes of supervising that the broker-dealer firms and securities brokers comply with the provisions of this Decree-Law and the regulations thereof, in the form and with the frequency prescribed by the Superintendence.

Article 62. Over-the-counter operations. Broker-dealer firms shall report the prices and volumes of over-the-counter transactions in registered securities carried out by them, both to the Superintendence and to investors by means of the press, electronic networks that provide financial information or by other means authorized by the Superintendence. Such reports shall be made in the form and with the frequency prescribed by the Superintendence.

Article 63. Sending information to clients. Broker-dealer firms shall send their statements, confirmations of transactions in securities, their financial statements, rates of fees and other reports required by the Superintendence, to their clients, in the form and with the frequency prescribed by the Superintendence.

Article 64. Investment accounts; handling clients' securities and money. Broker-dealer firms shall keep their clients' securities and money in investment accounts in accordance with the provisions established by the Superintendence. The Superintendence shall issue rules of conduct which broker-dealer firms and securities brokers must comply with in connection with handling and managing clients' investment accounts and money, transfers of investment accounts between broker-dealer firms, guarantees given in connection with clients' securities and money, loans of money or securities granted to clients, and other securities trading operations made with the latter. In the case of a broker-dealer firm or a securities broker having discretionary powers in handling a client's investment accounts, such accounts shall be managed with the diligence and care men usually apply to their own businesses.

Investment accounts may contain securities or cash, provided always that cash is only incidental and not the main purpose of the investment account. Money deposited in investment accounts may earn interest as determined by the regulations of the investment account.

Investment accounts offered by broker-dealer firms shall be subject to the provisions contained in Title X of this Decree-Law.

Article 65. Confidentiality of information. Broker-dealer firms and securities brokers may not reveal information about their clients or their investment accounts or transactions in securities carried out by their clients, unless they do so with the client's consent or when the information must be revealed to the Superintendence by virtue of this Decree-Law or the regulations thereof or in the event of an order issued by the proper authority according to the law.

Article 66. Ethical standards and conflicts of interests. Broker-dealer firms shall be under the obligation to deal fairly with all of their clients. The Superintendence shall establish standards of conduct, which broker-dealer firms and securities brokers must observe, for the purpose of preventing conflict of interests situations and unfair deals to their clients. In the event that a broker-dealer firm acts in one same transaction both on behalf of a client and on its own behalf or on behalf of a third party, the broker-dealer firm must inform it to the client. The Superintendence may require broker-dealer firms to adopt a code of professional ethics or adhere to one that has been established by a self-regulatory organization or a securities exchange association of renowned prestige.

Article 67. Appropriate recommendations. No broker-dealer firm or securities broker may recommend a client to buy, sell or maintain an investment in a given security, unless it has reasonable grounds to believe that such recommendation is appropriate for said client, on the basis of the information provided by the client in an investigation conducted by the broker-dealer firm or by the securities broker in order to determine said client's investment objectives, financial situation and needs, as well as any other information about said client, which may have become known to the broker-dealer firm or to the broker.

The above requirement shall not apply to:

1. Carrying out purchase and sale orders not solicited by either the securities house or the broker.

2. Publication of information reports which generally recommend the purchase or sale of a security.
3. Any other situation, which the Superintendence may determine.

Article 68. Excessive transactions. All broker-dealer firms and securities broker that may be handling an investment account at their discretion or are in such a position as to determine the volume and the frequency of transactions in securities to be made in any given investment account, given the inclination of the client to act according to the suggestions of said broker-dealer firm or said securities brokers, are forbidden to make transactions which, in the light of the fees obtained by the broker-dealer firm or by the broker, are excessive either in volume or in frequency, because of the magnitude and the nature of such investment account, the client's needs and investment objectives, and the pattern of transactions of such investment account.

Article 69. Profit and loss sharing arrangements and indemnity against losses. All broker-dealer firms and all securities brokers are forbidden from making any commitment to a client to share the client's profits or losses in trading securities, or from making a commitment to indemnify a client for losses sustained by the latter in trading securities. Agreements whereby the broker-dealer firm's compensation or that of the securities broker is determined on the basis of the yield of the client's investment portfolio are not forbidden, as well as other agreements, which the Superintendence may exclude from this prohibition within the guidelines established by it.

Article 70. Prevention of money laundering. In coordination with the Financial Analysis Unit, the Superintendence shall establish standards of conduct, which the broker-dealer firms and the securities brokers must comply with, in order to prevent activities related to drug trafficking or other illegal activities.

Article 71. Compliance officer. The Superintendence may require broker-dealer firms to appoint a compliance officer who shall be responsible for ensuring that the broker-dealer firm, its directors, officers, securities brokers and employees comply with their obligations under this Decree-Law and the regulations thereof. Compliance officers shall be executives.

Chapter III
Forex activity

Article 72. *Forex.* The Foreign Exchange Currency Market, with the acronym *Forex*, is the usual operation of purchasing and selling currencies at a price or type of exchange at the time when it was entered into agreement as an investment activity, and acting on behalf of the clients for this purpose**.**

The *Forex* activity, as defined in this Decree Law, shall only be conducted by broker-dealer firms.

The Superintendence of the Securities Market is authorized to develop the procedures and the special and technological requirements, which the broker-dealer firms must maintain for the exercise of this activity.

Article 73. Exception concerning the *Forex* activity. The following activities are exempted from the obligation to obtain a Broker-dealer firm License for the exercise of the *Forex* activity:

1. The exchange of currencies for its own account.
2. The operations of bank treasuries for their own account.
3. Bank operations, transfers or purchases or sales of the currencies of the banks with a license issued by the Superintendence of the Banks of Panama, for the account of third parties exclusively as a consequence of a foreign trade operation.
4. The currency exchange and money remittance firms.
5. Any other that, in an agreement, the Superintendence may define as an exception.

Chapter IV
Investment advisors

Article 74. Activities permitted. Investment advisors may engage in the business of advising others in connection with the determination of the price of securities or the convenience of maintaining, purchasing or selling securities and other financial instruments. They may also prepare and publish financial studies or reports concerning securities and other financial instruments, advise in respect of *Forex* and recommend their clients to open an investment account in national or foreign broker-dealer firms

The investment advisors may manage their clients' securities accounts kept with an intermediary. In such cases, the may transmit the purchase or sale orders to the broker-dealer firms, which will carry them out, if the client so authorizes, but they may not maintain custody accounts.

For the protection of the investing public, by means of an agreement, the Superintendence shall regulate the requirements for obtaining a license, as well as the activities in which the investment advisors may engage.

Article 75. Obligations of investment advisors. Investment advisors shall be under obligation to provide competent advisory services to their clients; and in the event that they have discretionary powers to handle a client's investment accounts, they shall manage such accounts and invest the securities and money deposited in them with such diligence and care as men usually apply to their own businesses.

Articles 56, 60, 61, 63, 65, 66, 67, 69, 70 y 71 of this Decree-Law shall apply *mutatis mutandis* to investment advisors and their analysts.

Chapter V
Principal executives, principal executives of investment advisors, compliance officers, securities brokers and analysts

Article 76. Mandatory license requirement. Only the persons domiciled in Panama, who have obtained the license required by the Superintendence to hold the position, may hold the position and perform the functions of executive principal, executive principal of an investment advisor, compliance officer, securities broker or analyst, in an entity that has a license issued by the Superintendence.

The persons who have obtained the license from the Superintendence but do not have a permanent domicile in the Republic of Panama may also hold the position and perform the functions of a securities broker or an analyst.

The entity with a license, in which a securities broker or an analyst work according to the above shall be jointly responsible for the penalties imposed by the Superintendence for violations committed by said personnel.

With the exception of the cases established by the Superintendence by an agreement, the licenses of principal executive, of principal executive of an investment advisor, of compliance officer, of securities broker or analyst shall expire two years after the date when the holder of the license ceased having said position or performing said functions, but they may be renewed following the procedures established by he Superintendence for such purposes.

Article 77. Hiring employees. Broker-dealer firms and investment advisors shall not hire or employ any person as securities broker or analyst, or appoint as executive principal or a compliance officer in the Republic of Panama any person who does not have the respective license issued by the Superintendence.

Within five business days following the beginning or the termination in the position, broker-dealer firms and investment advisors shall notify the Superintendence the date when any person begins to hold a position as principal executive, principal executive of an investment advisor, securities broker or analyst for a broker-dealer firm in the Republic of Panama, and the date when such person ceases to hold such position.

Article 78. Examinations. Persons applying for licenses as principal executive, principal executive of an investment advisor, securities broker or analyst must pass examinations regarding the content of the Securities Market Law, as well as the practices and usage in the securities trading industry, the rules of self-regulatory organizations authorized to operate in the Republic of Panama, general accounting and finance principles, as well as ethical standards in the securities trading industry and measures for the prevention of money laundering and financing terrorism.

The Superintendence may establish different kinds of examinations in the light of the knowledge required for each type of license. These examinations may be conducted by the Superintendence or by self-regulatory organizations or by a university or an entity recognized by the Ministry of Education.

Article 79. Inability to hold positions. The following persons may not obtain a license of principal executive, principal executive of an investment advisor, securities broker or analyst:

1. Any person who, during the previous ten years, has been sentenced in the Republic of Panama or in a foreign jurisdiction for crimes against the economic patrimony, against the economic order, against the Public Administration, against public confidence or against collective safety.
2. The shareholders, directors and managers of entities whose required authorization or license to act as a member of the self-regulatory organization or as a broker-dealer firm or as an investment advisor or as an investment fund administrator, as a credit rating entity, as a price appraiser or as a manager of a pensions or retirees fund had been revoked in the Republic of Panama or in a foreign jurisdiction within the previous five years.
3. Any person whose license to perform the functions of principal executive or principal executive of an investment advisor or compliance officer or securities broker or analyst had been revoked in the Republic of Panama or in a foreign jurisdiction within the previous five years
4. Any person who has been declared bankrupt.
5. Any person whom a competent authority has held responsible for a compulsory liquidation.

Title III
Self-regulatory organizations, credit rating agencies and price appraiser entities

Article 80. Mandatory license. Only the legal entities that have obtained the respective license issued by the Superintendence may conduct the business of securities exchange or clearinghouse firm in the Republic of Panama.

Article 81. Requirements for obtaining licenses. The person applying to the Superintendence for a license as a securities exchange or a clearinghouse must fulfill the following conditions:

1. To prove that it has the necessary technical, administrative and financial capability, as well as the necessary personnel, to provide the services which the license is being applied for, in order to comply with the provisions of this Decree-Law and the regulations thereof, as well as its own internal rules, and to supervise that its members, directors, officers and employees comply with such provisions.
2. Comply with the capitalization requirements established by the Superintendence. The Superintendence may establish capitalization requirements applicable to self-regulatory organizations, which shall be intended at enabling self-regulatory organizations to face the responsibilities assumed by them in order to protect the interests of investors.
3. Comply with the requirements established by this Decree-Law and the regulations thereof for obtaining the respective license and for operating the business.
4. Adopt internal rules that shall comply with the requirements established in this Decree-Law and the regulations thereof.

5. Comply with the requirements established in Article 79 of this Decree-Law, and confirm that its directors and officers comply with such requirements.
6. Submit an application containing the information and documents prescribed by the Superintendence in order to prove that said person complies with the necessary requirements for obtaining the respective license and for operating the business.

Article 82. Voluntary cancellation of licenses. At the request of an interested party, the Superintendence may proceed to cancel a license granted to a self-regulatory organization, provided that such interested party fulfills the conditions and the procedures that the Superintendence may determine for such purposes in order to protect the interests of investors.

Article 83. The standard for internal rules of self-regulatory organizations. Internal rules of self-regulatory organizations shall comply with the following:

1. Protect the interests of investors.
2. Promote cooperation and coordination between the persons responsible for processing information concerning securities, and responsible for trading, providing custody, compensating and settling securities.
3. Ensure a fair and representative participation of its members in management bodies.
4. Provide that the charges and expenses to be paid by its members are reasonable and equitably shared by them.
5. Provide that self-regulatory organizations inform the Superintendence about violations of this Decree-Law and the regulations thereof, committed by its members, directors, officers and employees, upon becoming aware of such violations.
6. Provide that self-regulatory organizations supervise that their members, directors, officers and employees comply with their internal rules, and establish disciplinary proceedings and the respective penalties.
7. Contain provisions to ensure the confidentiality of the operations carried out in them.

The internal rules of self-regulatory organizations may not contain any provisions that:

1. Unreasonably or arbitrarily limit the number of members.
2. Impose unreasonable requirements for admission to its members.
3. Permit unfair discrimination among members or users or in the admission of new members.
4. Impose rates, fees or fixed charges to be collected by members from their clients or users.
5. Impose limitations on free competition or impose restrictions to free trade, which are neither necessary nor convenient to attain the objectives of this Decree-Law.
6. Regulate other areas not related to this Decree-Law or to the objectives thereof.

Article 84. Standard for internal rules of stock exchanges. In addition to the provisions contained in the preceding article, internal rules adopted by stock exchanges shall comply with the following:

1. They shall be so conceived as to prevent deceitful and manipulative practices and actions or such practices and actions that may affect the transparency of the market, to promote fair practices in securities trading, and to stimulate the development of an efficient market.
2. Allow any person having a broker-dealer firm license granted by the Superintendence to become a member, subject to the provisions contained in Article 87 of this Decree-Law.

Article 85. Standard for internal rules of clearinghouses. In addition to the provisions contained in Article 83, internal rules adopted by clearinghouses shall comply with the following:

1. They shall be so conceived as to operate a precise, safe and efficient system for the custody, compensation and settlement of securities, as well as to promote the adoption and use of international procedures and standards for the custody, compensation and settlement of securities, and for the integration with clearinghouses existing in the Republic of Panama and foreign clearinghouses.
2. Allow any securities intermediary to be a member, subject to the provisions contained in Article 87 of this Decree-Law.

Article 86. Amending internal rules of self-regulatory organizations. Any addition, amendment or repeal of internal rules of a self-regulatory organization shall be submitted to the Superintendence together with an explanation of any material changes and reasons for making them, before it comes into effect.

The Superintendence may, within thirty days after the date of submission, issue an opinion about the addition, amendment or repeal. In the event that the Superintendence does not issue any statement within the period stipulated above, the addition, amendment or repeal shall become authorized without requiring any further action by the Superintendence.

The Superintendence may require corrections to the addition, amendment or repeal of internal rules of a self-regulatory organization, whenever, in the opinion of the Superintendence, such addition, amendment or repeal does not comply with the provisions of this Decree-Law and the regulations thereof.

The Superintendence may reject the addition, amendment or repeal of internal rules of a self-regulatory organization, whenever, in the Superintendence's opinion, any of the following situations exists:

1. The self-regulatory organization does not have the necessary technical, administrative and financial capability to comply with said internal rules as contemplated by the proposed amendment, or does not have the necessary personnel to supervise that the be complied with.
2. The internal rules with the proposed amendments do not comply with the requirements stipulated in Articles 83, 84 and 85 of this Title, as the case may be.
3. The internal rules with the proposed amendments are inconsistent or violate a provision of this Decree-Law or the regulations thereof.

By means of a resolution of the superintendent, the Superintendence may request a self-regulatory organization to submit a proposal of amendments to its internal rules then in force

and effect, if it determines that, due to changes in circumstances or legal or regulatory changes, said internal rules do not comply with legal or regulatory requirements, or if it determines that the amendments requested would improve the levels of efficiency, transparency and safety of the market.

Article 87. Admission of members in a self-regulatory organization. Self-regulatory organizations may, in any of the following cases, reject or establish the conditions of any application for membership submitted by a person:

1. If the person does not have minimum technical, managerial or financial capability or does not have the qualified personnel required by its internal rules.
2. If the person does not carry out the kind of activity required from its members by its internal rules, or carries out activities forbidden by its internal rules.
3. If the person does not comply with the requirements established by this Decree-Law and the regulations thereof, for being a member of a self-regulatory organization.
4. If the person has committed dishonest practices or practices contrary to the ethical standards of the securities trading industry.
5. If the person has been condemned for violations of this Decree-Law, or for violations of a securities law in a foreign jurisdiction, or for a felony.
6. If the person does not fulfill the criteria established in its internal rules for the purposes of admission.

Only legal entities with a broker-dealer firm license may be members of a securities exchange. Similarly, only intermediaries that are legal entities may be participants in a clearinghouse.

Article 88. Hiring personnel. Self-regulatory organizations shall not hire or appoint as executive principal in the Republic of Panama any person who does not have the respective license granted by the Superintendence.

Self-regulatory organizations shall notify the Superintendence the date when each person begins to hold a position as one of its principal executives, as well as the date when such person ceases to hold such position in the Republic of Panama.

Persons hired by members of securities exchanges for the purposes of carrying out operations and transactions in securities in a securities exchange must have a securities broker license.

Article 89. Rates, fees, contributions and charges. Self-regulatory organizations shall establish the rates, fees, contributions and charges, which their members will charge. The Superintendence may only object them in the following cases:

1. If they are not reasonable in the light of the services provided, to the detriment of the interests of their members or of investors;
2. If they discriminate against any of their members or users.
3. If they impose a fixed limit to the income, which a member may earn.
4. If their members do not equitably share them.

Self-regulatory organizations shall inform the Superintendence which rates, fees, contributions and charges they adopt before they become effective, as well as any changes made. If within a period of thirty days, the self-regulatory organization is not notified by the Superintendence of its opposition to said rates, on the basis of the provisions of this Article, together with the reasons to support such opposition, it shall be understood that they have been approved.

Self-regulatory organizations may not establish mandatory rates, commissions, fees or charges, which their members must charge for their services to their clients.

Article 90. Supervision of members by self-regulatory organizations, and penalties imposed to such members. Self-regulatory organizations shall ensure that their members comply with their internal rules and, according to the provisions of such rules and the seriousness of the case, they may (A) expel a member, (B) suspend or limit the rights of a member or those of a member's director, officer or employee, including the transactions which any of them may carry out through the self-regulatory organization, (C) forbid any person from having any association with the self-regulatory organization, (D) admonish a member or a member's director, officer or employee, or (E) fine its member or officer or employee and/or (F) impose any other penalty established in its internal rules, if the self-regulatory organization determines that such person:

1. During admission procedures, has submitted false or deceitful information to the self-regulatory organization, and such information would have been material for accepting or rejecting said person as a member of the self-regulatory organization, or failed to submit such information.
2. Knowingly submitted reports or documents to the self-regulatory organization, which contained false or misleading information concerning any material aspect, or failed to submit material information, or failed to submit rectifying information to the self-regulatory organization after becoming aware of the inaccuracy of the information submitted previously to the self-regulatory organization.
3. Failed to comply with a requirement established for becoming a member of the self-regulatory organization or for becoming a principal executive or a director, officer or employee of the self-regulatory organization.
4. Is in the process or in a situation of voluntary liquidation, dissolution, insolvency, intervention, reorganization, compulsory liquidation, creditors' meeting, bankruptcy or similar proceedings.
5. Has incurred in dishonest practices or in practices against ethical standards in the securities trading industry.
6. Has failed to properly supervise its members, directors, officers and employees as required by its internal rules.
7. Has been expelled, or the person's rights have been suspended or limited by another self-regulatory organization, or the person has been penalized by the Superintendence for violations of this Decree-Law and the regulations thereof; or
8. Has violated or failed to comply with the rules of the self-regulatory organization.

Self-regulatory organizations shall notify the Superintendence about the penalties imposed to its members, and about those imposed to directors, officers and employees of its members.

Article 91. Disciplinary proceedings. The self-regulatory organization that initiates disciplinary proceedings against a member or against a director or officer or employee of a member shall specify the charges made against such member or person, and shall notify said member or person of the charges made, offer the proper opportunity for the defense of said member or person against such charges, and submit the evidence supporting the charges in such proceedings, and for these purposes it shall prepare a detailed file of the case.

Any disciplinary decision of a self-regulatory organization imposing a penalty to a member or director, officer or employee of a member shall include:

1. A statement containing the facts and the infringement or omission alleged against said member or person;
2. The internal rules that have been violated, whether by deed or omission; and
3. The penalty imposed and the reasons for such penalty.

Article 92. Summary disciplinary proceedings. Notwithstanding the provisions contained in the preceding Article, a self-regulatory organization may, without complying with the requirements of disciplinary proceedings, summarily suspend or restrict the rights of a member or a director or officer or an employee of such member, and suspend or restrict the transactions which a person may carry out through a self-regulatory organization, if:

1. Another self-regulatory organization had expelled or suspended such person or restricted such person's rights;
2. In view of the financial or operational situation of a member, such an action is necessary in order to protect the interests of investors, of other members, of the self-regulatory organization or of its creditors;
3. A participant or member of a securities exchange fails to honor its obligation to deliver securities or money, which must be delivered in order to settle or set-off a transaction in securities;
4. Deceitful or manipulative practices or actions are performed or about to be performed, or such practices or actions as would otherwise affect the transparency of the market;
5. In the opinion of the self-regulatory organization, it is necessary to take such steps immediately in order to prevent imminent, substantial and irreparable damage to investors, to the self-regulatory organization or to its members.

The internal rules of self-regulatory organizations shall stipulate that any person who has been summarily penalized shall be entitled to disciplinary proceedings to be initiated within the following ten business days. The effects of the penalty shall continue in effect as long as said disciplinary proceedings may last.

Article 93. Penalties imposed by the Superintendence to self-regulatory organizations. By resolution of the superintendent and according to the seriousness of each case, the

Superintendence may (A) suspend or revoke the license granted to a self-regulatory organization or to a principal executive of a self-regulatory organization; (B) restrict the transactions in securities, which a self-regulatory organization or a principal executive thereof may carry out; (C) forbid a principal executive from having any association with a self-regulatory organization; and/or (D) admonish a self-regulatory organization or a principal executive thereof, if upon serving notice to the affected party and after giving such party an opportunity to be heard (except in the event of immediate action being required in order to prevent material, imminent and irreparable damage), the Superintendence determines that said person:

1. Submitted to the Superintendence an application for license containing false or deceitful information on any material aspect or omitting material information;
2. Knowingly submitted to the Superintendence reports or documents containing false or deceitful information on any material aspect or omitting material information, or failed to submit the correct information upon becoming aware of the inaccuracy of the information previously submitted to the Superintendence;
3. Has failed to comply with any one of the requirements for obtaining the respective license;
4. Has initiated proceedings or is in a situation of voluntary liquidation, dissolution, insolvency, intervention, reorganization, compulsory liquidation, creditors' meeting, bankruptcy or similar proceedings;
5. Has committed dishonest practices or practices contrary to the ethical standards of the securities trading industry;
6. Has failed to properly supervise its members, directors, officers or employees as required by its internal rules;
7. Has violated or failed to comply with applicable provisions of this Decree-Law or its regulations, or has violated or failed to comply with its internal rules.

Article 94. Penalties for members. The Superintendence may supervise and penalize any member of a self-regulatory organization according to the provisions of this Decree-Law and the regulations thereof, regardless of any actions which the self-regulatory organization may have taken or failed to take.

Self-regulatory organizations may participate as third party intervener in any administrative proceedings before the Superintendence or in any extraordinary remedy intended to impose a penalty to one of its members.

Article 95. Books, records and financial statements. Self-regulatory organizations and their members shall keep books, records and other documents concerning their operations in the form prescribed by the Superintendence.

Self-regulatory organizations and their members shall appoint an external and independent certified public accountant that shall prepare audited financial statements at least once a year, in accordance with the accounting standards adopted by the Superintendence.

Clearinghouses, participants in a clearinghouse and securities intermediaries maintaining custody accounts shall submit to audits balances and inspections by their external auditors,

either once a year or as often as the Superintendence may determine, for the purposes of verifying the existence and the situation of the securities under their custody.

Article 96. Submission of reports to the Superintendence. In such form and as often as the Superintendence may require, self-regulatory organizations shall submit to the Superintendence their audited and interim financial statements to the Superintendence, as well as any reports which the latter may require for the purposes of ensuring that self-regulatory organizations and their members comply with the provisions contained in this Decree-Law and the regulations thereof.

Article 97. Other obligations of self-regulatory organizations. The provisions contained in Articles 56, 65, 70 and 71 of this Decree-Law shall apply *mutatis mutandis* to self-regulatory organizations**.**

Chapter I
Self-regulatory organizations

Article 98. Financial instruments exchanges and over-the-counter exchanges. The activity of financial instruments exchanges and over-the-counter markets shall be regulated by the agreements issued by the Superintendence in connection with this matter.

The requirements for obtaining the respective licenses, as well as the obligations to report in order that the Superintendence may exercise its supervision authority shall be established by agreement.

Chapter II
Credit rating agencies

Article 99. Application for registration. Only the entities that are registered with Superintendence may carry out the credit rating activity.

The Superintendence shall stipulate the requirements to be complied with by corporations that submit applications for registration in order to operate as a credit rating agency.

Article 100. Code of conduct. Credit rating agencies shall have a code of conduct that governs its acts, as well as the acts of its directors, executives and employees involved in the study, analysis, opinions, evaluations and assessments of the credit qualities of securities and public or private entities to which they provide services, and said code of conduct shall abide by existing international standards concerning this matter, as well as the requirements of the Superintendence.

Article 101. Conflict of interests. The shareholders, directors, officers and senior executives of credit rating agencies may not maintain shares of the capital stock of financial entities, which they qualify according to the provisions of this Decree-Law or of the regulations thereof, and may not be shareholders, directors or officers of said entities. Investments in shares representing the capital stock of investment companies are excepted.

Credit rating agencies may under no circumstances enter into contracts in respect of securities issued by issuers with which their shareholders, directors, officers and senior executives may have conflicts of interest.

Article 102. Publicity. Credit rating agencies shall publicly reveal the qualifications, which they make in respect of securities registered with the Superintendence, as well as amendments and cancellations through the media stipulated by the Superintendence in provisions generally applicable.

Credit rating agencies shall send their assessments to the Superintendence on the same day it is revealed to the public through electronic means.

Article 103. Methods of qualification. Credit rating agencies may not use methods other than the methods submitted in their application for registration to the Superintendence or in a subsequent amendment.

Article 104. Preservation of documents. Credit rating agencies shall preserve the assessments they make, as well as the information and other data or documents that sustain such assessments and information, during a period of at least five years to be counted as of the date when they have been revealed, and the Superintendence may have access to such assessments and other data or documents.

Article 105. Cancellation of the registration. ***Ex officio*** or at the request of an interested party, the Board of Directors of the Superintendence may cancel the registration.

Article 106. General provision. The Superintendence may establish rules, procedures and requirements, which have to be complied with in respect of the application of this Chapter.

Chapter III
Price supplier entities

Article 107. Price supplier entities. The activities that consist of regularly and professionally providing the service of calculating and determining updated prices for the purpose of evaluating securities or financial instruments may only be performed by price appraiser entities.

For the purposes of the Securities Market Law, updated price for the purpose of evaluation shall be understood to mean the market price and the price obtained in theory by means of algorithms, technical criteria, statistics and evaluation concerning each security of

financial instrument. The prices updated for evaluation purposes shall include those related to repurchase agreement operations and loans of securities, as well as the operations with financial instruments. The prices updated for evaluation shall include those related to the repurchase agreement operations and loans of securities, as well as the operations with financial instruments.

In order to operate as a price supplier entity, the respective registration with the Superintendence according the procedures, which the Superintendence has established, is required.

Article 108. Application for registration. Applications for registration in order to be able to operate as price supplier shall comply with the requirements of the Superintendence and be submitted with the documents established by the Superintendence.

Article 109. Code of conduct. Price suppliers shall have a code of conduct that governs their own acts, as well as the acts of its directors, officers, senior executives and employees involved in the process of calculation, determination and procurement or supply of updated prices, and said code of conduct shall abide by existing international standards concerning this matter, as well as the requirements of the Superintendence.

Article 110. Notifying prices to the Superintendence. Immediately after calculating the prices updated for their evaluation, price appraiser entities shall notify the stock exchanges where the securities or the financial instruments are traded. Similarly, they shall notify the modifications of said prices on the same day when they are calculated.

In case unforeseen events take place in the methods authorized, the price appraiser entities shall inform the Superintendence the alternative procedure for calculating, which they will use, indicating the reasons that justify its use, at the time of its application.

The reports of the price supplier entities shall be susceptible to objections by the entities, companies, investors or clients that consider themselves affected by the contents of the report.

By means of an agreement, the Superintendence shall develop the provisions of this Article.

Article 111. Conflict of interests. Shareholders, directors, officers, senior executives of the valuation committee of the price appraiser entity may not directly or indirectly maintain shares representing the corporate capital of firms using the services of the price appraiser entity or act or be shareholders, directors, officers or executives of said entities. Investments in shares representing the corporate capital of investment companies are excepted from the above.

Article 112. Preservation of information. Price supplier entities shall preserve the evaluations they make, as well as the information and other data or documents that sustain such evaluation, during a period of at least five years to be counted as of the date when they have been calculated. The Superintendence may have access to such evaluations and to the information or documents that sustain them.

Article 113. Mandatory use of price supplier entities. In the absence of prices in the market, fund administrators shall make use of the information provided by price supplier entities for the evaluation of the portfolios of the investment funds, which they manage. The broker-dealer firm shall do the same in connection with portfolios of investments made on their own account.

This Article shall be in force and effect once it is properly regulated by the Executive Branch.

Article 114. Cancellation of registration and general provisions. The provisions contained in Articles 105 and 106 of this Decree Law shall apply ***mutatis mutandis*** to price supplier entities.

Title IV
Registration of securities and issuers' reports

Article 115. Mandatory registration. The following securities shall be registered with the Superintendence:

1. Securities that are the subject of a public offer that requires the authorization of the Superintendence under Title V of this Decree-Law and the regulations thereof.
2. Securities of issuers domiciled in the Republic of Panama, which, on the last day of their fiscal year, have fifty or more shareholders domiciled in the Republic of Panama, who are the beneficial owners of at least ten percent of paid in capital of said issuer (with the exception of corporations affiliated to the issuer and the issuer's employees, directors and officers for the purposes of said calculation.)
3. Securities listed in a securities exchange in the Republic of Panama.

The registration referred to in item 2 shall not be mandatory if the shareholders who represent seventy-five percent or more of the issued and outstanding capital approve the continuation as an entity that is not registered under this Decree-Law. A copy of said approval shall be sent to the Superintendence.

The Superintendence may increase the number of beneficial owners and requirement of capital referred to in item 2 of this Article and item of Article 127 of this Decree-Law. By means of an agreement, the Superintendence may also establish exceptions as to the registration referred to in item 2.

Article 116. Application for registration. Any issuer whose securities have to be registered with the Superintendence shall, through a lawyer, submit an application for registration consisting in two parts: a first part containing the information that has to appear in the prospectus, including the financial information of the issuer, and a second part containing the additional information and documents which have to be filed in the Superintendence, but is not required to be included in the prospectus, such as its formation documents, authorizations and contracts.

Any application for registration submitted to the Superintendence shall be resolved by it within a period no longer than thirty days after the date of the submission. However, in the event that the Superintendence requests additions, amendments or corrections to an application because it is not complete, is not accurate or clear or does not comply with the requirements of this Decree-Law and the regulations thereof, the above-mentioned term shall be suspended until the application is effectively additioned, amended or corrected to the satisfaction of the Superintendence. In the event that the Superintendence omits deciding in respect of an application for registration, it shall become authorized without requiring any further action of the Superintendence.

Article 117. Reports. The issuers whose securities are registered with the Superintendence shall submit to it the following reports:

1. An annual report within the term established by the Superintendence, which shall be no longer than one hundred and twenty days after the end of the fiscal year of the issuer. Said annual report shall contain the audited financial statements of the issuer and such other information and documentation as prescribed by the Superintendence in accordance with this Decree-Law and the regulations thereof.
2. Interim reports that shall be submitted with as often as determined by the Superintendence and shall contain the information and the documentation, which the latter prescribes in accordance with this Decree-Law and the regulations thereof.

Article 118. Standard concerning the information to be disclosed. The applications for registration and the reports to be submitted to the Superintendence may not contain false information or statements about material facts and may not omit information about material facts, which have to be revealed by virtue of this Decree-Law and the regulations thereof, or have to be revealed in order that the statements made in said applications are neither misleading nor deceitful in the light of the circumstances under which they were made.

Article 119. Contents of the application for registration and the reports. The applications for registration and the reports submitted to the Superintendence shall contain the documents prescribed by the Superintendence concerning the issuer, its operations, business and securities.

In determining the information and the documents that have to be included in the applications for registration and in the reports, the Superintendence shall limit itself to requesting important information and documents, which are of interest to the investors, and it shall abstain from requesting information and documents that do not comply with said purposes or impose an unjustified burden on the issuer or the person that has to reveal said information or said documents. The Superintendence may establish different requirements concerning ***inter alia*** information and documents in keeping with the kind of issuer or security involved or the kind of investor to whom the offer is addressed.

Applications for registration and reports may contain any other additional information, which the issuer may wish to include, provided always that it is relevant and it is not information, which this Decree-Law or the regulations thereof forbid to include.

The applications for registration and the reports may omit information or documents that are kept in the files of the Superintendence, provided always that said information or said documents are in force and effect.

Article 120. Form of the application for registration and the reports. The Superintendence may adopt the use of models or forms for the purposes of standardizing, simplifying and expediting the procedures for registration and the submission of reports to the Superintendence.

Every issue of securities shall the subject of a separate application for registration, but the Superintendence may allow the offer of different securities of the same issuer in a prospectus if the circumstances so permit without creating confusion in the investors. The Superintendence may also authorize the registration of programs of issues and framework registrations.

The applications for registration and the reports shall be signed on behalf of the issuer by the persons determined by the Superintendence.

The submission of applications for registration and the reports may be made through electronic means or by other means authorized by the Superintendence.

Article 121. Responsibility of the Superintendence in respect of the information. The Superintendence shall not be responsible for the accuracy of the information or the statements contained in the applications for registration or in the reports, and may demand that the prospectuses and other materials of the public offer contain a statement in those terms.

Article 122. Foreign issuers. The securities of issuers organized under the laws of the Republic of Panama or of a foreign country may be registered with the Superintendence. The registration of a security of a foreign issuer with the Superintendence and its public offer in the Republic of Panama shall not only by that reason imply that said issuer is carrying out business in the Republic of Panama. Foreign issuers shall appoint an attorney-in-fact in the Republic of Panama, with enough authority to represent them before the Superintendence and to receive service of administrative and court notifications.

The Superintendence may recognize the validity of registrations of securities made in recognized jurisdictions and may permit the public offer of said securities or their listing in securities exchanges established in the Republic of Panama. By means of agreements, the Superintendence shall regulate the procedure for the recognition of said foreign registrations, and it shall determine the information and the documents, which shall be submitted to the Superintendence and sent to investors in such cases.

Article 123. Public announcements. Whenever a material occurrence has taken place unknown to the public, and if such occurrence were to be publicized, one could expect that it would have a significant effect on the market price of a security registered with the Superintendence, the issuer of such security must immediately publish an announcement disclosing and explaining such occurrence (in the press, through electronic means of publicizing information, television or other means authorized by the Superintendence), and said issuer shall submit a copy of said

announcement to the Superintendence and to the securities exchanges in which said security is listed**.**

Notwithstanding the above, no issuer shall be obliged to disclose said occurrence as long as the directors or the management of the issuer have reasonable grounds to believe (A) that disclosure of said occurrence would significantly impair the interests of the issuer, and (B) that the persons who have knowledge of said occurrence have not yet traded and are not going to trade securities of said issuer. In any event, said issuer shall publicize said occurrence if it is irreversible and by delaying its disclosure it would not prevent the prejudicial impact which it would have on the issuer, or would not contribute to reduce such impact.

Article 124. Availability of information. Subject to the provisions contained in Article 331 of this Decree-Law, the Superintendence shall make available to the public without delay any applications for registration, reports, announcements and other documents and information submitted to the Superintendence.

Article 125. Information to be sent to investors. The Superintendence may require that issuers having securities registered with the Superintendence distribute reports and any other information submitted to the Superintendence, or part thereof, to the holders of such securities, or that they be publicized for the benefit of investors in such manner and as often as the Superintendence may determine. As long as the Superintendence does not otherwise provide, all issuers having shares registered with the Superintendence shall send an annual report to their shareholders at least once a year, including the issuer's audited financial statements.

Article 126. Publicity material. The Superintendence may establish standards for the form and content which publicity or information material to be distributed by persons registered with the Superintendence must comply with, as well as for the publicity or information material to be used in connection with public offers of registered securities, in order that the information provided to investors be accurate and clear and does not lead to deceit or fraud.

If at any time in the opinion of the Superintendence any publicity or information material contains false information or statements concerning material facts, or omits information or statements concerning material facts which should be disclosed by virtue of this Decree-Law and its regulations, or which should be disclosed for the statements made in such information not to be misleading or deceitful (in the light of the circumstances under which they were made), the Superintendence may order to cease the use of such publicity or information material until it has been amended or supplemented as the Superintendence may require.

Article 127. Termination of the registration. Either acting on its own initiative or at the request of the issuer or of an interested party, the Superintendence may terminate the registration of said issuer or its securities for the purposes of this Decree-Law, and declare that the obligation of the issuer to submit reports in accordance with this Title,, as long as said issuer complies with the following conditions:

1. On the last day of its fiscal year, does not have fifty (50) or more shareholders who are domiciled in the Republic of Panama and own at least ten percent (10%) of the paid-in-capital of said issuer (excluding, for the purposes of such calculation, the issuer's affiliated corporations, employees, directors and officers).
2. Does not have any securities listed in a securities exchange in the Republic of Panama.
3. Does not have securities outstanding, which had been offered through a public offer subject to the requirements of registration stipulated by Title V of this Decree-Law, unless they are such equity securities as are referred to under Item (1) above.
4. Submits to the Superintendence an application for the termination of the registration, and complies with the procedures established by the Superintendence for such purposes.

In order to protect the interests of investors, the Superintendence may establish rules, procedures and requirements, with which issuers applying for the termination of their registration with the Superintendence must comply.

Title VI
Public offers of securities

Article 128. Public offers. Public offers or sales of securities to be made by an issuer or an affiliate or by an offerer in the Republic of Panama shall be registered with the Superintendence, unless they are exempted from such registration by the provisions of this Decree-Law and its regulations.

An offer or sale made to persons domiciled in the Republic of Panama shall be deemed to be an offer made in the Republic of Panama, regardless of whether it is made from the Republic of Panama or from abroad, unless the Superintendence determines otherwise. The offer or sale made to persons domiciled outside of the Republic of Panama shall not be deemed to be an offer made in the Republic of Panama, even if it has been made from the Republic of Panama. The Superintendence may, by an agreement, determine when an offer made in Internet should be understood as an offer may to persons domiciled in the Republic of Panama.

Article 129. Exempted offers. The following offers, sales and transactions concerning securities are exempted from registration with the Superintendence:

1. (Exempted securities) the offer and sale of:
   a. (Government securities) securities issued or guaranteed by the State.
   b. (International institutions) securities issued by international institutions in which the State is included.
   c. (Others) any other securities which the Superintendence, by an agreement, excludes from the requirement of registration established under this Title, within the guidelines established by it for the protection of investors.
2. (Private placements) offers of securities made by an issuer or an affiliate thereof, or by an offerer of such issuer or affiliate, to no more than 25 persons altogether, or any such

number of persons which the Superintendence may determine, and which, within a period of one year, do not have as a result the sale of such securities to more than 10 persons, or any other number of persons which the Superintendence may determine; but it is understood that, for these purposes, offers or sales made by the issuer or the affiliates thereof to offerers, and offers or sales made by offerers among themselves shall not be taken into account. The Superintendence shall establish the conditions for successive offers of securities with significantly similar characteristics to be deemed the offer of the same security for the purposes of this paragraph. The Superintendence shall issue rules establishing the parameters within which the offer and subsequent sale of securities that have not been registered with the Superintendence and have been acquired through a private placement shall be permitted.

3. (Institutional investors) the offer and sale of securities to institutional investors that, due to their experience in securities markets, as the Superintendence may determine, have the knowledge and the financial capability to evaluate and assume the risks involved in investing in securities, and do not need the protection of this Decree-Law. The Superintendence shall issue rules establishing guidelines for the offer and subsequent sale of securities that have not been registered with the Superintendence and have been acquired by institutional investors shall be permitted. As long as the Superintendence does not issue rules regulating the offer and sale of securities to institutional investors, no public offers of securities that have not been registered may be made on the basis of this exception.
4. (Corporate transfers) within the guidelines established by the Superintendence for the protection of investors, the offer, sale, distribution, transfer and exchange of securities between an issuer and holders of securities of such issuer on account of:
    a. an offer of shares in order to increase the capital of the issuer, which is addressed exclusively to the existing shareholders of the issuer;
    b. the declaration of dividends in shares or other securities of the issuer;
    c. the reorganization, dissolution, liquidation or merger of the issuer; or
    d. the exercise of warrants or options previously granted by the issuer.
5. (Employees) the offer and sale of securities, which an issuer makes exclusively to its employees, directors or officers, or to employees, directors or officers of affiliates, within the parameters established by the Superintendence for the protection of investors.
6. (Others) any other offers, sales or transactions involving securities which, in its rules, the Superintendence may exempt from the registration requirement established under this Title for the protection of investors.

Article 130. Applications for registration of a public offer of securities. The issuer, the affiliate or the offerer wishing to make a public offer of securities that requires registration Superintendence, through a lawyer, under the provisions of this Title shall submit to the Superintendence an application for the registration of said securities according to the stipulations contained in Title V of this Decree-Law.

Upon the written request of an affiliate or an offerer wishing to publicly offer or sell securities of an issuer, the offer or sale of which requires the securities to be registered with the Superintendence according to the stipulations contained in this Title, unless otherwise agreed, said issuer shall submit to the Superintendence an application for the registration of said securities with the Superintendence, or shall deliver to said affiliate or to said offerer the necessary information or documents for submitting said application for registration to the Superintendence. Unless otherwise agreed, the issuer is entitled to be reimbursed for the expenses incurred in connection with such application for registration. The issuer may delay delivery of information or documents up to a maximum of one hundred and twenty days in the event that such information or documents have to be updated or are not available.

Article 131. Rejection of an application for registration of a public offer of securities. The Superintendence may reject the application for registration of a security in the following cases:

1. When the issuer is an issuer registered with the Superintendence, and is not up to date in the submission of annual and interim reports, which it has to submit to the Superintendence under this Decree-Law and its regulations.
2. When the prospectus, the information or documents submitted to the Superintendence, in the opinion of the latter, (A) are incomplete or do not comply with the requirements established in this Decree-Law or its regulations; (B) contain any false statement in connection with a material fact, or (C) omit any material fact which, under this Decree-Law and its regulations, has to be disclosed, or which should be disclosed in order to make the statements contained therein neither misleading nor deceitful in the light of the circumstances under which they were made.

Article 132. Content and form of the prospectus. The prospectus shall contain the financial statements and such information about the issuer, its operations, business and securities as the Superintendence may determine.

When determining the information to be included in the prospectus, the Superintendence shall limit itself to requesting that such material information be included as is relevant for investors to be able to make informed decisions on whether to invest or not to invest in the securities described in the prospectus, and it shall abstain from requesting information that does not fulfill said purposes or imposes an unjustified burden on the issuer or the person under obligation to disclose said information. The Superintendence may establish different requirements for disclosure of information in the prospectus on the basis of the type of issuer or security involved or the type of investor to whom the offer is being addressed, among other things.

The prospectus may not contain false information or untrue statements concerning material facts, and may not omit information or statements concerning material facts that, under this Decree-Law and the regulations thereof, must be disclosed, or which should be disclosed in order to prevent statements made in said prospectus from being misleading or deceitful in the light of the circumstances under which they were made.

The prospectus may contain any other additional information, which the issuer may wish to include, provided that it is relevant, and that it is not information, which this Decree-Law or the regulations thereof forbid to include.

The Superintendence may allow to include in the prospectus, by way of reference, the information contained in applications for registration and in reports previously submitted to the Superintendence in the event that the Superintendence believes that such information has been properly disclosed in the market, and that its being included in the prospectus by way of reference will not be prejudicial to investors.

The Superintendence may exempt a person from including information in the prospectus if, in the opinion of the Superintendence, it will not be prejudicial to investors and if such person submits such reasons to the Superintendence as in the opinion of this latter would justify such exemption.

Article 133. Use of the prospectus in public offers of securities. No issuer or affiliate thereof or offerer may offer securities that, under this Title have to be registered, if such an offer is not made through a prospectus authorized by the Superintendence or through a preliminary prospectus submitted to the Superintendence.

The Superintendence may establish by agreement the standards applicable to the use and distribution of the prospectus in connection with public offers according to the provisions contained in this Decree-Law. The Superintendence may establish exceptions regarding the use of the prospectus when such use is not necessary for the protection of investors.

Article 134. The period prior to registration with the Superintendence. As long as the resolution approving the application for registration of a given security does not come into force and effect, neither the issuer nor an affiliate of the issuer nor any offerer may buy or offer to buy or sell or offer to sell the securities which said application for registration refers to.

However, the contracts for subscription entered into by the issuer or by an affiliate of the issuer with the subscribers of the latter, as well as the contracts entered into by subscribers among themselves shall not be subject to the restrictions set down in the preceding paragraph.

Before an application for registration of a given security with the Superintendence is submitted to the Superintendence, the issuer may not, without justification, carry out activities or publicize information in any way that does not conform with its past practices or the usual course of its business, if doing so may have bearing on the market before the public offer is made, as the Superintendence may determine.

Article 135. The period of registration with the Superintendence. As from the date when an application for registration of a given security is submitted to the Superintendence, the following activities will be allowed, provided that none of them constitutes a firm obligation to buy or to sell such security:

1. The issuer, its affiliates and their respective subscribers may offer such securities to sales agents.

2. The issuer, its affiliates and their respective subscribers and sales agents may solicit purchase indirect orders from other persons.

Offers and solicitations of purchase orders made during this period must be accompanied by the delivery of the preliminary prospectus or this latter must follow shortly after. During this period no information or written publicity material may be distributed except for the preliminary prospectus or other material authorized by the Superintendence.

The preliminary prospectus shall be a prospectus prepared according to the requirements stipulated in Article 132 of this Decree-Law, but it may omit the total amount of securities offered, the offer price of the securities, the interest rate paid by the securities, the fees and expenses related to the sale of the securities and any other similar information which the Superintendence may determine.

The preliminary prospectus shall contain in its cover a text clearly indicating that the securities described in it are in the process of being registered with the Superintendence, and that the information contained in the prospectus is subject to change.

The preliminary prospectus may be used as from the date when the application for registration is submitted to the Superintendence, and its use must cease on the effective date of the registration.

During this period no publicity shall be made in connection with the securities, unless it has been approved by the Superintendence**.**

Article 136. The period following registration with the Superintendence. As from the effective date of the resolution approving the registration of a security with the Superintendence, offers of such securities may be made in any form whatsoever, provided always that they are preceded or accompanied by the final prospectus authorized by the Superintendence.

As from the effective date of the Superintendence, offers and solicitations made during the period of registration for indirect orders to purchase such securities on the basis of the preliminary prospectus may be accepted and completed. Acceptance and completion of offers and solicitations for indirect orders shall be subject to receipt of the final prospectus, except in such cases as the Superintendence may determine.

The final prospectus must continue to be used during the period of the public offer of securities authorized by the Superintendence.

Any final prospectus shall be updated by a new prospectus or by a supplement in the following cases:

1. Immediately whenever, during the period of an offer there is an occurrence (A) the result of which is that a statement made in the prospectus in connection with some material fact proves to be false or (B) a fact that should be disclosed in registration of a security with the order to ensure that a statement contained in the prospectus in connection with some material fact will not be either misleading or deceitful in the light of the circumstances under which it was made; and
2. within thirty (30) days following the date of submission of the issuer's annual report to the Superintendence.

If in the opinion of the Superintendence a prospectus at any time contains false information or statements concerning a material fact or omits disclosing information concerning material facts which, under this Decree-Law and its regulations, should be disclosed in order to ensure that the statements contained in the prospectus are neither misleading nor deceitful in the light of the circumstances under which it was made, the Superintendence may order that the use of said prospectus and/or the public offer be suspended until such time as the prospectus has been modified or supplemented as the Superintendence may require.

Title VI
Soliciting voting powers

Article 137. Soliciting voting powers, authorizations and consents. Any person of group of persons acting in concert and soliciting voting powers, authorities or consents from more than twenty-five (25) beneficial owners of registered securities in connection with any matter or meeting must comply with the provisions of this Title and the agreements issued by the Superintendence concerning the procedure of distribution and the use to be made of such solicitation, the information that has to be disclosed in it for the benefit of shareholders and the form of such solicitation.

Solicitations for voting powers, authorities and consents, which the Superintendence considers convenient to exclude from the application of this Title, shall be excluded, provided that such exclusion does not impair the interests of investors.

Article 138. Notifying the Superintendence. The Superintendence may require that copies of solicitations for voting powers, authorities and consents be sent to it before they are actually used, and it shall forbid their use if it determines that they do not comply with the requirements stipulated in this Decree-Law or its regulations.

Article 139. Content and form of solicitations. When determining which information has to be included in the solicitations referred to under this Title, the Superintendence shall limit itself to requesting that they include such material information as may be relevant for shareholders to be able to make informed decisions about the matter or the meeting involved in the solicitation for voting powers, authorities or consents, and it shall refrain from requiring information that does not serve this purpose or information that imposes an unjustified burden on the person who has to disclose the information. The Superintendence may establish different requirements for information disclosure on the basis of, inter alia, the kind of matter or meeting which the solicitation for voting powers, authorities or consents refers to, the particular issuer or the security involved or the kind of shareholder to whom the solicitation is addressed.

Solicitations for voting powers, authorizations and consent may not contain false information or statements concerning material facts, or omit information or statements concerning material facts which, under this Decree-Law and its regulations, should be disclosed

in order to make the statements contained in said solicitations neither misleading nor deceitful in the light of the circumstances under which they were made.

Solicitations for voting powers, authorizations and consents may contain any other additional information which the person making the solicitation may wish to include, provided that it is relevant and that it is not information which this Decree-Law and its regulations forbid to include.

Title VIII
The public offer to purchase shares

Article 140. Public offers to purchase shares. Any person, including the issuer, who publicly makes an offer in the Republic of Panama to purchase of shares of an issuer registered with the Superintendence amounting to twenty-five percent or more of the capital stock issued and outstanding of such issuer or for such an amount of shares when, as a result of the purchase, such person acquires more than fifty percent of the capital stock issued and outstanding of such issuer, shall notify the Superintendence and comply with the provisions of this Title and the agreements issued by the Superintendence concerning the procedure for distributing the documents containing the offer; the information to be disclosed in such documents, and the form of such documents, for the purposes of establishing an equitable procedure for all parties involved.

In addition, the Superintendence shall issue agreements on the content and the form of the replies and the recommendations to be made by the issuer, its board of directors or other persons in connection with the acceptance or rejection of the public offers to purchase shares.

Public offers to purchase shares which the Superintendence may consider convenient to exclude from the application of this Title shall be excluded, provided that such exclusion does not impair the interests of investors.

Article 141. Notice of public offers to purchase shares. The notice referred to under the preceding Article shall be submitted to the Superintendence either before or at the time when such person launches the public offer for the purchase of shares. A copy of said notice shall also be delivered promptly to the issuer and to the securities exchanges in the Republic of Panama where the shares being offered are listed.

This notice shall contain such information as the Superintendence may stipulate, and a copy of the documents to be used in making the public offer for the purchase of shares, and such documents shall contain the terms and conditions of the offer.

Article 142. Content and form of the documents of the offer. In determining the information to be included in the documents to be used in making a public offer for the purchase of shares, the Superintendence shall limit itself to require the documents to include material information that is relevant for the shareholders to be able to make informed decisions whether to accept or reject such offer, and it shall refrain from requesting information and documents that do not fulfill such purpose or any that would impose an unjustified burden on the issuer or the person

that should disclose said information. The Superintendence may establish different requirements of disclosure of information taking into consideration, inter alia, the kind of issuer or the kind of security involved or the kind of investor to whom the offer is addressed.

Documents to be used in making a public offer to purchase shares may not contain false information or statements concerning material facts, and they may not omit information or statements concerning material facts which, under this Decree-Law and its regulations should be disclosed, or any that should be disclosed in order to make the statements contained in said solicitations neither misleading nor deceitful in the light of the circumstances under which they were made.

Documents to be used in making a public offer for the purchase of shares may contain any other additional information which the person making the solicitation may wish to include, provided that it is relevant and that it is not information which this Decree-Law and its regulations forbid to include. The person making the offer may freely determine the terms and conditions, except for the provisions contained in this Title.

Article 143. Suspension of the offer by order of the Superintendence. If, in the opinion of the Superintendence, at any time the documents to be used in making a public offer for the purchase of shares, or any other publicity or information material related to such offer were to contain false information or untrue statements concerning material facts, or if they were to omit information or statements under this Decree-Law and its regulations, should be disclosed, or any which should be disclosed in order to make the statements contained in such documents neither misleading nor deceitful in the light of the circumstances under which they were made, the Superintendence may order the suspension of the use of said documents or the public offer to purchase of shares, or both things, until said documents are amended or supplemented as the Superintendence may require.

Article 144. Period of time and equal conditions for the offers. The period for acceptance of a public offer to purchase shares may not exceed thirty days to be counted as from the date when they are made.

Any public offer to purchase shares registered with the Superintendence must be made on equal terms and conditions to all holders of such shares, and the same purchase price must be paid by all of the holders of such shares who accept the offer.

Article 145. Public offer of exclusion. When a public offer to purchase shares means that the offerer will have direct or indirect control of seventy-five percent of the common shares issued and outstanding of the issuer, the offer shall, on the same terms and conditions, extend to the rest of the common shares that are not acquired. The holders of said shares shall have a term of thirty business days or a longer term to accept or reject the offer if it is so established by it.

Article 146. Pro rata purchases. In the event that offers to sell sale are made for a number of shares greater than the one stipulated in the public offer to purchase, the offerer shall acquire the shares in proportion to the acceptances received.

Article 147. Revocation of acceptances. Any holder of shares who has accepted a public offer to purchase shares may revoke his acceptance before the end of the term of the offer.

The person making a public offer to purchase shares may reserve the right to withdraw the offer at any time and for any reason whatsoever**.**

Article 148. Changes in the terms and conditions of the public offer to purchase shares. Any change in the terms and conditions of a public offer to purchase shares registered with the Superintendence shall be notified immediately in the same way in which the initial offer was distributed to shareholders, and in such case the offer shall be extended for a period of at least fifteen days in addition to the days stipulated in the initial offer.

Article 149. Ban of purchase of shares outside of the offer. No person or affiliate thereof having made a public offer for the purchase of shares registered with the Superintendence, including the issuer, may directly or indirectly acquire shares of the same class other than as stipulated in said offer and within the established term of the offer.

Article 150. Corporations with foreign shareholders**.** Corporations organized under the laws of the Republic of Panama and those organized under foreign laws that have a domicile in the Republic of Panama or are authorized to do business in the Republic of Panama, and have more than three thousand shareholders, the majority of which are domiciled outside of the Republic of Panama, which are to register with the Superintendence or are already registered when this Decree-Law comes into force and effect expressly for such purpose; and that maintain permanent offices in the Republic of Panama with full time employees and investments in the national territory exceeding one million balboas (B/.1,000,000) shall be protected by the system against hostile offer**.**

Title VIII
Investment Companies
Chapter I
General Provisions

Article 151. Non-applicability. The scope of application of this Title shall exclude:

1. The system of savings and capitalization of the pensions of public officers created by Law No. 8 of 1997, as long as the Superintendence does not provide otherwise.
2. Those investment companies, which the Superintendence may deem convenient to exclude from the application of this Title, provided always that such exclusion does not impair the interests of investors.

Article 152. Types of investment companies according to the option of redemption. Investment companies may be of the open-ended or of the closed-end type. The Superintendence may establish different rules for each of these types of investment companies in keeping with their particular characteristics.

Companies offering their investors the right to request from time to time the redemption of all or part of their participation quotas at the net asset value after deducting fees, charges and expenses described in the prospectus shall be considered open-ended investment companies. Open-ended investment companies may issue a variable number of participation quotas.

Investment companies not offering their investors the right to request redemption of their participation quotas before the liquidation of the investment company or allowing for redemption only in extraordinary circumstances as provided, charges and expenses or (2) those permitting redemption only under extraordinary circumstances shall be considered closed-end investment companies. Closed-end investment companies may not increase their authorized capital but they may ask for additional capital contributions from their participants as provided by the articles of incorporation.

Closed-end investment companies may become open-ended investment companies according to the provisions of the articles of incorporation or trust instrument or contract whereby they have been organized, as the case may be.

Article 153. Types of investment companies according to risks. Investment companies may be classified by the Superintendence according to the kind of risk associated with certain investment, objectives and policies, or the types of portfolios and assets, or the levels of leverage or liquidity and other guidelines, which it may deem appropriate. The Superintendence may establish different rules for each of these categories of investment companies according to their particular individual characteristics. The Superintendence shall establish specific standards for investment companies investing in real estate, for those investing in options, futures and derivatives, as well as for those investing in money market instruments.

The Superintendence may forbid the use of words in the prospectus, in publicity material, in the name or the trade name of investment companies or fund administrators, which may, in its opinion, lead to confusion or deceit or do not properly describe the risks assumed by an investor when investing in the investment company.

Article 154. Permitted structures. Investment companies having only one class of participation quotas and only one investment portfolio (simple investment companies), investment companies having multiple series of participation quotas with each of such participation quotas representing an interest in an a different investment portfolio (umbrella investment companies), investment companies having multiple classes of participation quotas, with class under different terms as to payment of fees and expenses in subscription, redemption and administrative services (multiple class investment companies), investment companies that, in turn, invest solely in another investment company (principal fund fed by other funds) or in other investment companies (fund of funds), and any other structure which the Superintendence has not forbidden may register with the Superintendence.

Article 155. Increase of authorized capital. Unless the articles of incorporation provide otherwise, investment companies organized under the laws of the Republic of Panama may, by resolution of the company's board of directors, amend their articles of incorporation in order to increase their authorized capital for the purpose of issuing more shares than those originally provided for in the articles of incorporation.

Article 156. Series and classes of shares. The board of directors of an investment corporation organized under the laws of the Republic of Panama may amend the articles of incorporation of the investment company for the purposes of creating new series and classes of participation quota without the consent of the shareholders, provided always that the costs in connection with the fund administrator, the investment advisor, the custodian, the publicity and other operating expenses be assumed by the series or class giving rise to them, or in the event of ordinary expenses, that they be assumed by all of the series and all of the classes in proportion to the net asset value per participation quota of each series or class.

All participation quotas of the same series or class shall have the same rights and privileges. Notwithstanding the above, classes belonging to the same series may be subject to different terms as to payment of fees and expenses in subscription, redemption and administrative services.

Chapter II
Registered investment companies

Article 157. Mandatory registration. The following investment companies shall register with the Superintendence and shall be considered registered investment companies:

1. Companies that offer participation quotas to the public in the Republic of Panama must register with the Superintendence according to the provisions of Title V of this Decree-Law.
2. Companies managed in or from the Republic of Panama, unless they are considered as being private investment companies according to Chapter III of this Title.

Article 158. Investment companies managed in or from Panama. A investment company shall be deemed to be managed in or from the Republic of Panama in any of the following cases:

1. If the investment company appoints a fund administrator in the Republic of Panama.
2. If the main domicile of the investment company is located in the Republic of Panama or its prospectus or other publicity material indicates that it is located in the Republic of Panama.
3 If the investment company appoints a custodian in the Republic of Panama.
4. If the number of directors required for adopting a resolution of the board of directors of the investment company (or trustees or empowered persons with similar powers) are domiciled in the Republic of Panama.

An investment company shall not be deemed managed in or from the Republic of Panama only because of the mere fact of the existence of one of the following circumstances:

1. The investment company is organized or constituted under the laws of the Republic of Panama.
2. The investment company has a domicile in the Republic of Panama that is not its main domicile, if it may not be inferred otherwise from the prospectus or publicity material, which it uses.
3. If one or more of its directors, officers, trustees, attorneys-in-fact or employees have their domicile in the Republic of Panama, provided that the individuals required for the investment company to adopt resolutions are not domiciled in the Republic of Panama.
4. If its administration services such as accounting, secretarial, registration and transfer services, as well as other similar ones are provided to the investment company in or from the Republic of Panama.

The Superintendence may, by an agreement, identify other cases where a investment company should or should not be deemed to be managed in or from the Republic of Panama.

Article 159. Registration with the Superintendence. Before beginning operations in the Republic of Panama, the investment companies referred to under Article 157 of this Decree-Law must register with the Superintendence.

The form and content of applications for registration, of the prospectus and other publicity material of investment companies shall be determined by the Superintendence according to the provisions contained in Titles IV and V of this Decree-Law. Notwithstanding the above, the prospectus of investment companies shall contain a detailed description of the following subjects: investment objectives and policies, level of leverage, mechanisms for subscribing participation quotas (and, as the case may be, redeeming them), method of calculation of the net asset value per participation quota, fees and charges, dividend and distribution policies, and a detailed description of both the investment company's administrator and the custodian of the investment company, as well as any other information which the Superintendence may stipulate.

Article 160. Investment objectives and policies. Registered investment companies shall have investment policies and objectives that must appear described in the prospectus. The Superintendence may establish rules for the form and content, which the descriptions of the objectives and investment policies to be made in a prospectus must have in order that the prospectus may adequately describe the risks associated with such investment policies and objectives.

The prospectus shall indicate the procedure required for registered investment companies to modify their investment policies and objectives.

Article 161. Subscription of participation quotas. Open-ended registered investment companies may only sell their participation quotas at their net asset value plus fees, charges and expenses

described in the prospectus, with the exception of the initial subscription period, and in such case subject to the guidelines established by the Superintendence.

Registered investment companies may only sell participation quotas for money in cash or for securities or other assets on conditions authorized by the Superintendence and described in the prospectus, but under no circumstances in exchange for services.

Article 162. Redemption of participation quotas. Registered investment companies may only redeem their participation quotas at their net asset value thereof after deducting such fees, charges and expenses as are described in the prospectus.

Holders of participation quotas in open-ended registered investment companies registered with the Superintendence may request the redemption of their participation quotas at least once a month, except in such cases where the Superintendence permits a longer period of time. Open-ended investment companies registered with the Superintendence shall pay for redeemed participation quotas no later than fifteen days following redemption, except in such cases where the Superintendence allows a longer period of time. Both the frequency of redemption dates and the dates of payment of the participation quotas shall be revealed in the prospectus.

Open-ended investment companies registered with the Superintendence may temporarily suspend redemption of participation quotas or postpone the date of payment for redeemed participation quotas in the following cases:

1. During periods when a stock exchange trading a substantial number of the securities in which the assets of the investment company are invested is closed or when said stock exchange suspends trading said securities.
2. During periods when there is an emergency having as a result that it is not reasonably practical or convenient to dispose of assets of the investment company, or that it is not reasonably practical to determine adequately and accurately the net asset value per participation quota.
3. During any other period which the Superintendence determines by means of an agreement.

Closed-end investment companies registered with the Superintendence may only buy their own participation quotas in the following manner:

1. In a stock exchange or other regulated market, provided that, at least thirty days in advance, the investment company has informed its investors of its intention to buy its own participation quotas.
2. By means of an offer to purchase notified to all of the investment company's investors, giving them a reasonable opportunity to offer their participation quotas for sale.
3. In any other way authorized by the Superintendence, provided that the purchase be carried out fairly and without discriminating investors.

Article 163. Fees and charges. Fees and charges for subscription and redemption of participation quotas, as well as any others to be paid by investors in registered investment companies must appear described in the prospectus, as required by the Superintendence**.**

Fees and charges which the registered investment company must pay to the fund administrator, the investment advisor, the custodian and other persons providing material services to it in connection with its administration and operation shall also appear described in the prospectus, in the form stipulated by the Superintendence.

Article 164. Net asset value per participation quota. Registered investment companies shall calculate the net asset value of their participation quotas as often as the Superintendence may determine. As long as the Superintendence does not provide otherwise, open-ended investment companies registered with the Superintendence shall be under obligation to calculate the net asset value of their participation quotas at least once a week. Closed-end investment companies registered with the Superintendence shall not be under obligation to calculate the net asset value of their participation quotas, except in the event that the Superintendence so requires.

The net asset value per participation quota shall be the result of dividing the net value of the assets of the registered investment company by the number of participation quotas issued and outstanding. The net value of the assets of the registered investment company shall be the result of subtracting the liabilities of the registered investment company from its assets.

When calculating the net asset value per participation quotas, the assets and liabilities of registered investment companies shall be assessed on the basis of rules, which the Superintendence shall issue for such purpose in an agreement aimed at establishing uniformity in the market and protecting the interests of investors. As far as it may be practical and reasonable, assets shall be assessed at market value.

The Superintendence may issue guidelines for registered investment companies to calculate the net asset value per participation quota in a different way from the one indicated in this Article.

Registered investment companies may temporarily suspend calculation of the net asset value of their participation quotas in the following cases:

1. During periods when a stock exchange trading a substantial number of the securities in which the assets of the investment company are invested is closed or when said stock exchange suspends trading said securities.
2. During periods when there is an emergency having as a result that it is not reasonably practical to determine adequately and accurately the net asset value per participation quota.
3. During any other period, which the Superintendence determines by an agreement.

Registered investment companies shall report to the Superintendence and to investors the net asset value of the participation quotas being offered in the Republic of Panama, through the press, electronic networks of financial information or other means authorized by the Superintendence may authorize. This report shall be made in the form and with as often as the Superintendence may determine.

The board of directors of a registered investment company organized under the laws of the Republic of Panama may delegate to the investment company administrator of the investment company or other persons the obligation to assess its assets and liabilities, and to calculate and report the net asset value of its participation quotas.

Article 165. Reports concerning dividends and distributions. Any payment of dividends declared by a registered investment company, which originate entirely or in part from sources other than retained profits or from net profits for the current fiscal period and/or for the immediately preceding one, must be accompanied by an explanation concerning the sources from which they originate, as the Superintendence may provide. For the purposes of this Article, in calculating the yield, registered investment companies shall not take into account neither the profits or losses arising from the sale of participation quotas or other assets nor the sums paid in excess of the allocated value of their participation quotas or any other sum stipulated by the Superintendence.

The board of directors of a investment company organized under the laws of the Republic of Panama may declare the continuous payment of dividends within the parameters agreed previously, without having to adopt a resolution for such purpose in each case, provided always that said parameters comply with the limitations stipulated by the law applicable to the investment company in connection with the declaration and the payment of dividends.

Article 166. Leverage. Registered investment companies may borrow money and have other kinds of debts or similar obligations within the parameters established by the Superintendence for the benefit of investors. The prospectus must contain a detailed description of the leverage policies of the investment company, as well as the risks associated with such policies and levels of leverage.

Registered investment companies may grant loans and guarantees provided that they are directly or indirectly for the benefit of the investment company, and provided that said powers are set down in the prospectus.

Article 167. Directors. At least twenty percent of the members of the board of directors, or of the body having similar powers in a registered investment company shall be persons who are independent from the investment company.

The following may not be considered as persons who are independent from the investment company:

1. The investment company's administrator, the investment advisor, the administrative service provider of securities market, the custodian and the offerer distributing the participation quotas of the investment company.
2. The external auditors of the investment company.
3. Any person who directly or indirectly owns more than ten percent of the participation quotas issued and outstanding of any of the persons mentioned in paragraphs 1, 2 and 3 above or persons related to them.
4. Directors, officers, employees, securities brokers and analysts of any of the persons mentioned in paragraphs 1, 2 and 3, or affiliates.
5. Relatives of the persons mentioned in the above paragraphs within the second degree of relationship by blood relationship or affinity.

In the event that, as a result of a vacancy occurring in the board of directors or otherwise, an open-ended registered investment company fails to comply with the minimum number of

independent directors, the company shall have a period of one hundred and twenty days to rectify such non-compliance. Upon request, the Superintendence may extend said period of time if circumstances so warrant in the opinion of the Superintendence.

If their articles of incorporation do not provide otherwise, investment companies organized under the laws of the Republic of Panama may do business or enter into contracts in which directly or indirectly one or more of their directors or officers have an interest, provided that such business or contracts are approved by a majority of the directors of the company who do not have an interest in such business or contracts, and such majority shall include the affirmative vote of the independent directors who do not have such an interest.

The board of directors must be informed of said interest before a vote is taken. The directors who have an interest in the business or the contracts may not cast a vote, but they shall be counted for the purposes of obtaining a quorum. Article 34 of Cabinet Decree 247 of 1970 shall not apply to investment companies organized under the laws of the Republic of Panama.

Article 168. Persons precluded from any connection. The following persons may not act as Investment Company's administrator, investment advisor, custodian or offerer of a investment company, or as director, officer, securities broker, analyst or employee of any of them or of a registered investment company:

1. Persons who during the previous ten years have been condemned for a crime against property or against public trust, for felony against the inviolability of confidentiality, for crimes against public confidence in the Republic of Panama or in a foreign jurisdiction, or for crimes related to money laundering, for crimes against the inviolability of secrets, for preparing false financial statements, or who have been condemned for any other crime involving a prison sentence of one year or more.
2. Persons whose authorization or license required to hold any such positions within or outside of Panamanian territory has been revoked during the last five years.

After having heard the affected party, the Superintendence may, by means of a resolution of the superintendent, as the Superintendence considers it necessary in order to protect investors, permanently or temporarily prohibit a person from acting as investment company's administrator, investment advisor, custodian or offerer for a registered investment company, or as director, officer or employee of any of them or of a registered investment company, in the following cases:

1. If such person has knowingly made or been responsible for material false or misleading statements concerning material facts in a report document submitted to the Superintendence or sent to investors, or has knowingly omitted or been responsible for the omission of statements concerning material facts which should have been disclosed in said reports or documents by virtue of this Decree-Law and its regulations, or which should have been disclosed in order to prevent that the statements made in such reports or documents proved misleading or deceitful in the light of the circumstances when they were made.
2. If such person has knowingly violated any provision contained in this Decree-Law and its regulations.

Article 169. Custodian. The moneys and securities of registered investment companies must be under the custody of intermediaries or other persons authorized by the Superintendence, in accordance with the regulations issued by the Superintendence for the protection of investors.

The custodian of the assets of a registered investment company must have such a degree of independence from it and from its investment company's administrator as the Superintendence may determine for the protection of investors.

The custodian shall keep the assets of a registered investment company duly identified and segregated from its own assets, and it shall take such steps as may be necessary in order that such assets may not be seized or attached or subject to actions of the custodian's creditors, and may not be affected by the custodian's insolvency, creditors' meeting, bankruptcy or liquidation.

The custodians of registered investment companies shall submit to auditing, checking and inspections by their external auditors annually or as often as the Superintendence may determine, for the purposes of verifying the existence and the state of the assets under custody.

Custodians may appoint sub-custodians, provided that they fulfill the requirements, which this Decree-Law and the agreements of the Superintendence stipulate for acting as custodians.

Article 170. Guarantee against larceny, theft and embezzlement. Directors, officers, principal executives and employees of a registered investment company or of its investment company's' administrator or custodian, as the case may be, who have access to securities and moneys of the investment company, either physically or by authority to manage or dispose of such securities or moneys either severally or jointly with others, must be covered against the risks of larceny, theft and embezzlement appropriation by one or more insurance policies, bonds or bank guarantees issued by reputed insurance companies or banks authorized to operate in the place where such policies, guarantees or bonds are issued, in such amounts and on such terms as may be appropriate considering the amount and the risks being covered, as the Superintendence may determine by an agreement.

Article 171. External auditors. Registered investment companies shall appoint an independent external auditor, who must be a certified public accountant or a reputed firm of certified public accountants.

The external auditor shall be officially recognized as qualified in the jurisdiction where the accounting records and books are being kept.

The appointment or removal of the external auditor shall be reported to the Superintendence, and it must have the affirmative vote of the independent directors of the registered investment company.

|The external auditor shall conduct an audit of the registered investment company at least once a year, and he shall prepare the financial statements of the said company according to accounting standards approved by the Superintendence.

Article 172. Limitation of Liability. The articles of incorporation, the by-laws, the trust instrument or the contracts of constitution of a registered investment company, and the

contracts entered into between the registered investment company and its fund administrators, investment advisors, custodians or offerers may not contain any provisions limiting the liability of said persons vis-à-vis the investment company for negligence in complying with their obligations.

The articles of incorporation, the by-laws, the trust instrument or the contracts of constitution of a registered investment company, and the contracts entered into between the registered investment company and its fund administrators, investment advisors, custodians or offerers may contain clauses limiting the liability of the directors, officers and employees of the registered investment company, or limiting the liability of the directors, officers and employees of the fund administrators, the investment advisors, the custodians or offerers of the registered investment company, but such clauses may not relieve such persons from liability in the event that they act in bad faith, that they knowingly act wrongfully or that they commit tort or fraud.

Any contractual provision contrary to the contents of the preceding paragraphs shall be null and void.

Article 173. Voting. Participation quotas in a registered investment company may or may not have voting rights. However, in the case of registered investment companies, the participation quotas of which do not have voting rights, none of the following changes may become effective if advance notice of such changes has not been given to investors, together with a reasonable opportunity to redeem their participation quotas:

1. Material changes in objectives or investment policies.
2. Change of investment company's' administrator, investment advisor or custodian.
3. Issuance of a new class or series of participation quotas.
4. Material changes in leverage limits.
5. Material changes in dividend policies.
6. Material changes in redemption policies.
7. Increases in fees and charges exacted from investors.
8. Material increases in fees and charges paid by the investment company to the investment company's' administrator, the investment advisor, the custodian, the offerer or to other persons who provide services to the investment company.

Article 174. Contracts with a investment company's' administrator. Contracts to be entered into by a investment company with a fund administrator shall be in writing and comply with the following requirements:

1. They must be approved by the affirmative vote of the independent directors.
2. They must contain completely and accurately the remuneration which the fund manager is to receive, including commissions, fees and reimbursement of expenses.
3. They must allow termination by the investment company with no more than ninety days notice, without any payment of indemnification.
4. They must require the consent of the investment company for any assignment of the contract by the fund administrator.

Article 175. Accounting, books and records. Registered investment companies shall keep their accounts, books and records according to the accounting standards and practices adopted by the Superintendence. Investment companies shall preserve said accounts, books and records for such a period of time as may be determined by the Superintendence, and they shall be available for inspection by the Superintendence**.**

Article 176. Other administrative and operational requirements. Registered investment companies shall be subject to all other administrative and operational requirements, which from time to time may be established by the Superintendence by means of an agreement for the protection of investors.

Article 177. Reports. Registered investment companies shall submit reports and financial statements to the Superintendence with such frequency as the Superintendence may determine. Until the Superintendence provides otherwise, registered investment companies shall submit interim reports and financial statements every six months and audited financial statements annually. The Superintendence shall determine the minimum content and form which such reports and financial statements must have, subject to the provisions contained in Title V of this Decree-Law.

Registered investment companies shall send reports and financial statements to investors with such frequency as the Superintendence may determine. The Superintendence shall determine the minimum content and the form, which such reports and financial statements must have, subject to the provisions contained in Title V of this Decree-Law.

Registered investment companies shall send statements of account to investors with such frequency as the Superintendence may determine. Until the Superintendence provides otherwise, such statements of account shall be sent at least every three months. The Superintendence shall determine the minimum content and the form, which such statements of accounts must have.

Article 178. Publicity. The Superintendence may establish guidelines and standards for publicity, which shall be complied with by investment companies and their fund administrators, as well as their offerers, in the preparation of publicity material which they use, and the Superintendence may, in particular, establish standards concerning the calculation of the yield of investment companies with a view to creating a homogeneous market and protecting the interests of investors.

Article 179. Foreign investment companies. The following shall be deemed to be foreign investment companies:

1. Investment companies organized or constituted under the laws of a foreign government.
2. Investment companies having a fund administrator, the main domicile of which is outside of the Republic of Panama, and managing the assets of the investment company outside of the Republic of Panama.

The Superintendence may exempt foreign investment companies from strict compliance with some of the provisions of this Decree-Law and its regulations, if said companies prove to the Superintendence that they are complying with provisions applicable in the foreign jurisdiction which, although different from the local ones, generally give investors a degree of protection that, in the opinion of the Superintendence, is on the whole substantially the same or greater than the protection given by Panamanian laws, and if granting such exemption does not impair the interests of investors.

Foreign investment companies that keep their accounts outside of the Republic of Panama may prepare their reports and financial statements on the basis of generally accepted accounting standards and principles in the foreign jurisdiction where such accounts are kept. Whenever circumstances may so warrant, the Superintendence may require that such reports and financial statements are accompanied by an explanation of material differences between those foreign standards and principles and the ones adopted by the Superintendence as well as an explanation regarding any material change that could reflect on the situation of the foreign investment company had such financial statements been prepared on the basis of the accounting standards and principles adopted by the Superintendence.

Article 179-A. Registered investment companies, which only offer participation quotas abroad to persons domiciled outside of the Republic of Panama**.** A registration is established for those investment companies that only offer their participation quotas abroad and to persons domiciled outside of the Republic of Panama. An application for registration may be submitted to the Superintendence by the corporations organized under the laws of the Republic of Panama or those that have an investment advisor with premises or an office outside of the Republic of Panama, wherein the securities and assets of the investment companies are managed outside of the Republic of Panama, the participation quotas of which are offered exclusively to natural persons or legal entities domiciled abroad.

These companies may not offer their participation quotas in or from the Republic of Panama, and as long as the Superintendence of the Securities Market does not stipulate otherwise, these investment companies shall be dealt with as follows:

1. They shall not be subject to the periods of time related to the redemption and the payments of participation quotas referred to under Article 162 of this Decree-Law, but such periods of time must be properly explained in the prospectus.
2. They may calculate the net asset value of participation quotas in a form and a frequency different from what is described in Article 164 of this Decree-Law, provided that the form and frequency of such calculation are duly set down in the prospectus.
3. They shall not be subject to the requirements of independent directors stipulated in Article 167 of this Decree-Law, but any relation with any of the persons who are not considered independent under Article 167 of this Decree-Law shall be revealed in the prospectus.
4. They shall not be subject to the requirement of guarantee stipulated in Article 170 of this Decree-Law, but the prospectus shall reveal whether or not such guarantee exists.

5. They shall not be subject to the voting requirement referred to under Article 173 of this Decree-Law.
6. They shall comply with the requirements established herein and those stipulated by the Superintendence of the Securities Market by an agreement.
7. They shall submit reports to the Superintendence of the Securities Market and send copies of such reports to their investors as often and in the form and content as may be determined by the Superintendence for this type of investment companies.[6]

Article 179-B. Deposit of assets. In addition to the provisions of Article 169 of this Decree Law, the investment companies that only offer participation quotas to persons domiciled outside of the Republic of Panama, they must maintain 35% of the assets of the company in a clearinghouse that has a license issued by the Superintendence.

By an agreement, the Superintendence shall have the authority to modify the percentage of the assets of the company, which have to be maintained in a clearinghouse having a license issued by the Superintendence.[7]

Article 179-C. Reports and information. By an agreement, the Superintendence may establish the reports and the information, which they have to send periodically and upon request.

This type of companies shall appoint a representative in the Republic of Panama that may be a fund administrator, a broker-dealer firm, an investment advisor or a lawyer or a firm of lawyers. Said representative shall have enough authority to represent the company before the Superintendence and to receive service of administrative or court notices.

The representative in Panama shall be the liaison between the investment company manager and the Superintendence for the purposes of submitting financial information and periodical reports.

The Superintendence may penalize investment companies that do not comply with the timely submission of financial information as well as the reports, either periodical or requested.

The investment company that omits to present a report to the Superintendence shall be penalized by it, in addition to the warnings, which the Superintendence shall issue and deliver to the authorities in the jurisdiction where the fund administrator of said company operates.

Failure to observe the submission of two or more reports to the Superintendence shall lead to the suspension of the registration, without prejudice to the warnings issued by the Superintendence, which are indicated in the preceding paragraph.[8]

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[6] **ADDITIONED** by Article 285 of Law No. 12 of April 2012

[7] **ADDITIONED** by Article 286 of Law No. 12 of April 2012

[8] **ADDITIONED** by Article 287 of Law No. 12 of April 2012

Article 179-D. Action in the event of possible risks. In the event that the periodical information reflects a situation that, in the opinion of the Superintendence, implies indication of an imminent risk for investors, it may carry out inspections of the company's fund administrator beyond the national borders with the acceptance of the regulator or said manager or it may initiate proceedings of administrative investigation.

The above is without prejudice to the application of the provisions of this Decree-Law related to the provisions regulating the liquidation, intervention and reorganization of a investment company.[9]

Article 179-E. Refusal of authorization, suspension and cancellation. Notwithstanding the provisions of Article 179-A, the Superintendence of the Securities Market may refuse the registration of a investment company that will only offer its participation quotas abroad and to persons domiciled outside of the Republic of Panama, and it may cancel the registration granted to one of such companies if, in the opinion of the Superintendence of the Securities Market, the terms offered to investors are not fair or are not reasonable in the light of practices generally accepted in international markets.

The registration granted to those investment companies that do not submit information and financial statements as often, in the form and with the contents stipulated by the Superintendence of the Securities Market, or if it is proven that its participation quotas have been offered in or from the Republic of Panama, the rates established in item 4 of Article 38 and item 3 of Article 39 of Law 67 of the 1st of September 2011.[10]

Article 179-F. Applicable rates. The rates established in item 4 of Article 38 and in item 3 of Article 39 of Law 67 of the 1st of September 2011 shall be applicable to registered investment companies that only offer their participation quotas abroad and to persons domiciled outside of the Republic of Panama.

Article 179-G. Period of adaptation. Investment companies registered within the parameters established in Article 179-A of the Sole Text of Decree-Law 1 of 1999 shall be allowed a period of three years in order that they may abide by the provisions of this Article and of Article 179-B, and the provisions established in Articles 179-C, 179-D, 179-E and 179-F shall be applicable to them.

In connection with Article 179-B, in the event that the adaptation is not possible, by means of a note signed by the representative of the investment company and certified by a notary public, the Superintendence shall be informed that the account holders representing no less than half plus one of the participation quotas of said investment company have decided not to transfer the 35% of the assets of the company to a clearinghouse in Panama. In such a case, the necessary warnings shall be included in the prospectus.

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[9] **ADDITIONED** by Article 288 of Law No. 12 of April 2012

[10]

Chapter III
Private investment companies

Article 180. Definition. Investment companies that do not offer their shares in the Republic of Panama and whose articles of incorporation, trust instrument or other similar document of constitution contains any one of the following provisions shall be deemed to be private investment companies:

1. A provision limiting the number of actual holders of participation quotas to fifty and stipulating that their offers have to be made by means of private communication and not by means of public communication media.
2. A provision stipulating that its participation quotas may only be offered to qualified investors in minimum amounts of one hundred thousand balboas (US$100,000) for the initial investment.

For the purposes of this Article, qualified investors are those natural persons or legal entities (A) whose usual business activities include trading, on their own account or for the account of third parties, securities or assets of the kind that constitutes the investment portfolio of the private investment company or a significant part thereof; or (B) who have signed a statement to the effect that, individually or jointly with a spouse, they own property worth at least one million balboas (US$1,000,000), and that they consent to be dealt with as a qualified investor.

Private investment companies shall not be considered registered investment companies and shall not be subject to the provisions of Chapter II of this Title.

Article 181. Appointment of a representative. Private investment companies shall appoint a representative in the Republic of Panama, that may be a fund administrator, a broker-dealer firm, a bank with a license granted by the Superintendence of Banks o a lawyer or law firm, or other persons authorized by the Superintendence. Said representative shall have sufficient powers to represent the private investment company before the Superintendence and to receive administrative and judicial notifications.

Before beginning operations in the Republic of Panama, private investment companies shall provide their representative in the Republic of Panama the following documents and information:

1. A copy of the articles of incorporation or trust instrument or the document whereby the private investment company was organized, with any amendments in effect at the present time.
2. A copy of the prospectus or similar document used to offer participation quotas in the private investment company.
3. Audited financial statements of the private investment company for the preceding fiscal year.

4. A certificate of existence of the private investment company issued by the proper governmental authority in the jurisdiction where the private investment company has been organized or other similar evidence of its existence.
5. Documents accrediting the appointment of the representative of the private investment company in the Republic of Panama.
6. Documents evidencing that the private investment company fulfills the requirements to qualify as a private investment company according to Article 182 of this Decree-Law.
7. The name and address of the private investment company, of its fund administrator, its offerer and its custodian, as well as the names and addresses of their directors and key executives.

Private investment companies shall be under obligation to report to their representative in the Republic of Panama any changes in the information or documentation described in the preceding paragraph above not later than one hundred and twenty days after the date of said change. Similarly, private investment companies shall provide their representative a copy of their audited financial statements not later than one hundred and twenty days after the end of each fiscal year.

The information and documentation described in the preceding paragraph may be inspected by the Superintendence at any time. The representative shall keep said information and documentation for a period of three years after the date when it ceases to act as representative of the private investment company in the Republic of Panama.

Article 182. Notifying the Superintendence. Before beginning operations in the Republic of Panama, private investment companies shall notify the Superintendence through a lawyer that they have fulfilled the requirements stipulated in Articles 180 and 181 of this Decree-Law. This notification will not imply that the private investment company considers itself as a person registered with the Superintendence. The Superintendence may penalize any representations or statements made otherwise by the investment company or by its fund administrator. The prospectus or other similar document used to offer shares in a private investment company must contain a text approved by the Superintendence indicating that such private investment company is not registered with the Superintendence and is not subject to supervision by the Superintendence.

Before the thirtieth of June each year, private investment companies shall submit to the Superintendence a certificate that they fulfill the requirements stipulated in Articles 180 and 181 of this Decree-Law.

Article 183. Supervision. If a private investment company fails to comply with its obligations under this Decree-Law and its regulations, or if the Superintendence deems it necessary in order to safeguard the interests of investors, the Superintendence may, by means of a resolution of the superintendent, the Superintendence may order any person having a relationship with said private investment company to terminate said relationship so that said private investment company ceases to be managed in or from the Republic of Panama, it may order the representative in the Republic of Panama to terminate its relationship with said private

investment company, and it may order the dissolution and liquidation of said private investment company if it is organized under the laws of the Republic of Panama**.**

Chapter IV
Investing company's administrators

Article 184. Mandatory license. The business of Investing company's administrator may be carried out in or from the Republic of Panama only by persons who have obtained a Investing company's administrator License issued by the Superintendence, regardless of the fact that such persons may or may not be providing services to investment companies that are or are not registered with the Superintendence.

The Investment Manager License granted by the Superintendence must be obtained by Investing company's administrators of investment companies that offer their participation quotas publicly in the Republic of Panama, even if such Investing company's administrators do not provide their services in or from the Republic of Panama.

The Investing company's administrator License granted by the Superintendence must also be obtained by Investing company's administrators handling the funds of the Savings and Capitalization System of the Pensions of Public Officers created by Law 8 of 1997. Said requirement shall not apply to the Social Security Agency, but it shall apply to the officials thereof who perform the functions of Investing company's administrators on behalf of the Social Security Agency. The rates for registration and supervision established under Articles 26 and 27 of this Decree-Law of the Preliminary Title shall not apply to said officials. The Superintendence shall issue agreements concerning the supervision of these Investing Company's administrators for the purposes of complying with the objectives of Law 8 of 1997.

Article 185. Granting of licenses. The person who applies to the Superintendence for a License of Investing company's administrator must fulfill the following requirements:

1. To prove that it has the technical, administrative and financial capability as well as the necessary personnel to provide the services of a Investing company's administrator for investment companies, to comply with the provisions of this Decree-Law and the regulations thereof, and to ensure such compliance by its directors, officers and employees.
2. To comply with the requirements established under this Decree-Law and the regulations thereof, for the license to be granted and for the operation of the business.
3. To comply with the requirements stipulated under Article 50 of this Decree-Law, and confirm such compliance by its directors and officers.
4. To comply with the requirements stipulated under Article 49 of this Decree-Law, in the case of a natural person.
5. If it is a foreign Investing company's administrator, to have a license granted by a foreign jurisdiction permitting to engage in the business of a Investing company's administrator in said jurisdiction.

6. To submit an application containing the information prescribed by the Superintendence in order to prove that such person complies with the necessary requirements for the license to be granted and for the operation of the business.

Article 186. Sub-contracting services. Investing company's administrators may appoint assistant Investing company's administrators or they may sub-contract Investing company's administratorial services, subject to the agreements, which the Superintendence may pass concerning the subject.

Article 187. Foreign Investment Investing company's administrators. Those investment Investing company's administrators that manage, handle, invest and generally carry out their duties as Investing company's administrators outside of the Republic of Panama shall be deemed to be foreign Investing company's administrators.

Whether in a particular case or generally by an agreement, the Superintendence may exempt a Investing company's administrator from the strict compliance with some of the provisions of this Decree-Law and the regulations thereof, if such Investing company's administrator proves to the Superintendence that it complies with other provisions applicable in the jurisdiction where it has its domicile, which, although different from domestic ones, in the opinion of the Superintendence, generally give a degree of protection to investors on the whole substantially the same or greater than domestic legislation, and if granting such exemption does not impair the interests of investors.

Article 188. Duties of investment Investing company's administrators. Investment Investing company's administrators shall have the duties of administering, managing, investing and generally carrying out their duties as Investing company's administrators subject to the terms of the contracts made with the investment company and the investment policies and objectives established by the investment company. Investing company's administrators shall, in the performance of their duties, use such diligence and care as men normally use in their own business, and they shall be liable to the investment company and to the holders of participation quotas thereof in the event that they do not observe such diligence and care.

Article 189. Reports. Investing company's administrators shall submit to the Superintendence and send reports and financial statements to investors in the investment companies, which they manage as often as the Superintendence may stipulate. The Superintendence shall prescribe the minimum content and the form, which such reports and financial statements must have.

Article 190. Suspension, revocation and cancellation of the license. The provisions contained in Articles 52 and 53 of this Decree-Law shall be applicable ***mutatis mutandis*** to Investing company's administrators.

Article 191. Provisions applicable to Investing company's administrators. The provisions contained in Chapters IV and V of Title II of this Decree-Law shall be applicable ***mutatis mutandis***

to Investing company's administrators.

Chapter V
Administrative Service Providers administrators for the Securities Market

Article 192 Administrative Service Providers administrators for the Securities Market. The entities that usually, exclusively and in specialized form engage in providing administrative services such as accounting, secretarial, handling relations with holders of participation quotas in entities regulated by the Superintendence of the Securities Market for the exercise of activities in the securities market, in or from Panama, must obtain a License of Administrative Service Providers administrators for the Securities Market.

The Superintendence may adopt the rules, procedures, requirements and scope of the services, which these entities may provide, including the type of regulated entities to which the fund administrators may provide their services. The Administrative Service Providers administrators for the Securities Market may carry out the activity when the Superintendence has established the rules to be complied with in respect of the implementation and the supervision of said activity.

The Administrative Service Providers administrators for the Securities Market shall be jointly responsible to the clients of the entities that have contracted their services.

The Administrative Service Providers administrators for the Securities Market in the securities market may not carry out activities related to investment of funds, which are ascribed to the investment company's administrator or the Investment fund manger.

It will not be mandatory to obtain this Licence for those entities that have an Investment Company's Administrator License granted by the Superintendence, while that they are willing to provide administrative services in adition to their main activity, solely to Investment Companies.

The provisions contained in Article 53 of this Decree-Law shall ***mutatis mutandis*** apply to the fund administrators.

Title IX
Credit in securities trading, options and derivatives

Article 193. Credits in general. Any person may give credit or borrow for the purposes of acquiring or maintaining registered securities in a portfolio, subject to the limitations, the parameters and regulations established by the Superintendence from time to time by an agreement concerning this matter in order to protect the interests of investors.

Article 194. Indebtedness of broker-dealer firms. Broker-dealer firms may incur in debt by offering securities owned by it as security, subject to the limitations, the guidelines and regulations established by the Superintendence from time to time by an agreement concerning this matter in order to protect the interests of investors.

Article 195. Securities Lending. Any person may lend or borrow securities subject to the restrictions, guidelines and regulations that the Superintendence may from time to time issue by means of a resolution concerning this matter in order to protect investors.

Article 196. Repurchase of securities. Agreements to repurchase securities shall be valid, but they shall be subject to the restrictions, parameters and regulations that the Superintendence may from time to time issue by an agreement concerning this matter in order to protect investors.

Article 197. Options, futures and other derivatives. The Superintendence may, by means of a resolution, establish rules to regulate offers, negotiations ant the terms of agreements concerning options, futures and other derivatives, including securitization of assets or rights, in order to protect the interests of investors.

Credits and other intangible future rights may be assigned for the purposes of securitizing them. Such credits may be assigned even before the agreements from which they are to arise are entered into or before the securities representing them are executed. Future credits to be assigned must be identified or identifiable in the assignment contract. In order to be identifiable, it shall be sufficient that, in the future, they may be identifiable on the basis of parameters, formulas, descriptions or procedures contained in the contract of assignment, even if they not set down singly therein. The contract of assignment of future credits shall be made in writing, and it shall be valid to third parties as from the moment when the signatures of the parties are affixed or recognized before a Notary Public or as from the moment when it is protocolized as a public deed. Authentication of the signatures before a Notary Public or protocolization of the contracts of assignment of future credits shall be equivalent to delivery, provided that it may not be inferred otherwise from the said contract. Assignment of future credits shall be valid against the debtor of the assigned credit when written notice thereof is served to him in any way whatsoever. The assignment of future credits is valid in the bankruptcy of the assignor as from the date when the contract is valid to third parties, but it shall be null and void or defeated for the causes that are set down in Articles 1581 and 1583 of the Code of Commerce. If at the time of the adjudication of the assignor's bankruptcy, the contract of assignment has not been executed or has been executed only in part, the assignor may choose whether to continue with the execution of the contract or request that it be rescinded. Notwithstanding the provisions in this Article, nothing prevents the parties from deciding to make the contract of assignment of credits subject to the ordinary provisions of the Civil Code and the Code of Commerce concerning the assignment of credits.

Title X
Custody, clearing and settlement of securities
Chapter I
General provisions

Article 198. Objectives. The purpose of this Title is to permit the issue of shares represented by notations made in accounts, as well as the creation and the operation of a system of indirect indirect holding of financial assets by means of custody accounts, according to standards that will increase efficiency in securities trading and facilitate the integration of the Panamanian securities trading market with international systems of custody, clearing and settlement of securities.

Article 199. Clearinghouses. Clearinghouses duly authorized to operate in Panama with a license issued by the superintendence of the Securities Market shall act as members of the Clearinghouse of the Banco Nacional de Panamá or in any other clearinghouse that may be created for the purposes of activities of the securities market.

The legal entities operating clearinghouses may only be excluded from said clearinghouse for causes stipulated by law and the respective rules in their regulations. The Board of Directors of the Banco Nacional de Panamá is authorized to regulate this matter.

Clearinghouses may maintain cash accounts for carrying out their activities.

Article 200. Interpretation. For the purposes of their judicial interpretation, the provisions contained in this Title shall be interpreted in such a way as to allow attaining the objectives set forth in Article 198, and they shall be supplemented by the regulations issued by the Superintendence of the matter, the rules dictated by self-regulatory organizations and the trading uses generally observed in the local markets and in international exchange markets. Similarly, the provisions contained in the Code of Commerce, in the Civil Code and in other legislation on matters referred to under this Title shall be applied as supplementary only to the extent that they are not incompatible with the provisions and the objectives of this Title, and their judicial interpretation shall be such as may best allow to attain the objectives set forth in the preceding Article.

Article 201. Tangible titles, account notations and indirect holding. Securities traded in the local market may be represented by tangible certificates or documents, by account notations, the ownership of which shall be documented only in the register kept by the issuer of the security or by its representative for such purposes, as well as by the system of indirect holding, in accordance with Chapter III of this Title.

Securities represented by tangible certificates or documents shall not be subject to the stipulations contained in this Title. Securities represented by account notations shall be subject to the provisions contained in Chapter II of this Title, and the securities under a system of indirect holding, as well as the rights arising from such system, shall be subject to the provisions contained in Chapter III of this Title**.**

Article 202. Previous Deposits. For the purchase or sale of securities in any organized market such as the securities exchange, either in or from Panama, it shall be required to deposit the titles previously with a central securities depository or with a transfer agent or another financial institution duly registered with the Superintendence.

The Superintendence is authorized to establish the requirements, rules and procedures required for the registration dealt with in the preceding paragraph.

The deposit of the titles previously may take place by immobilizing the tangible titles, the global or macrotitles representing the securities or by dematerializing the securities and by structuring a system of notations in account, according to the form and the terms established in this Decree-Law.

Article 203. Plurality of holders. The provisions of Law 42 of 1984 as to the scope of the meaning of the terms "and", "or" and "and/or" shall be applicable *mutatis mutandis* to the notations in registries and securities accounts referred to under this Title.

Article 204. Right of execution. Certificates issued by the issuer or by its representative in connection with the rights, which a person has on securities represented by notations in an account, as well as those issued by an intermediary in connection with trading rights, which it had recognized in respect of financial assets in custody accounts shall give rise to right of execution. For all legal purposes, the identity of shareholder may be proven or accredited by such a certificate. The certificate referred to in this Article may not be traded or assigned and shall not by itself constitute a security.

Article 205. Applicability of the law of the issuer. The *ius loci* of the jurisdiction of the issuer of a security represented by notations in an account, except for the provisions governing conflict of laws, shall be the applicable law in determining the following:

1. Due issuance and validity of said securities.
2. The rights and obligations of the issuer in connection with the transfer notations.
3. The effective quality of notations made by the issuer in respect of a transfer.
4. Whether the issuer has any obligations to a person claiming recovery of a security.
5. Whether a claim for recovery may be exercised against a person to whose name a transfer is annotated in the register or against the person who acquires the control of the securities.
6. Whether a pledge of securities has been perfected, the effects of a pledge having been or not having been perfected and the priority granted by a pledge on securities.

For the purposes of this Article, it is understood that the *ius loci* of the jurisdiction of the issuer is the law of the jurisdiction in which the issuer is organized, or, if said jurisdiction permits, any other law designated by the issuer. An issuer organized under the laws of the Republic of Panama may designate a foreign law as the applicable law in respect of any of the matters contained in items 2 to 6 above.

Article 206. Applicability of the law of the intermediary. Except for the provisions governing conflict of laws, the *ius loci* in the jurisdiction of the intermediary of financial assets shall be the applicable law in determining the following:

1. Acquisition of trading rights.
2. The rights and obligations of an intermediary and an indirect holder in respect of f financial assets in custody accounts.
3. Whether an intermediary has or does not have obligations to a person making a claim for recovery in respect of financial assets in a custody account.
4. Whether an action for recovery may be exercised against a person to whom a securities intermediary has recognized trading rights over financial assets in a custody account, or against a person who acquires trading rights from an indirect holder of trading rights over financial assets in a securities account**.**
5. If a pledge has been perfected, the effects of a pledge being or not being perfected, and the priority granted by a pledge of trading rights over financial assets in a custody account or trading rights to said custody account.

For the purposes of this Article, the following rules shall be complied with in order to determine the *ius loci* of the jurisdiction of the intermediary.

1. The jurisdiction of the intermediary shall, in the first place, be the jurisdiction agreed by the intermediary and the indirect holder in the contract entered into by these parties.
2. In the absence of an express agreement of the parties, the jurisdiction of the intermediary shall be that of the office of the intermediary where the investment account is maintained.
3. If the jurisdiction of the intermediary may not be determined on the basis of the contract between the intermediary and the indirect holder, in accordance with items 1 and 2 of this Article, the jurisdiction of the intermediary shall the office indicated in the statements of account as the office responsible for the custody account of said indirect holder.
4. If the jurisdiction of the intermediary may not be determined by any of the methods identified in items 1, 2 and 3 above, the jurisdiction of the intermediary shall be the domicile of the president of the intermediary.
5. The *ius loci* of the intermediary shall be determined on the basis of the rules indicated above, without considering neither the place where the certificates or the documents representing financial assets in a custody account nor the jurisdiction where the issuer of a financial asset in a custody account was formed nor the place where the functions of data processing or register keeping in connection with a custody account are performed.

Article 207. Creditors' claims. The rights of the registered holder of a security represented by notation in an account may only be seized or attached or be subject to another judicial action initiated by a creditor of the registered holder through the respective judicial action against the issuer or the issuer's representative in charge of keeping the register, save in the case referred to in the last paragraph of this Article.

The trading rights recognized by an intermediary to an indirect holder in connection with financial assets in an investment account may be seized or attached or be subject to another judicial action initiated by a creditor of the indirect holder through the respective judicial action addressed at the securities intermediary keeping the investment account, save in the case referred to in the last paragraph of this Article.

The rights of the registered owner of securities represented by notations in an account, which has been entered in the register in the name of a pledgee, as well as trading rights recognized by a securities intermediary to an indirect holder in connection with financial assets in an investment account in the name of a pledgee may only be seized, attached or subject to another judicial action initiated by a creditor of said registered owner or said indirect holder, as the case may be, through the respective action against the pledgee.

Article 208. Limiting the liability of intermediaries. The intermediary that transfers a financial asset according to valid instructions shall not be responsible to the person entitled to the right of recovery of said financial asset, except in the event of transfer made after having been duly notified of a court decision ordering him not to transfer said financial assets, having had reasonable opportunity to comply with said order, or in the event of a transfer being made acting as an accomplice of the person who made the unlawful transfer.

Article 209**.** Entitled person. The following are deemed to be appropriate persons:

1. The registered holder appearing in the register in the case of instructions related to a security represented by an account notation.
2. The indirect holder appearing in the custody account in the case of instructions related to trading rights over financial assets.

The heirs, executors, tutors, administrators and representatives of the persons referred to under items 1 and 2 in this Article, in the event of the death of such persons, as the case may be, shall be deemed to be entitled persons.

Article 210. Valid instructions. Instructions given in respect of securities represented by account notations or trading rights over financial assets, as the case may be, shall be deemed valid in any of the following cases:

1. When they originate from an entitled person.
2. When they originate from a proxy or empowered person or representative having authority to transfer, encumber and generally to dispose of the security or the financial asset on behalf of the entitled person.
3. When they originate from a person who has acquired control in respect of said security or said financial asset according to paragraphs 1(b) and 2(b) of Article 211.
4. When the entitled person ratifies such instructions or is precluded by law from requesting their invalidation.

Instructions that, in respect of a security represented by notation in an account or in respect of a financial asset, are given by an empowered person or a representative shall be deemed valid for the purposes of this Article, even if such person has acted beyond his authority and powers. As long as a security represented by notations in an account or a financial asset appears in the register in a person's name in the capacity of proxy, attorney-in-fact or representative, the instructions given by said person shall be valid even if the person has ceased to hold such an office.

Article 211. Control authority. It is deemed that a person has acquired or exercises control in the following cases:

1. In respect of a security represented by notation in an account, in any of the following circumstances:
   a. If such person is entered in the register as registered owner of the security.
   b. If the issuer or its representative agrees to follow the instructions of such person in connection with transfers, disposal or encumbering said security without the consent of the registered owner.
2. In respect of a trading right over a financial asset, in any of the following circumstances:
   a. If said person acquires the qualification of an entitled person.
   b. If the intermediary agrees to comply with instructions from said person related to the transfer, disposal or encumbrance of said trading right over said financial asset without the consent of the indirect holder.

If the indirect holder grants trading rights over financial assets to the intermediary with whom he keeps said financial assets, it is understood that the intermediary has control of them.

A person fulfilling the requirements established in paragraphs 1(b) and 2(b) of this article shall have control of the securities and the trading rights over the respective financial assets, even if the registered owner in the former case or the indirect holder in the latter case has reserved certain rights including *inter alia* the right to substitute the security or the trading right over the financial asset for another, such right being the right to give instructions to the issuer (or to the issuer's representative in charge of keeping the register) or to the intermediary, as the case may be, or the right to trade said security or said trading right over the financial asset.

Neither an issuer (nor his representative in charge of keeping the register) nor an intermediary may enter into an agreement of the kind described in paragraphs 1(b) and 2(b) of this Article without the express consent of the registered owner or of the indirect holder, as the case may be. Notwithstanding the above, said issuer or said representative or said intermediary shall not be bound to enter into such agreements even at the request of the registered owner or the indirect holder. The intermediary that has entered into such an agreement shall not be bound to disclose the existence thereof to third parties, unless the registered owner or the indirect holder requests it.

Chapter II
Notations in accounts of intangible securities

Article 212. Intangibility. Securities traded locally as well as shares and securities issued by issuers that are organized or constituted under the laws of the Republic of Panama may be issued in intangible form and be represented only by notations in accounts according to the provisions contained in this Chapter.

Article 213. Entries in the register. Account notations shall be entered onto a register that may be kept by physical, mechanical, electronic or other means authorized by the Superintendence. The register may be kept by the issuer of the securities or by its representative. The register shall be kept in a clear and precise manner so that the rights arising from it may be identified correctly. The Superintendence may establish rules to regulate how the registers are to be kept and the controls to be observed in respect thereof, whenever securities subject to this Decree-Law are involved.

Article 214. Notations create and extinguish rights. The creation or extinction of rights of ownership of securities represented by account notations, including property and pledge rights, shall be constituted and extinguished by the notation made by the issuer or by its representative in the respective register, subject to the provisions contained in this Title. The notations shall indicate the extent and reach of the rights conferred or extinguished.

Article 215. Title of ownership. The person appearing in notations in the register as registered owner shall be deemed the lawful owner and may, consequently, exercise the rights said person has, and may demand the issuer to allocate to his favor the benefits to which he may be entitled in respect of the securities represented by account notations.

Article 216. Fungibility. Securities of one same issue that are represented by account notations and have the same characteristics shall be fungible. Consequently, the registered owner shall be the owner of a given amount of such securities but not of any specific security.

Article 217. Issuing intangible securities. Securities represented by account notations shall be created and issued by means of the respective notation on the register by the issuer or by its duly authorized representative. Securities represented by certificates or physical documents outstanding on the date when this Decree-Law becomes effective may be made into intangible securities by the issuer without the consent of the registered holders of said securities. However, in order to be able to make such securities intangible, the issuer shall have to recover the physical securities that are to be made intangible. Said intangibility shall not affect the rights of the registered owner under the terms of the certificate or the physical document.

Article 218. Transfers of intangible securities. Transfers of securities represented by account notations shall take place by means of notations made in the respective register by the issuer or its representative. The notation of the transfer on the register in the name of the acquiring person shall have the same effect as the conveyance of the securities. The transfer must have *date certaine* and shall have effects to third parties from the time when the notation was made.

The person acquiring securities represented by account notations or acquiring rights over such securities shall acquire all of the rights of the person from whom they were acquired. Notwithstanding the above, a person acquiring only limited rights shall only acquire such rights as were the subject matter of the limited transfer.

Article 219. Transfers free from actions and claims. The person who, for a consideration, acquires securities represented by account notations or acquires rights over such securities, acquires them free from any action for recovery or any other action whereby a third party claims rights over the, if said person acquires control of the securities having no knowledge of such claim.

Notwithstanding the above, the rights and actions of the deprived owner against the persons responsible for the acts leading to the deprivation of the securities shall be safeguarded.

Article 220. Obligation of the issuer to make notations of transfers. Any issuer or representative thereof who receives instructions for the transfer of securities represented by account notations shall be under obligation to make a notation of such transfer, provided that the following requirements are complied with:

1. That the person to whom the transfer of the securities is made qualifies as holder thereof in accordance with the terms and conditions of the issue of such securities.
2. That the instructions be given by a person entitled to give them or by said person's proxy or empowered person or representative having sufficient express powers.
3. That the issuer or its representative receives reasonable evidence or guarantee that said instructions are authentic and have been duly authorized.
4. That the instructions do not infringe such restrictions to transfers as may be contained in the terms and conditions of the securities.
5. That a request not to transfer said securities under Article 221 of this Decree-Law is not in effect; or that no court order or bond or guarantee referred to in the second paragraph of Article 221 of this Decree-Law has been obtained.
6. That the transfer be lawful or that it be made to a person against whom no action for recovery under the preceding Article 219 may be exercised.

If an issuer under obligation to transfer a security represented by account notations fails to do so, it shall be liable for damages caused by unreasonable delay or omitting or refusing to make the notation of the transfer in the register. The Superintendence may establish time limits in order that issuers and their representatives make the transfers of registered securities represented by account notations, within internationally accepted parameters.

Article 221. Requests not to transfer securities. Any person entitled to give instructions in connection with a security represented by account notations may request the issuer or its representative not to make the notation of the transfer of said security. Said request shall only be effective upon receipt thereof by the issuer or by its representative with sufficient time to be reasonably able to comply with such request.

If an instruction for the transfer of a security represented by account notations is submitted to an issuer or to its representative after the request referred to in the preceding paragraph has been received, the issuer or its representative, as the case may be, shall inform the parties (A) that instructions to transfer said security have been received, (B) that a request has been made not to transfer said security, and (C) that the issuer or its representative will not make the transfer for a period of time to be determined by them (such period of time shall be reasonable in the light of circumstances but neither less than five nor more than thirty days) in order to allow that a court order restricting the transfer be obtained or that a bond or guarantee be given.

Neither the issuer nor its representative shall be liable to the person who requested not to make the transfer of a security, for having made the notation of the transfer upon valid instructions, if within the period of time referred to in the second paragraph of this Article, said person did not obtain a court order restricting the transfer or did not provide the issuer or its representative, as the case may be, with a bond or guarantee on terms and in amounts satisfactory to such issuer or representative in order to indemnify the issuer or the representative against any claim or liability for damages to which they may be exposed for failing to make the notation of the transfer of the securities.

Article 222. Unlawful transfers. The issuer or its representative shall be liable for damages caused by making a notation of the transfer of a security to a person who is not entitled to receive it, if said transfer is made in any of the following circumstances:

1. On the basis of instructions that are not valid.
2. After a request not to transfer said security has become effective according to Article 221 of this Decree-Law, and the issuer or its representative had not complied with their obligations under said Article.
3. After the issuer or its representative has been served a court order compelling not to transfer said security, provided always that they had sufficient time to comply with said order.
4. If the issuer has acted as an accomplice of the unlawful transfer**.**

The issuer or its representative responsible for the unlawful notation of the transfer of a security must acquire and credit a security of the same class in the register in the name of the registered owner who has been deprived of said security, and shall pay him all of the sums and distributions which said person did not receive as a result of such unlawful transfer. The issuer or its representative that does not credit said security or fails to pay such sums and distributions shall be liable for damages to the registered owner.

Article 223. Responsibilities of the issuer's representative. Any representative of an issuer, who performs the duties of authentication agent or register agent or transfer agent in connection with the issue, transfer, redemption or settlement of securities represented by account notations shall have the same obligations and the same responsibilities to the registered owner and third parties as the issuer would have in respect of the duties performed by said representative.

Article 224. Declarations and warranties. Any person who gives instructions for the transfer of a security represented by account notations for a consideration represents and warrants the following to the person acquiring the securities:

1. That the instructions are given by an entitled person, or in the event that they are given by a proxy, an empowered person or a representative having sufficient express power to give such instructions.
2. That the security has been duly issued and is valid.
3. That there is no action for recovery or any other similar action claiming rights in respect of the security.
4. That at the time when the instructions are delivered to the issuer or to its representative, (A) the person acquiring the securities is entitled to have a notation of the transfer made in the person's name, (b) the notation of the transfer is to be made free from any pledge, taxation, restriction or claim, except for those that may have been identified in the transfer instructions, (C) the transfer shall not infringe any transfer restriction to which said the security may be subject, and (D) the transfer requested shall be valid and legal.

Any person giving instructions for the transfer of a security represented by account notations represents and warrants the following to the issuer of such security and to its representative:

1. That the instructions are valid.
2. That at the time when the instructions are delivered to the issuer or to its representative, the person acquiring said security is entitled to have the notation of the transfer made in said person's name.

Article 225. Pledge. Securities represented by account notations may be the subject matter of a special pledge according to the provisions contained in this Article.

The pledge contract must be set down in writing. Securities represented by account notations shall be identified in the pledge contract or shall allow identification according to the parameters contained therein. Identification by category or class, amount, mathematical formula or procedure or any other method allowing to identify objectively the rights or the assets that are the subject of the pledge shall be sufficient.

The pledge may guarantee present or future obligations, and it may be granted with rights or assets existing at the time of its constitution or to be acquired thereafter**.**

The pledge shall be perfected and valid to third parties from the time when the pledgee acquires control of the securities represented by account notations, and the issuer makes the respective notation in the register. The pledge shall have *date certaine* from the time when it is perfected, and it shall not require authentication by a notary public.

The pledgee may dispose of pledged rights or assets according to the provisions agreed in the pledge contract. If there is no agreement between the parties, the pledgee may dispose of the rights or assets pledged in the market without any valuation requirement**.**

Article 226. Right of execution. The obligations arising from the pledge contracts referred to in the preceding article, as well as the balances of margin accounts shall be subject to the right of execution.

Chapter III
System of indirect holding of securities

Article 227. Special ownership system. The purpose of this Chapter is to create a special system of ownership and other property rights over financial assets in custody accounts by intermediaries. This special system of ownership shall be called system of indirect holding and the property rights arising from it shall be known as trading rights.

The provisions contained in Chapters I and II of this Title shall be applicable to the system of indirect holding insofar as they do not contradict the provisions in this Chapter.

Article 228. Custody accounts. Broker-dealer firms and investment administrators shall inform the Superintendence previously in respect of the relations established with other companies in order to obtain the custodian service. The Superintendence reserves the right to authorize or not to authorize the custodian relationship, on the basis of international standards regulating the activity and the experience of the custodian, which shall be carried out by a contract.

Custody contracts with entities operating and authorized for the activity of custodian in recognized jurisdictions are exempt from the above provision. In theses cases, the notification has to be made upon formalizing the relationship.

Article 229. The indirect holder acquires trading rights. Trading rights acquired by an indirect holder over financial assets in custody accounts shall be subject to the limitations of ownership, to the restrictions and to the other provisions contained in this Chapter.

Article 230. The securities intermediary keeps financial assets in trust. To the extent necessary in order to satisfy all of the trading rights, which a recognized in respect of a financial asset in custody accounts, all of the rights of the securities intermediary over said financial asset shall be subject to the following:

1. It is understood that they have been acquired by said intermediary in trust in the name and for the benefit of the indirect holders to whom the intermediary has recognized a trading rights over such assets;
2. It is understood that they are not a part of the personal patrimony of the securities intermediary; and

3. They may not be attached, taxed or seized or otherwise subject to claims or actions by the creditors of the intermediary, and they shall not be a part of the estate of the intermediary in bankruptcy proceedings, creditors' meeting, liquidation, reorganization or other similar proceedings, except in the case set down in Article 192 of this Decree-Law.

The possession in trust to which this Article refers operates by mandate of the law, without requiring the execution of a trust contract between the intermediary and the indirect holder. The provisions of Law 1 of 1984 shall not apply to such possession in trust. The intermediaries do not require a trust license, and they shall have no more obligations than those expressly set down in this Decree-Law and in the contracts entered into concerning this matter.

The trading right acquired by an indirect holder in respect of a financial asset by virtue of this Article is a right of ownership in proportion to the title or right to said financial assets which the intermediary may have, regardless of the time when the indirect holder acquired said security indirect or the time the securities intermediary acquired said trading right over said financial asset.

Article 231. Limited exercise of rights against an intermediary. The indirect holder may only exercise and enforce the trading rights which he may have in respect of a financial asset in a custody account, against the intermediary in accordance with the provisions contained in this Chapter. Such trading rights shall be subject, in particular, to the limitations contemplated in Articles 232, 238, 239, 240 and 241 of this Decree-Law.

Article 232. Limited exercise of rights against third parties. The indirect holder may only exercise and enforce the ownership rights which he may have over a financial asset against a person who has acquired said asset or any right over it, when all of the following circumstances concur:

1. The intermediary enters involuntary liquidation proceedings, creditors' meeting or bankruptcy.
2. The intermediary does not have sufficient rights over said financial asset to be able to satisfy the trading rights over said assets, which he has recognized to all of the indirect holders thereof.
3. The intermediary has violated the obligation contained in Article 236 of this Decree-Law in the transfer of the financial asset to said person.
4. That said person does not have any right to claim the protection established in the last paragraph of this Article**.**

The indirect holder of a financial asset shall not have any action for recovery against a person who, for a consideration, has acquired said financial asset from the intermediary, or has acquired ownership rights to said financial asset, provided always that said person has acquired control of said financial asset and has not been an accomplice of the intermediary in the violation of the obligation contained in Article 236 of this Decree-Law.

Article 233. Creation of trading rights over financial assets. Subject to the stipulations in the last paragraph of this Article, a person acquires trading rights from the time when the securities intermediary does any of the following:

1. Credits a financial asset to said person by notation in a securities account.
2. Receives from said person or from a third party a financial asset, and agrees to credit said financial assets in said person's securities account.
3. By another law or regulation becomes bound to credit financial assets in said person's securities account.

In the event that any of the suppositions described in items 1, 2 and 3 above occurs, the indirect holder acquires trading rights even if the securities intermediary has not, in turn, acquired a title or rights over the financial asset or even if at that time the securities intermediary does not have financial assets of the same class in sufficient quantity to be able to satisfy all of the trading rights which he has recognized to indirect holders in respect of financial assets of said class.

Financial assets transferred by an intermediary to be credited in custody accounts shall be issued in the name or to the order of the intermediary, or endorsed in blank or by a special endorsement in the name or to the order of the securities intermediary, or assigned to the intermediary or by an account notation in the name of the intermediary, in such manner that the intermediary may freely transfer, tax or dispose of said financial assets without requiring any consent or acts of third parties. If an intermediary keeps a financial asset in the name of another person and said financial asset has been issued, annotated, endorsed or assigned in favor or to the order of said person, said asset shall not be subject to the system of indirect holding described in this Chapter.

Article 234. Dematerialization. When a financial asset is issued, assigned, endorsed or annotated in an account in favor of an intermediary with the intention that it be subject to the system of indirect holding described in this Chapter, said financial asset shall become a dematerialized asset and, therefore, the indirect holder shall have no trading rights over a particular asset, but shall acquire a trading right over a financial asset of the same class and the same characteristics as those credited in his custody account.

Article 235. The indirect holder acquires free from actions and claims. Any person who, in accordance with the provisions of Article 233 of this Decree-Law, and for a consideration, acquires a security entitlement in respect of a financial asset, said person acquires them free from any action for recovery or any other action through which a third party may claim rights over said financial asset, except in the case that said person had had knowledge of said claim.

Notwithstanding the above, the rights and actions of the deprived owner, against the persons responsible for the acts that deprived him of such financial assets, shall be safeguarded.

Article 236. The intermediary must keep sufficient financial assets. All securities intermediaries shall be under obligation to acquire and keep financial assets in sufficient amounts to be able to satisfy and provide backing for all of the trading rights, which, in respect of said financial assets, it

has recognized to indirect holders in custody accounts. The intermediaries may keep such financial assets directly or through another intermediary or through other intermediaries.

It is understood that the intermediary has complied with the obligation stipulated in this Article if it has acted as agreed with the indirect holder or if, in the absence of an agreement between the parties, it has acted with diligence in accordance with commercial practices generally observed in the local market for obtaining and maintaining said financial assets**.**

Article 237. Prohibition to taxing financial assets. Unless it has been agreed otherwise between the intermediary and the indirect holder, the securities intermediary may not pledge or otherwise tax or commit the financial assets, which the intermediary is under obligation to maintain in accordance with the provisions contained in the preceding Article.

Article 238. Exercising economic rights. Any intermediary shall be under obligation to take appropriate measures in order to obtain the payments and distributions made by the issuer of a financial asset.

It is understood that the intermediary shall have complied with the obligation stipulated under this Article if it has acted as agreed with the indirect holder or if, in the absence of an agreement between the parties, it has acted as agreed with the indirect holder or if, in the absence of an agreement between the parties, it has acted with diligence in accordance with commercial practices generally observed in the local market for procuring such payments and distributions.

The intermediary shall answer to the indirect holder for the payments and the distributions, which it has received from an issuer in respect of a financial asset credited to the custody account of said indirect holder.

Article 239. Exercising voting and other rights. Any intermediary shall be under obligation to exercise the rights inherent to financial assets, including *inter alia* the right to vote according to instructions given by the indirect holder.

It shall be deemed that the intermediary has complied with the obligation stipulated in this Article if it has acted as agreed with the indirect holder or, in the absence of an agreement between the parties, it had done whatever was necessary in order that the indirect holder could exercise such rights directly, or if it has acted diligently in accordance with commercial practices generally observed in the local market in order to comply with the instructions of the indirect holder.

Article 240. Obligation of the intermediary to act according to instructions. Any intermediary shall be under obligation to comply with the instructions that, in connection with transfers, redemption, disposal or encumbering a financial asset, it may receive from an entitled person in writing or through other means agreed between the parties, provided always that the intermediary has had reasonable opportunity to ensure that the instructions are authentic and that they have been duly authorized, and that it has had reasonable opportunity to comply with said instructions of the indirect holder.

It shall be deemed that the intermediary has complied with the obligation established in this Article if it has acted as agreed with the indirect holder or, in the absence of agreement between the parties, has acted in accordance with commercial practices generally observed in the local market in order to comply with said instructions.

The intermediary who transfers or disposes of a financial asset or of rights over said asset, on the basis of an order that is not valid, must restore the financial asset or the rights over said asset to the indirect holder who was deprived of it, and it must pay or credit in favor of such person all of the sums and distributions which said person has failed to receive as a result of said unlawful transfer. If the intermediary does not restore the financial asset or the right, it shall have to answer for damages to the indirect holder**.**

Article 241. Exchange of an indirect for another form of holding. Any intermediary shall be under obligation to comply with the instructions received from the indirect holder to the effect of converting his trading rights over a financial asset into any other form of holding under which said financial asset may be represented, whether in the form of documents or intangible, as well as to have it transferred to a custody account of the indirect holder with another intermediary.

It shall be deemed that the intermediary has complied with the obligation stipulated under this Article if it has acted as agreed with the indirect holder or if, in the absence of an agreement between the parties, it has acted with diligence according to the trading uses generally observed in the local market for the purpose of complying with such instructions.

Article 242. Third party acquiring a trading right from an indirect holder. The person who, for a consideration, acquires trading rights over a financial asset from an indirect holder, does so free from any action of recovery or any other action in respect of said financial asset or to said trading right, if said person acquires control of it and does not have any knowledge of said claim.

If said action may not be exercised against the indirect holder by virtue of the stipulations contained in Article 219, it may not be exercised either against the person acquiring trading rights of the indirect holder whether for a consideration or gratis.

Article 243. Priority ranks between indirect holders and pledgees. Except in the case referred to in the last paragraph of this Article, financial assets held by a intermediary shall be used in the first place to satisfy the security trading rights, which, in respect of said financial assets, the intermediary has recognized in custody accounts in favor of indirect holders, and afterwards, in order to comply with obligations incurred by the intermediary in favor of third parties, including the cases where such obligations are guaranteed by pledge or other encumbrances on such financial assets.

Notwithstanding the provisions of the preceding paragraph, an intermediary's creditor who has a pledge right over a financial asset of the intermediary shall have priority over the indirect holders to whom the intermediary has recognized trading rights in respect of said financial asset if the creditor obtains control over said financial asset or if the intermediary is a securities clearinghouse.

Article 244. Representations and warranties. Any person who gives an instruction to an intermediary in connection with trading rights over financial assets represents and warrants the following to said intermediary:

1. That the instructions are given by an entitled person, or in the case that they are given by a proxy or empowered person or a representative, that he has sufficient powers to give said instructions.
2. That there is no action of recovery or other similar action by which rights over said financial assets are claimed.

Any person giving instructions to an intermediary in order to have a security represented by account notations credited to a custody account gives the representations and warranties contained in Article 224 of this Decree-Law to such intermediary.

Any intermediary who causes that an indirect holder be annotated as the registered owner of a security represented by account notations gives the representations and warranties contained in Article 175 of this Decree-Law to said indirect holder.

Article 245. Pledge. The trading rights of an indirect holder over financial assets in a custody account, as well as the custody account itself, may be the subject matter of a special pledge according to the provisions contained in this Article.

The pledge contract must be in writing except in the case of the legal pledge described below in this Article. The rights or the assets that are the subject matter of the pledge must be identified in the pledge contract or they must be identifiable according to the parameters contained therein. It shall suffice that the identification be made according to guidelines contained therein. It shall suffice that the identification be made according to category or class, amount or by means of a mathematical procedure or formula or by any other method that enables to identify objectively the rights or the assets that are the subject matter of the pledge.

The pledge may guarantee present and future obligations, and it may be constituted on rights or assets existing at the time of its constitution or to be acquired thereafter.

The pledge that is constituted or perfected over a custody account shall cover all trading rights, which an indirect holder may have in respect of financial assets in said account, but the pledge that is constituted or perfected over trading rights of an indirect holder in respect of certain specific financial assets shall not cover any other trading right of the indirect holder over other financial assets in said custody account.

The pledge shall be perfected and shall be valid to third parties from the time when the pledgee acquires control over the rights or assets that are the subject matter of the pledge. As from the time when it is perfected, the pledge shall have *date certaine* and does not require authentication by a notary public.

If an indirect holder acquires a trading right over a financial asset through a intermediary, and as a consequence thereof the indirect holder financial asset to the custody account of the indirect holder, a lawful pledge is thereby constituted in favor of the intermediary over the rights acquired by the indirect holder over said financial asset credited to his custody account, in order to guarantee the purchase price. It shall not be necessary to execute a contract in order to

constitute this lawful pledge, and it shall be automatically perfected and it shall be valid to third parties from the time when the facts that cause it to be constituted take place.

If two or more credits concur in respect of one same financial asset that has been pledged, all pledgees shall have the same priority. Notwithstanding the above, the pledge granted by a debtor to the intermediary with whom he keeps the custody account shall have priority over the pledge granted by said debtor to another pledgee.

The pledgee may dispose of the pledged rights or assets as may have been agreed in the pledge contract. However, if there is no agreement between the parties, the pledgee may dispose of the pledged rights and assets in the market without any valuation requirement.

Title XI
Forbidden activities

Article 246. Fraudulent or misleading acts. Any and all persons directly or indirectly incurring in fraudulent or misleading acts or tricks, or knowingly or by intervening negligence, that make any false or misleading statement about a material fact or omitting to disclose a material fact which was necessary to disclose in order to prevent the statements made therein from being misleading or deceitful in the light of the circumstances under which they were made, in connection with (A) the purchase or sale of registered securities, (B) investment advisory services in connection with registered securities, (C) solicitation of voting powers, authorizations or consents in connection with registered securities or (D) a public offer to purchase registered securities**, is hereby prohibited.**

Article 247. Improper use of privileged information. Any person who has knowledge of material facts that are not public knowledge, which have been obtained through a privileged relationship, is forbidden from knowingly using such information in order to take unfair advantage of another person in the purchase or sale of registered securities.

No person may provide privileged information to another when the person providing such information intends to enable (or ought to have known that his conduct would enable) the person receiving such information to purchase or sell registered securities with unfair information advantage. The person providing the information and the person using it shall be jointly and severally liable for the damages suffered by persons who are unfairly affected by the improper use of such privileged information.

Article 248. False statements and omissions by issuers. Issuers and their affiliates are forbidden from making offers for the purchase or sale of registered securities, as well as from purchasing or selling such securities by using a written or oral communication, including any prospectus, if said communication contains false statements concerning material facts or omits to disclose material facts that should be disclosed in order to prevent the statements contained in it from being misleading or deceitful in the light of the circumstances under which they were made, unless the other party is aware of said untrue statement or omission.

Article 249. False statements and omissions by offerers. Offerers are forbidden from making offers to sell registered securities and from selling such securities by using a written or oral communication, including any prospectus, if said communication contains false statements concerning material facts or omits to disclose material facts which should be disclosed in order to prevent the statements contained in it from being misleading or deceitful in the light of the circumstances under which they were made, unless the buyer is aware of said false statement or omission, or unless the offerer proves that he was not aware of said false statement or omission, even after having applied diligence in preparing it.

Article 250. False statements and omissions in connection with voting powers. All persons are forbidden from soliciting voting powers, authorizations or consents in connection with registered securities, as well as from soliciting the acceptance or rejection of such solicitation by using a written or oral communication, including the solicitations of a public offer to purchase securities referred to under Title VII of this Decree-Law, if said communication contains untrue statements concerning material facts or omits to disclose material facts which should be disclosed in order to prevent the statements contained in the communication from being misleading or misleading in the light of the circumstances under which they were made, unless the solicited person was aware of said false statement or omission, or unless the soliciting person proves that he was not aware of such untrue statement or omission, even after having applied diligence in preparing it.

Article 251. Records, reports and other documents submitted to the Superintendence. In any application for registration or application for a license or in a report or any other document submitted to the Superintendence by virtue of this Decree-Law and its regulations, any and all persons are forbidden from making or causing to be made any statements which said person knows or has reasonable grounds to believe to be false or misleading in any material aspect at the time when they were made and in the light of the circumstances under which they were made.

Article 252. Manipulation. Any and all persons are forbidden from making offers for the purchase or sale of, as well as from purchasing or selling registered securities in breach of the agreements, which the Superintendence adopts in order to prevent the creation of a false or deceitful appearance that registered securities are being actively traded, to prevent the creation of a false or misleading appearance in respect of the market of registered securities, or to prevent the manipulation of the market price of any registered security for the purposes of facilitating the sale or purchase of such securities.

Article 253. Promoting securities without disclosing that a benefit is being received. Any person who directly or indirectly receives a consideration from a registered issuer or any person interested in the purchase or the sale of registered securities is forbidden from promoting such securities (purporting not to be offering it), unless said person at the same time reveals to the prospective buyer or seller the fact that he has received or will receive a consideration for having

made such promotion, unless the prospective buyer or seller is aware of the fact. The provisions contained in this Article shall not apply to the normal remuneration received by a person for the bona fide preparation or publication of publicity that is evidently a statement by another person, and is published at such other person's expense**.**

Article 254. Counterfeit of books, accounting records or financial information. Any and all persons are forbidden from knowingly or through willful misconduct to alter or to conterfeit the books or accounting records, financial information or entries in records or in custody accounts of a registered issuer, of a registered person or of an entity with a license issued by the Superintendence to the extent of making them false or misleading in any material aspect.

Article 255. Activities without a license and without registration. Without a license and without registration, no natural person or legal entity may engage in activities that, under the Securities Market Law, require the express authorization of the Superintendence.

Entities with a license may not contract or employ as principal executive, principal executive of investment manager, compliance officers, securities broker or analyst any person who does not have the necessary license for the position.

Public offers of securities many not be made without the required by the Securities Market Law.

Title XII
Civil responsibility and penalties.

Article 256. Civil responsibility. The person who violates any provision contained in this Decree-Law or in its regulations shall incur civil responsibility for damages caused by such violation.

In the event of violation of Article 247 of this Decree-Law, the person shall incur civil responsibility for damages caused up to an amount equivalent to three (3) times the profit obtained or the loss prevented as a result of such violation. Contracts may not be rescinded in such cases.

If the action or omission that violates this Decree-Law is attributable to two or more persons, they shall answer jointly for the damages caused. At the request of any of said persons, the court may distribute the liability among said persons in proportion to the onus attributed to each of them.

Article 257. Bona fide acts based on the Superintendence's regulations. No person shall incur civil responsibility or be subject to penalties by the Superintendence on account of acts committed or omitted in good faith, in compliance with an agreement, a resolution or an opinion issued by the Superintendence, even if the agreement, resolution or opinion is amended or revoked after the deeds or omissions by the Superintendence or by laws or regulations enacted by the Executive Branch or are declared unconstitutional, illegal or improper by decision of a court of justice.

Article 258. Rescission of contracts. Instead of initiating an action for damages according to the provisions contained in Article 256 of this Decree-Law, the affected party shall have the following options:

1. The purchaser of a registered security may choose to ask for the purchase contract to be rescinded and demand the refund of the price paid for such security (in addition to interests accrued on said price) after having subtracted any distributions which he may have received as holder of said security (including interest accrued on said distributions), and delivering to the seller securities of the same class as the ones that were purchased.
2. The seller of registered securities may choose to ask for the rescission of the sales contract, and demand that the purchaser returns securities of the same class as the ones that were sold, and pay the price received for such securities (in addition to interests accrued on said price) after having subtracted any distributions which the buyer may have received as holder of such securities (including interest accrued on such distributions).

For the purposes of computing the interests to which this article refers, the applicable rate of interest shall be the rate of interest prevailing in the market for bank financing of amounts, in periods of time and terms and conditions similar to those of the amounts in respect of which said interests are to be computed.

Article 259. Revocation of voting powers. Voting powers, authorizations and consents granted in respect of registered securities are subject to revocation by any shareholder who may have been affected, if they have been obtained in violation of the provisions contained in Title VI of this Decree-Law or in violation of regulations issued in order to enforce said provisions, or if they have been obtained by means of a communication containing untrue statements concerning material facts or omitting to disclose material facts which should be disclosed in order to prevent the statements contained therein from being misleading or deceitful in the light of the circumstances under which they were made.

Chapter II
Procedure for penalties

Article 260. Authority of the Superintendence to impose penalties. The Superintendence shall be the competent body to impose the penalties established in this Decree-Law.

Subject to the provisions contained in this Chapter, the Executive Branch shall regulate the procedure for penalties to be applied to regulated, registered subjects and to third persons that become responsible of a violation of the rules of the Securities Market Law. The gaps, if any, shall be resolved with the rules of procedure established by Law 38 of 2000.

Upon request of a party involved in a controversy, on the basis of an arrangement for conciliation or for the client or investor affected to desist, when no material damage has been caused to the market, the Superintendence may, in the exercise of the authority to penalize, abstain from opening proceedings or order to file cases of infringements typifying non-compliance of the subjects supervised in respect of their duties to the clients or investors.

The provisions of the above-mentioned penalizing proceedings are applicable to the Superintendence's exercise of its disciplinary authority over its subordinate personnel and over any person related to it by a contractual relationship.

Until the Executive Branch issues the respective regulations, the Superintendence shall govern its penalizing proceedings in accordance with the provisions contained in this Chapter, provided that they are not contrary to Law 38 of 2000.

Article 261. Agreement for early termination of the process. The superintendent may terminate early penalizing proceedings when the party under investigation applies for the initiation of a process of negotiation with the Superintendence in order to determine the type and the amount of the penalty to be imposed.

The party under investigation must submit an application to initiate this type of negotiation before being notified of the hearing of charges.

The rules governing the procedure of early termination of the proceedings are:

1. The superintendent or whomever he may designate shall represent the Superintendence in the negotiations.
2. The negotiations and the resolution to solve the investigation are not to be made public. However, the penalty imposed shall be made publicly known, for which reason the Superintendence shall publish it.
3. The application for a negotiation with a view to the early termination of penalizing proceedings shall not be deemed to be a confession of the responsibility of the party being investigated.
4. The cooperation of the party being investigated in respect of the early termination of the proceedings shall be taken into account as circumstances mitigating the penalty that may be imposed.
5. If there is no agreement in the negotiation, the penalizing proceedings shall continue normally.
6. The documents and statements willingly submitted by the party to the Superintendence during the proceedings of negotiation may not be used as evidence in the penalizing proceedings by whoever has obtained knowledge of them during the negotiation, unless said knowledge has been obtained through the person's endeavors.

   The Executive Branch shall regulate this Article in respect of the penalizing proceedings.

Article 262. Stages of the penalizing proceedings. The penalizing proceedings comprise the following stages:

1. *A period of prior investigations.* The information obtained during this period shall be confidential and for the Superintendence only, and once it has ended, the Directorate in charge shall issue a report, which should permit to determine the viability of beginning an administrative investigation of registered subjects with license and subjects that are not under the regulation of the Superintendence, and who are directly or indirectly taking part or affecting the Panamanian securities market.

2. *Beginning the investigation.* The investigation shall formally begin ***ex officio*** or at the request of the party, by means of a resolution of the superintendent stating the grounds. Said resolution shall be simply obeyed.
3. *Development and investigation of the case.* All necessary documents, statements and evidence shall be gathered for the purpose of determining whether there has or has not occurred a violation of the Securities Market Law. When all the necessary information has been gathered, a formulation of charges shall be issued indicating all of the natural persons and legal entities that have appeared related in the process.
4. *Submission of evidence.* After notifying the persons related to the proceedings, the submission of evidence shall be held, wherein the evidence providing additional information at any time of the proceedings shall be admissible.
5. *Pleadings.* When the period for submission of evidence ends, the file shall be at the disposal of the person considered by the Superintendence as related, and said person may ask for copies in order to be able to submit pleadings in writing within a usual term of five days.
6. *Report of final considerations.* After the stages of submission of evidence and pleadings end, a report on final considerations shall be prepared, indicating the facts that have been proven.
7. *Termination of the proceedings.* The proceedings shall be considered terminated by means of a resolution issued by the superintendent. The term of the penalizing proceedings should not exceed three years.
8. *Objection and exhausting governmental proceedings.* The motions established in the Securities Market Law may be filed without prejudice to actions lodged through governmental proceedings.

Article 263. Principles applicable to penalizing proceedings. In order to impose the penalties contemplated in the Securities Market Law, the Superintendence shall abide by penalizing proceedings based upon the following principles:

1. *Due process.* The proceedings of investigation and imposing penalties shall be undertaken in accordance with the rights and guarantees inherent in due process.
2. *Confidentiality*. The Superintendence shall take the necessary steps to preserve confidentiality of any information and documents submitted to the Superintendence or obtained in an investigation or an inspection in connection with a violation of the Securities Market Law. Notwithstanding the above, the Superintendence may submit said information and documents before a court of law in collective class process or to the Attorney General's Office in the event that there are sound reasons to believe that a violation of Criminal Law has occurred.

   For the due confidentiality of the documents, the Superintendence shall take the necessary steps to preserve them as confidential in accordance with the Securities Market Law.

3. *Good faith.* The Superintendence shall act under the principle of good faith on the actions in the process of investigation and penalization, in order to make the proper exercise of the rights for the subjects involved.
4. *Guarantee of proceedings.* The exercise of the Superintendence's authority to impose penalties shall require the application of the proceedings established in the Securities Market Law. Under no circumstances may it impose a penalty without having conducted the necessary proceedings.

Article 264. Prevention measures in the securities market and in respect of activities carried out without license, registration or authorization**.** Whenever the Superintendence becomes aware or has sound reasons to believe that a natural person or a legal entity is exercising activities of intermediation or fundraising through securities or financial assets, which require a license, registration or authorization granted by the Superintendence, without the respective license, registration or authorization, the Superintendence shall have the authority to examine the natural person's or the legal entity's main offices or branches, books, accounts, documents, computer programs and storage in magnetic, optic or any other means, for the purpose of determining the facts. Any unjustified refusal to allow the access to said main offices or branches or to submit said books, accounts and documents shall be deemed a presumption of the fact that the natural person or a legal entity is exercising activities of intermediation or fundraising without a license, registration or authorization, as the case may be.

If necessary, the Superintendence may intervene the premises where the activities of intermediation or fundraising through securities or financial instruments without a license, registration or authorization, and if such fact is proven, it shall order that the place be closed, and may depend on the Police Force's assistance.

The Superintendence may order the suspension of any act, practice or transaction, including the trading of securities or financial instruments when it has reasonable grounds for believing that such act, practice or transaction violates the Securities Market Law.

Article 265. Criteria for imposing penalties. In order to impose the penalties contemplated in this Article, the Superintendence shall take into account the following evaluation criteria:

1. The seriousness of the infringement.
2. The damage caused or threatened.
3. The circumstantial evidence of intent.
4. The capability to pay and the effect of the administrative penalty in respect of repairing the damage to investors that have sustained damage directly.
5. The duration of the behavior.
6. The recidivism of the offender.

The Board of Directors may establish criteria for imposing penalties in the cases, which it considers convenient. When the superintendent should impose a penalty committing any of the

activities indicated by the Board of Directors, he shall abide by the criteria established for the amounts of the fines or for imposing other types of penalties.

The Superintendence shall consider as aggravating circumstances the behavior of the natural person or legal entity that prevent the inspectors and auditors of the Superintendence from carrying out their work of supervision or directly or indirectly hinder said work.

Only the infractions committed in respect of behavior and facts, which are administrative infractions established by the Securities Market Law, may be penalized, and they shall not be applied retroactively.

The penalties shall only be imposed in the way and under the circumstances established in the Securities Market Law.

Article 266. Filing of acts committed. When the statute of limitations becomes applicable to the preliminary period that has led to the application of penalizing proceedings, the superintendent shall, by means of resolution, decide that initiating the penalizing proceedings is inappropriate. Similarly, after initiating penalizing proceedings, when the statute of limitations applies, the Superintendence shall decide the end of the proceedings and the filing of the acts committed. In both cases, the parties concerned shall be notified of the situation that has arisen.

Arti**cle 267.** Simplified process. Notwithstanding the provisions contained in Articles 260 and 261 of this Decree-Law, if the offender explicitly recognizes his responsibility after the penalizing proceedings have been initiated, then, with no further steps, it may resolved by imposing the penalty applicable after previously considering the evaluation criteria contemplated in the Securities Market Law or by the Board of Directors. At the time of his statement, the offender may have the company of legal counsel. However, the statement is to be made personally, without the intervention or interruption of the legal counsel during the proceeding.

In addition to the above, whoever recognizes himself in the same proceeding must indicate the specific steps he is going to take in order to rectify the damages caused as a consequence of his conduct.

Article 268. Penalties for disclosing confidential information. The broker-dealer firm, investment advisor, investment manager, self-regulatory organization, member of a self-regulatory organization or the director, officer or employee of any of the above, as well as the broker, analyst, superintendent, official or external consultant of the Superintendence who unlawfully discloses confidential or privileged information that has been obtained while discharging its/his functions shall be fined not less than one thousand balboas (B/.1,000.00) and not more than one hundred thousand balboas (B/.100,000.00), without prejudice to the civil and criminal penalties that may be in order. In determining the amount of the penalty, the Superintendence shall take into account *inter alia* the intention of the person who incurred the unlawful conduct, whether or not it is recidivism, the benefit gained and the damage caused. In the event that such person is a superintendent or an official of the Superintendence he shall be removed from office immediately.

Chapter III
Infractions and administrative penalties

Article 269. Very serious infractions. The persons that incur in any of the following causes, behavior or omissions shall commit very serious infractions:

1. The natural person or legal entity that carries our or tries to carry out any of the following:
   a. To make a public offer of securities without being registered or authorized by the Superintendence or offering to the public securities that are not registered or authorized by the Superintendence for a public offer or not complying with the conditions established in the registration and in the authorization of in the Securities Market Law.
   b. To make a public offer of financial instruments without obtaining the proper authorization of the Superintendence.
   c. To provide services of intermediation of securities or financial instruments without being authorized by the Superintendence or without complying with the conditions established in the authorization that was granted to him or in the Securities Market Law.
   d. To incur in practices aimed at preventing prices from evolving freely or does not comply with the regulations of the Superintendence, thus distorting the free formation of prices.
   e. To carry out activities and behavior described in Title XI of this Decree-Law.
   f. To incur in the unlawful use or appropriation of money, securities or other financial assets, either directly or by computer manipulation or technological means of an entity regulated by the Superintendence or Superintendence clients who have trusted it because of the license or registration issued by the Superintendence.
   g. To omit, delay or refuse providing information without just cause, or provide false data to the Superintendence in a written requirement, an inspection or an investigation carried out by the Superintendence.
2. The issuers registered with the Superintendence, that incur in any of the following causes:
   a. For a period or more than sixty days, failing to comply with their obligation to provide information periodically to the Superintendence or to its investors, or provide inaccurate or incomplete information.
   b. Failing to comply with communicating an important fact within the term and in the form established by the rules in force and effect.
   c. Failing to comply with the obligation of maintaining the registrations and the documentation required by the rules, so that it becomes difficult to know the real

situation of the assets or the financial situation of the entity or the operations in which it has participated.

d. Failing to comply with accounting rules established by the regulations of the Superintendence, so that it becomes difficult to know the real situation of the assets or the financial situation of the entity or the operations in which it has participated.

e. Failing to comply with their obligation to submit to an annual external audit.

3. The investment advisors that incur in any of the following causes or behavior:

a. Failing to comply with their obligation to provide the proper advisory services to their clients or investors, in diligent and precise form that would enable them to understand the nature, the scope, the risks and the benefits of the investments or the transactions, which they are authorizing or requesting.

b. Failing to comply with their obligation to provide their clients or investors with the relevant information about the investment made, its nature and its risks.

c. Failing to comply with the orders of their clients or investors, or carry out acts of disposing of securities entrusted to them by clients, without the authorization of their owners.

4. Broker-dealer firms and other intermediaries that carry our or incur in any of the following causes:

a. Allocate securities or financial instruments to themselves or allocate them to their economic group when the clients have requested them in identical or better conditions; or attaching priority to the sale of their own securities or financial instruments or those of their economic group before the sale of securities or financial instruments of their clients, when their clients have ordered the sale of the same class of securities or financial instruments in identical or better conditions.

b. Offering advantages, incentives, compensations or indemnifications of any type to a client to the detriment of other clients and of the transparency of the market.

c. Conducting transactions that are unnecessary and are of no benefit to the clients.

d. Delaying the transmission or the execution of investment orders received.

e. In whatsoever way simulating transactions with securities or financial instruments, the transmission, the transfer of ownership of securities or financial instruments, or simulating their prices.

f. Failing to comply with the rules of the regulations in connection with investment of their own resources and with capital adequacy.

5. Investment administrators and investment companies that:

a. Failing to comply with the rules related to authorized assets, the limits of investment concentration or leverage or liquidity percentages.

b. Failing to comply with the investment policies, terms and conditions established in the information prospectus.

c. Failing to comply with custody obligations.

d. Failing to comply with the rules related to evaluation of the assets in the portfolios or the funds, which they manage.
e. Entering into a pledge or constituting guarantee with the investment fund in favor of any person, when such pledge or guarantee has not been authorized.
f. Investing their corporate capital in the portfolios, which they manage.
g. Investing in securities issued by them the resources of the portfolios they manage.
h. Granting credit with the moneys of the portfolio they manage.
i. Guaranteeing to the investor a given return for his participation in any investment fund they manage.
j. Discriminating investors on account of the return, without prejudice of the possibility of establishing portfolios with series or classes.

6. The stock exchanges that incur in any of the following cases:
   a. Admitting securities for trading without verifying the compliance with the requirements established by the Securities Market Law.
   b. Arbitrarily suspending or excluding the trading of securities of a participant in the market.
   c. Failing to comply with their obligation to disclose publicly the prices of the operations carried out in their respective markets.
   d. Failing to comply with the duties of supervision, which the Securities Market Law attributes to them in connection with exchange posts and securities dealers.
   e. Failing to inform the Superintendence, in the form and during the time it disposes of, about denunciations and disciplinary process they may be conducting or about its outcome.

7. The securities clearinghouses that incur in any of the following cases or behavior:
   a. Failing to comply with their obligation to keep updated registrations concerning clients and operations required by the existing rules or keep them with essential errors or irregularities that make it difficult to know for certain the ownership of the securities, the custody of which has been entrusted to them.
   b. Failing to comply with their obligation to reconcile the portfolios of their clients according to the rules issued by the Superintendence or the exchanges.
   c. Using the securities whose custody has been entrusted to them, in operations that have not been authorized by their owners.
   d. Becoming related to operations that imply a simulation in the transfer or ownership of the securities.

8. The partners, directors, officers or employees of an investment manager or of any entity, that are a part of its economic group, who acquire securities from the funds managed by that company or who sell their own securities to those funds, in violation of the Securities Market Law.

Article 270. Serious infringements. A serious infringement shall be incurred by:

1. The natural person or the legal entity that does not comply with the obligation of information about public offer for the acquisition of registered shares according to the provisions of the Securities Market Law.
2. The entities with a license issued by the Superintendence that:
   a. Do not comply with their obligation to keep the records and documentation required by the regulations of the Superintendence.
   b. Do not comply with the accounting rules stipulated by the regulations.
   c. Do not comply with the specific requirements of their clients in respect of information in connection with the entity's operations and the services it provides.
   d. Do not report the amount of the commissions applicable to their services, in the form and within de term established by the respective regulations.
   e. Charge their clients commissions or amounts, which have not been agreed.
   f. Carry out publicity activities that are undue, false, deceitful or contrary to the Securities Market Law.

Article 271. Minor infringements. The acts or omissions that infringe a provision of the Securities Market Law, issued by the Superintendence or by the self-regulatory organizations, and that are not typified as very serious or serious infringement according to the preceding Articles, will constitute minor infringements.

Article 272. Administrative penalties for very serious infringements. In case of very serious infringements established in Article 269 of this Decree-Law, one or more of the following shall be imposed to the infringer:

1. A fine for an amount not lower than the gross benefit obtained as a result of the acts or omissions that consist on the very serious infringement, and not higher than twice the gross benefit obtained or, in the event that these criteria are not applicable, the higher of the following amounts: 5% of the resources owned by the infringer, 5% of the total funds owned by the infringer or by others, that have been used in the infringement or one million of balboas (B/.1,000,000.00).
2. A suspension or limitation of the type or volume of the operations or activities, which the infringer may carry out in the securities market for a term not longer than two years.
3. Revocation or cancellation of the licenses or of the registrations granted by the Superintendence.
4. A public reprimand and its publication in the Official Gazette.
5. Removal from the managerial or directorship position, which the infringer holds in an entity with a license issued by the Superintendence, and disqualification for holding administration or control positions in the same entity, for a term not longer than two years.
6. Removal from the position of administration or control, which the infringer holds in an entity with a license issued by the Superintendence, and disqualification for holding

administration or control positions in any other entity, for a term not longer than five years.

In addition to the penalty that is to be imposed to the infringer for committing very serious infringements, if the infringer is a legal entity, one of the following penalties may be imposed to whoever holds an office of administration or control and are responsible for the infringement:

a. A fine of the higher amount among the following figures: 5% of the total of funds, owned by the party or third party funds, used in the infringement or one million balboas (B/.1,000,000.00).
b. Suspension in the position exercised, for a period not longer than two years.
c. Removal from the position and disqualification for the exercise of positions of administration or control for a period not longer than two years.

Penalties for very serious infringements shall be published in the Official Gazette when no further governmental channels remain.

Article 273. Administrative penalties for serious infringements. In case of the serious infringements established by Article 270 of this Decree-Law, one or more of the following penalties shall be imposed to the infringer:

1. Public reprimand and publication in the Official Gazette.
2. A fine of an amount not lower than the gross benefit obtained as a result of the acts or omissions, which the infringement consists of, or in case that these criteria are not applicable, up to the higher of the following amounts: 2% of the total funds owned by the infringer or by others, which were used in the infringement or five hundred thousand balboas (B/.500,000.00).
3. Suspension or limitation of the type or volume of the operations or activities, which the infringer may carry out in the securities market for a period not longer than one year.
4. Suspension for a period not longer than one year in the exercise of any directorship position in the entity in which the infringement was committed.

In addition to the penalty, which should be imposed on the infringer for committing serious infringements, when the infringer is a legal entity, one of the following penalties may be imposed on whomsoever is holding in said legal entity a managerial or directorship position and is responsible for the infringement:

a. Public reprimand and publication in the Official Gazette.
b. Penalty of the higher amount of the following figures: 2% of the total funds owned by the infringer or by others, which were used in the infringement or three hundred thousand balboas (B/.300,000.00).
c. Suspension for a period not longer than one year in the exercise of any directorship position in the entity in which the infringement was committed.

Article 274. Administrative penalties for minor infringements. In case of the minor infringements indicated in Article 271 of this Decree-Law, one of the following penalties shall be imposed on the infringer:

1. Reprimand in private.
2. Penalty of an amount up to three hundred thousand balboas (B/.300,000.00).

Article 275. Collecting the penalites. The penalties that it has not been possible to collect for reasons attributable to the infringer shall be collected by coercive jurisdiction of the General Directorate of Revenues of the Ministry of Economy and Finance, which shall proceed to make it effective through the execution of the process of coercive collection. The General Directorate of Revenues of the Ministry of Economy and Finance shall inform the results of the process of execution to the Superintendence.

The funds obtained by this process shall be entered in the account that, to that effect, is established by the Superintendence according to the procedures stipulated for that purpose.

Chapter IV
Collective class process, statute of limitations and the Superintendence's power to penalize

Article 276. Collective class proceedings. Whenever a violation of the Securities Market Law occurs, and the persons suffering damages may not be easily identified or there is a great number of them and the amount of the damages, considered on the basis of each individual, is so small that it would make the action illusory, the Superintendence may, on its own behalf, sue for recovery of such damages. The Superintendence may engage lawyers, accountants and other professionals whom it may deem necessary in any proceedings initiated under this article.

Collective class proceedings shall be governed *mutatis mutandis* according to the rules contained in Article 129 of Law 45 of 2007.

After deducting the expenses of the Superintendence and its advisors, any sum recovered by the Superintendence in such suit shall be placed in a trust created by the Superintendence at the Banco Nacional de Panamá where it shall bear interest and be held for the benefit of whomever may be entitled to it.

The Superintendence shall in good faith make efforts to distribute said sum in a fair and equitable manner among the persons entitled to it, and such efforts shall include the publication of announcements in national daily newspapers concerning the recovery of moneys belonging to a class of investors.

If any sum remains unclaimed after three (3) years have elapsed following the date of recovery, said sum shall become government property free from all claims.

Article 277. Statute of limitations. The action to penalize for which the Superintendence is authorized shall be subject to a statute of limitations of four years after the events have taken place. The statute of limitations may be claimed or decreed ***ex officio*** by the Superintendence.

The lapse of time of the statute of limitations may be individually interrupted for each of the subjects who intervened in committing the infringement. The interruption shall take place upon service of notice of the resolution ordering the penalizing proceedings.

Article 278. Independence of the penalizing power of the Superintendence. The exercise of the power to penalize by the Superintendence is independent from all other civil or criminal actions and responsibilities that may derive from the penalized events.

When in the exercise of its functions, the Superintendence acquires knowledge of an event that may constitute a crime, it shall inform the Attorney General's Office as soon as possible.

In the event that an investigation begins in order to establish that an activity prohibited by the Securities Market Law has been committed, and said activity is also typified as a financial crime, the Superintendence shall submit the information requested by the Attorney General's Office. Similarly, the Attorney General's Office shall provide the Superintendence with the information, which it may obtain through its powers and which may be of assistance to resolve the penalizing proceedings.

The Superintendence shall inform the Attorney General's Office about the outcome of the investigation conducted during the penalizing proceedings in the event that the latter requires it.

Title XIII
Intervention and liquidation
Chapter I
General considerations

Article 279. Scope of application. This Title shall apply in general to the broker-dealer firms that are not banks, the stock exchanges, exchanges, securities clearinghouses, investment companies and managers of investment companies, which for the purposes of this Title shall be called registered institutions, and their liquidation, dissolution, intervention and reorganization shall be carried out in accordance with the provisions contained in the following articles.

The dissolution, liquidation, reorganization and intervention of a broker-dealer firm that is also a bank shall be governed by the Single Text of the Decree-Law 9 of 1998 and its amendments, but the custody accounts shall not be considered as a part of the estate to be liquidated as provided by Article 164 of said Single Text law due, and the shortfall in custody accounts due to non-compliance with Article 167 of this Decree-Law shall be paid from the estate in liquidation with priority over deposits and other credits mentioned in item 6 of Article 167 of said Single Text of the Decree-Law 9 of 1998.

Chapter II
Voluntary dissolution and liquidation

Article 280. Voluntary dissolution and liquidation. Any registered institution may resolve its voluntary dissolution or liquidation, however, for such purposes it may first obtain approval by the Superintendence, which will always grant it, provided always that, in the opinion of the

Superintendence, the registered institution involved has enough solvency to pay its investors and its creditors.

The registered institution applying to the Superintendence for approval of its voluntary dissolution or liquidation shall submit to the Superintendence all of the documents and information, which it may require in respect of such application.

Any application for the voluntary dissolution or liquidation of a registered institution must receive a reply from the Superintendence within thirty days, and the liquidator or liquidators of the registered institution, as the case may be, shall be appointed in said reply.

Upon the Superintendence's approval being granted, the applicant registered institution shall cease operations, and for this reason is authorization to operate shall be suspended and is powers shall be limited to those strictly necessary to carry out the dissolution or the liquidation, as the case may be.

Immediately after the approval of the Superintendence has been granted, the applying registered institution shall cease operations, therefore its authorizations to operate and its powers shall be limited to those strictly necessary to carry out the dissolution or the liquidation, as the case may be.

Cessation of operation shall not prejudice the rights of investors or creditors of the registered institution to receive the entire amount of their investments and their credits, nor the rights of the owners of funds or other assets to have them returned. All legitimate credits of creditors and custody accounts of the holders or intermediaries must be paid, and the funds and other assets must be returned to their owners within the period of time stipulated by the Superintendence.

Once the resolution concerning the dissolution or liquidation has been authorized, the registered institution shall, upon being notified, publish the resolution of the Superintendence for three consecutive days in a national daily newspaper. In turn, within the ten business days after the resolution, said registered institution shall send a notice of dissolution or liquidation to each investor or creditor or interested registered institution.

During the period of voluntary liquidation, the liquidator or liquidators, as the case may be, shall be under obligation to inform the Superintendence about the progress of the liquidation as often as the Superintendence may determine, and also to notify the Superintendence whether the assets of the registered institution involved are sufficient to cover its liabilities, and in the event that they are not sufficient, the registered institution shall be intervened in accordance with the provisions contained in the respective Articles.

Article 281. Prohibition of distribution of assets. The registered institution that has resolved to undergo voluntary liquidation may not carry out any distribution of assets among its shareholders if it has not complied with all of its obligations towards all the investors and other creditors, according to the liquidation plan approved by the Superintendence.

In the case of credits under litigation, the liquidator shall deposit the sum under litigation with the judge handling the case, in order that it may be released in accordance with the decision contained in a final judgment.

In the event of litigation in which the registered institution is the defendant, the liquidator shall deposit the sum under litigation with the judge handling the case, in order to guarantee the outcome of the proceedings. If the registered institution is acquitted, the funds deposited shall be returned to the registered institution. If the liquidation proceedings has ended and it is not possible to return the funds to the registered institution, the existence of such funds shall be notified to the Superintendence, and they shall be deposited in the Banco Nacional de Panamá to the order of the registered institution or its shareholders, and if they are financial assets or other assets, they shall be handled in accordance with the provisions contained in Article 310 or in the second paragraph of Article 283, as appropriate.

Article 282. Duties of the liquidator. During the period of voluntary liquidation, the liquidator or liquidators shall be obliged to:

1. Notify the Superintendence whether the assets of the registered institution are sufficient to cover its liabilities, and in the event that they are not sufficient, the registered institution shall be intervened in accordance with the stipulations of Article 284; and
2. Inform the Superintendence about the liquidation proceedings of the registered institution.

Article 283. Unclaimed assets and securities. Assets and securities unclaimed by their owner shall be liquidated and sold, and the proceeds of the sale shall be deposited in the Banco Nacional de Panamá to the order of their owner.

At the end of the liquidation, should there be any unclaimed credits or liquid sums, the liquidator shall deliver to the Banco Nacional de Panamá the amount necessary to cover them. The funds so deposited shall be transferred to the government if they remain unclaimed after five years. The liquidator upon approval by the Superintendence may in turn sell assets and securities when the first year has elapsed, and at the end of the fifth year, the proceeds of their sale shall be transferred to the State, if not claimed by their owners.

The government shall be under obligation to return the funds dealt with in this Article to their owner, provided that they be claimed within the ten years following the date of the transfer, but restitution shall be made without any interests.

Chapter III
Intervention

Article 284. Causes of intervention. In a resolution explaining the motives, the Superintendence may intervene a registered institution and take possession of its assets, and take over its administration on such terms as the Superintendence may determine, in any of the following cases:

1. Upon the request of the registered institution itself, explaining the motives;
2. If it is net paid capital has diminished to the extent that it is not complying with the capital or liquidity requirements established by the Superintendence;

3. If it conducts its operations illegally or negligently or fraudulently;
4. If it may not continue its operations without endangering the financial assets of investors;
5. If it has suspended payments;
6. If upon being duly requested, it refuses to show the accounting records of its operations, or in any way prevents their inspection by the Superintendence;
7. If its assets are not sufficient to satisfy all of its liabilities;
8. If the Superintendence deems it convenient because the voluntary liquidation has been unduly delayed; or
9. If the reorganization plan proposed by the Superintendence has not been complied with.

Article 285. Notification and appeal. The resolution deciding the intervention of a registered institution shall be notified in accordance with the provisions contained in Article 21 of the Preliminary Title, and it shall be effective as from the date stipulated in said Article. Said resolution shall also be published in a national daily newspaper for three consecutive days.

The only motion against the resolution deciding the intervention is the motion of full jurisdiction on the contentious-administrative,of the Third Chamber of the Supreme Court of Justice, but it is understood that the resolutions adopted under Article 23 shall have effect without a stay of execution. Nevertheless, filing this rmotion shall not suspend the effects of the Superintendence's resolution and the judge may not order the provisional suspension of said effects.

Article 286. Suspension of terms of statutes of limitations. As long as the registered institution remains under intervention of the Superintendence, the terms of statutes of limitations shall be deemed suspended in respect of any rights and actions to which the registered institution may be entitled, as well as the terms in trials and proceedings in which the registered institution is one of the parties. Said terms shall remain suspended until the stage of intervention ends, unless compulsory liquidation is immediately decreed, in which case the provisions contained in Article 304 of this Decree-Law shall apply.

Article 287. Appointment and powers of the administrator of the intervention. In the resolution ordering the intervention, the Superintendence shall appoint the administrator or administrators of the intervention whom it may deem necessary, so that only they may exercise the legal representation, the administration and the control of the registered institution under intervention, and they shall answer to the Superintendence and report the progress of their work.

Among their powers, the administrator or administrators of the intervention shall have the following:

1. To suspend or limit payment of the obligations of the registered institution under intervention, for a period of time that under no circumstances shall be longer than the term of the intervention itself.
2. To hire the necessary additional personnel or remove or dismiss the employees whose unlawful conduct or negligence has led to the intervention.

3. To address the correspondence and execute any other document on behalf of the registered institution under intervention.
4. To conduct an inventory of assets and liabilities of the registered institution under intervention, and to submit a copy of such inventory to the Superintendence.
5. Upon the termination of the intervention, to recommend to the Superintendence that the management and control of the registered institution under intervention be returned to its directors, or recommend its reorganization or its compulsory liquidation.
6. Any other power with a given purpose that, after an application explaining the motives, is to be authorized by the Superintendence.

Article 288. Requirements of the administrator of the intervention. In order to be administrator of an intervention, the person must have at least five years of experience in the fields of banking or securities market or accounting. In the event that two or more administrators of the intervention are appointed, their decisions shall be adopted by majority vote. If there is an even number of administrators of the intervention and there is no majority for adopting a decision, any of them may submit the matter to the Superintendence, and the latter shall make the decision with no further procedure.

Article 289. Period of intervention. The period of intervention shall initially be thirty calendar days unless the Superintendence decides to extend it due to exceptional reasons and upon the prior request of the administrator or administrators of the intervention explaining the motives.

Article 290. Reports of the administrators of the intervention. When the term of the intervention has elapsed, the administrator or administrators of the intervention shall submit a final report to the Superintendence, in which they shall state:

1. The material aspects of their charge.
2. An inventory of assets and liabilities of the registered institution under intervention.
3. Whether they recommend to the Superintendence the reorganization or compulsory liquidation or that the management and control of the registered institution be returned to its directors.

The administrators of the intervention shall submit a monthly report of their work to the Superintendence, including a financial report up to the same closing date as the respective monthly report. In addition, the administrators of the intervention shall submit the additional reports, which the Superintendence requests.

Article 291. The Superintendence's decision in respect of the report of the administrators of the intervention. The Superintendence shall have a term of fifteen calendar days to decide whether it agrees to the recommendation of the administrator or administrators of the intervention in their final report, or if it should take a different course of action. During this period of deciding, the state of intervention shall subsist and the Superintendence may summon the administrator or administrators of the intervention as many times at it may deem necessary for providing additional explanations about their work.

Article 292. Protection of the registered institution under intervention. The registered institution under intervention may not be seized or attached or be subject to retentions, and no other precautionary measure may be taken against it. Similarly, the statute of limitations of credits and debts shall be suspended as from the notification referred to in Article 285.

Article 293. Restoration of a registered institution under intervention. If the cause of the intervention is rectified during the period of intervention, the administrator or administrators of the intervention may request to the Superintendence to suspend the intervention, and the Superintendence shall have a period of fifteen calendar days to approve or refuse such request. In the event of its approval, as soon as said period comes to an end, the management and control of the registered institution under intervention shall be returned to its directors.

Chapter IV
Reorganization

Article 294. Reorganization. If the Superintendence decides that the reorganization of the registered institution under intervention is convenient, it shall prepare a reorganization plan containing the following:

1. Appointment of one or more reorganizers who shall not have any direct or indirect relationship with the registered institution under intervention or with the administrator or custodian thereof. Only the reorganizers may exercise the administration and control of the registered institution as long as the reorganization lasts, and they shall be accountable to the Superintendence. Said persons shall be appointed by the Superintendence and they shall establish their own regulations for holding meetings and making decisions. The reorganizers shall comply with the requirements established in Article 288.
2. The general guidelines as to the method of reorganization in order to enable the registered institution once more to have an efficient and safe operation, taking into consideration the interests of investors and creditors.
3. Instructions for the dismissal of any director, officer, executive, manager or other employee whose willful misconduct or negligence has entirely or partially been the cause of the intervention and the reorganization of the registered institution.
4. The period in which the reorganization is to be completed, that may be extended by the Superintendence up to an additional equal period, upon request by the reorganizer explaining the motives.

As long as the reorganization process lasts, the assembly of shareholders of the registered institution shall be precluded from making any decision that may obstruct the on-going process.

Whenever any situations are detected or arise during the reorganization in view of which the reorganization plan appears unfair or inconvenient or not feasible, the Superintendence may

modify the plan or decree the liquidation of the registered institution, according to the administrative procedure established by the law below.

Article 295. Reorganization without prior intervention. The Superintendence may decree the reorganization of a registered institution without the need to order its intervention previously, when it considers it necessary for the best protection of the interests of investors, and to ensure the solvency and continuity of the registered institution.

Article 296. Reorganization powers. The Superintendence shall have the fullest powers to direct the reorganization of registered institutions. Consequently, the Superintendence may demand the shareholders of the registered institution to pay the additional capital required within the short period of time indicated in the request, in order to resolve the situation of the assets and the results of the registered institution. If the shareholders do not make the required contributions, the Superintendence may:

1. Offset losses against paid capital and reserves;
2. Appoint new managers;
3. Authorize the issue of new shares in the registered institution, and the sale thereof to third parties, at such price as the Superintendence may determine;
4. Make arrangements for the merger or consolidation of the registered institution with one or more registered institutions, as well as for obtaining loans, selling or partially liquidating or encumbering any non-productive assets; or
5. Initiate the process of liquidation.

Article 297. Reports by the reorganizers of a registered institution under reorganization. The reorganizers shall submit a monthly report of their work to the Superintendence, including a financial report with the same closing date as the respective monthly report. Furthermore, the reorganizers shall submit such additional reports as the Superintendence may request.

Article 298. Satisfactory conclusion of the reorganization. If the work of reorganization comes to a satisfactory end, the Superintendence shall return the management and control of the registered institution to its directors, unless they have been removed during the process, in which case the management and control shall be delivered to the directors and managers appointed as replacements for the ones that were removed.

Article 299. Publication and protection of the registered institution under reorganization. The Superintendence shall adopt the respective resolution and publish it in a national daily newspaper for three consecutive days before the reorganization plan becomes effective.

As long as the reorganization is in effect, it shall be binding for all investors and all creditors of the registered institution, and no cause for bankruptcy or compulsory liquidation or seizure or attachment of assets may be claimed in connection with obligations acquired before the reorganization plan. Similarly, the reorganization suspends the statute of limitations in respect of the credits and the debts of the registered institution under reorganization.

Article 300. Contesting the reorganization. The resolution in which the reorganization of a registered institution is decreed may be contested by resorting to the contentious-administrative jurisdiction of the Third Chamber of the Supreme Court of Justice, but it is understood that the resolutions adopted under Article 23 of the Preliminary Title shall have no suspension of execution. However, filing the motion shall not suspend the effects of whatever the Superintendence has resolved and the judge may not order the provisional suspension of such effects.

Article 301. Costs of the intervention and the reorganization. All of the costs caused by the intervention or reorganization, including the salaries and remuneration of the administrator or administrators of the intervention, temporary managers and the reorganizers shall be defrayed by charge against the registered institution under organization, on the terms stipulated by the Superintendence.

Chapter V
Compulsory liquidation

Article 302. Ordering liquidation. If the Superintendence deems that the compulsory liquidation of a registered institution under intervention or reorganization is necessary, it shall adopt a resolution ordering its administrative liquidation, explaining the motives, whereby it orders the administrative liquidation and appoints one or more liquidators who must fulfill the same requirements as those stipulated under Article 288 to act as administrator of the intervention of a registered institution.

Article 303. Announcements. The Superintendence shall cause that a copy of the resolution ordering the compulsory liquidation of the registered institution be posted in a visible place accessible to the public in the latter's main offices and branches. Said resolution shall indicate the time of day when the liquidation order shall be effective, which may under no circumstances precede the posting of the announcement, and it shall remain posted for a term of five business days. Upon the expiry of the term of five business days for the announcement to remain posted in the main offices, it shall be understood that notification has taken place. Similarly, the Superintendence shall cause that the resolution be published in a national daily newspaper for five business days.

Article 304. Suspension of interest accrual. As from the resolution ordering the compulsory liquidation, accrual of interests on the liquidation mass shall cease, except in the case of credits guaranteed by pledge or mortgage, in which case the creditors may demand the current interests to accrue up to the amount of the encumbered asset.

As from the date of the resolution ordering the compulsory liquidation, interests on the estate under liquidation shall cease to accrue, except in the case of credits secured by pledge or

mortgage in which case the creditors may claim the ordinary interests on their credit to the extent covered by the proceeds of the encumbered assets.

Article 305. Contesting the liquidation order. The resolution decreeing the compulsory liquidation may be contested by means of a motion on contentious-administrative under full jurisdiction, on the Third Chamber of the Supreme Court of Justice, but it is understood that the resolutions adopted under Article 23 of the Preliminary Title shall have effect without suspension of execution. However, filing the motion shall not suspend the effects of whatever the Superintendence has resolved and the judge may not order the provisional suspension of such effects.

Article 306. Suspension of statutes of limitations. When a registered institution is under compulsory liquidation, the passage of time in respect of the statutes of limitations of all rights and actions of the registered institution, as well as the time limits in trials or proceedings in which the registered institution is one of the parties, shall be deemed suspended for up to six (6) months.

Article 307. Appearance of investors and other creditors in the liquidation. The resolution decreeing the liquidation shall demand investors and other creditors to make an appearance at the registered institution to submit their credits. Such investors and creditors may make an appearance at any time until the liquidator issues the report referred to in the following Article, such period of time to be under no circumstances less that thirty calendar days. However, failure to make an appearance shall not affect credits, the existence of which may be proven by the records of the registered institution.

Article 308. Preliminary report. The liquidator shall prepare a preliminary report containing the following information:

1. Names of the creditors of the registered institution.
2. Identification of financial assets.
3. Title or evidence of the financial assets and their priority ranking.
4. Financial situation of the registered institution.

The report shall be published for three business days in a national daily newspaper. Creditors shall have a period of thirty calendar days counted as from the last publication, for requesting any clarifications or submitting any objections they may wish*.*

Article 309. Resolution concerning objections. Upon the expiry of the term of thirty calendar days referred to in the preceding Article, the liquidator shall issue a resolution in which he will resolve the objections submitted and shall determine the following:

1. The assets that constitute the liquidation mass.
2. The credits that have been accepted and the ones that have been rejected, indicating their nature and amount.

3. The order of priority for the credits to be paid from the mass.

Similarly, in a separate notebook, the liquidator shall issue a resolution containing the list of properties and financial assets excluded from the liquidation mass. The custody accounts (and the financial assets reflected therein) are expressly excluded from the liquidation mass, unless the custody account is under suspicion of fraud or unlawful conduct in connection with the liquidation or because of the violation of a law, which are facts that have to be evidenced by the liquidator.

The resolutions referred to in this Article shall be published in a national daily newspaper for five consecutive days, and may be objected before the Third Chamber of the Supreme Court of Justice within three business days following the last publication, either by an appeal or by a motion. The substantiation shall be conducted before the liquidator, who may at his prudent discretion order the accumulation of all or several of the incidents or appeals, as the case may be. After this procedure is effected, the liquidator shall submit the various notebooks to the Third Chamber of the Supreme Court of Justice in order to have the objections resolved.

The liquidator may proceed to cancel those credits that are recognized in the resolution and not been objected, provided always that he sets aside safely those credits, that having been rejected, have been the subject of an objection.

Article 310. Estate of the liquidation. All present and future assets of the registered institution form the estate of the liquidation.

The following are not a part of the estate of the liquidation.

1. The financial assets of the intermediaries to the extent that said financial assets are necessary to satisfy and provide backing for all trading rights, which the intermediary has recognized in custody accounts in respect of said financial assets.
2. The money sent to the registered institution in the development of a commission, a mandate or a trust, provided always that there is written evidence of the existence of the contract on the date when the liquidation was ordered.
3. Generally, the identifiable titles, properties or assets that, in spite of being held by the registered institution, belong to another person, which has to be proven with sufficient evidence.
4. Chattel property or securities kept by the registered institution as a depository or a custodian.

Within thirty days after the date when the resolution referred to in the second paragraph of the preceding article becomes enforceable, the liquidator must return the properties and the financial assets that are not a part of the estate. At the request of an investor, the liquidator may transfer the account or the custody account of said investor to another registered institution during the above-mentioned period of time. Said transfer does not involve any statement of the liquidator about the ownership of the properties or the financial assets.

Article 311. Shortfall of financial assets in a registered institution. If a registered institution as intermediary does not maintain sufficient financial assets to satisfy all of the trading rights recognized in the custody accounts of the indirect holders, all of the financial assets of said type,

which the registered institution has, shall be excluded from the estate of the liquidation according to Article 230, and they shall be distributed proportionately among the indirect holders concerning each type of financial assets registered in the name of the registered institution. Any shortfall in financial assets shall be a claim of the indirect holder against the estate of the liquidation, such claim to have the priority established in this Decree-Law.

Article 312. Continuation of the liquidation process. If after the end of the liquidation of a registered institution, it becomes known that said registered institution had assets or property rights, the Superintendence shall order the continuation of the liquidation process in order to sell such assets and pay the unpaid liabilities.

Those persons who consider themselves affected by the resolution may object it by means of a motion of reconsideration before the Superintendence or as a motion before the Third Chamber of the Supreme Court of Justice.

Article 313. Rescission of contracts. As from the date when the resolution ordering the compulsory liquidation becomes enforceable, all contracts in which the registered institution is a party shall be rescinded with full right, but the liquidator shall have the authority to reaffirm any contract merely by a written communication, in which case the contract shall be entirely reaffirmed according to the original terms agreed by the parties.

Without prejudice to the above, the liquidator shall notify the debtors of the registered institution that said resolution has become enforceable, and shall request them to appear before the registered institution to cancel their obligation, for which purpose they will be allowed a term of two months, and after the expiry of said term may file the respective liquidation actions.

Article 314. Debts of the estate. Considered debts of the estate are:

1. Those originating from court expenses or from out-of-court operations incurred in the common interest of creditors for evidencing and liquidating the assets and the liabilities of the liquidation, for the administration, the preservation and the sale of the properties and the financial assets of the registered institution, and for the distribution of the price of the product, including the liquidator fees, the salaries of the personnel providing services in connection with the liquidation and the operating expenses of the registered institution.
2. All of the debts arising from acts or contracts legally executed or entered into by the liquidator;
3. The amounts that the registered institution has to return due to the rescission of an act or contract of the registered institution, and the indemnification owed in good faith to the holder of the things claimed by the liquidation;
4. The amounts that the registered institution has to return because it has received them as the price of financial assets (including those in custody accounts) and other third party properties, which the liquidator has disposed of.
5. Current national and municipal taxes;

6. Credits arising in favor of other registered institutions as a consequence of the insufficiency of funds of the registered institution in the liquidation of transactions with securities clearinghouse.

The debts of the estate must be paid with priority over any other credit of the registered institution, with the exception of credits guaranteed by pledge or mortgage referred to in Article 316 and the shortfall of financial assets in custody accounts.

Article 315. Order of priority. With the exception of the provisions of other Articles of this Decree-Law, the credits against the estate of the liquidation shall be paid in the following order:

1. The shortfall in custody accounts due to non-compliance with Article 236.
2. Credits related to labor matters.
3. Credits of the Social Security Agency for employee-employer quotas or the employees of the registered institution.
4. Credits for taxes owed to the National Treasury or municipalities, as well as charges of public utilities.
5. The other obligations and other credits.

The credits comprised in each of the above items shall be paid pro rata. The credits in each item exclude those in the other according to the order established in this Article to the extent covered by the assets of the registered institution.

The preferences or orders of priority established by special laws are not applicable to registered institutions.

Article 316. Credits guaranteed by pledge or mortgage. Subject to the provisions of this Decree-Law, the credits or rights guaranteed by pledge or mortgage shall have priority over any other credits in respect of those encumbered assets, to the extent of their value, provided always that such encumbrances have not been created in violation of Article 237 of this Decree-Law. The creditors may submit said credits or rights in the liquidation or demand them separately by the respective executive proceedings.

Article 317. Liquidation of assets. The liquidator shall arrange the disposal and sale of all of the properties, the financial assets, the rights and other assets of the registered institution in the in the most advantageous terms possible, in accordance with the following rules:

1. If they are chattel property or real estate, rights or other assets with a value of less than twenty thousand balboas (B/.20,000.00), the liquidator may sell them for a value that may not be less than the one arising from an evaluation conducted by one or two independent qualified experts. According to the circumstances, the liquidator shall determine if the evaluation referred to in this item 1 is to be conducted by one or two experts. In the case of securities that are listed in a securities market, it shall not be necessary to comply with the above-mentioned evaluation.
2. If they are chattel property or real estate, rights or other assets with a value of more than twenty thousand balboas (B/.20,000.00), the liquidator may sell them in private auction,

by following the procedure of auction or by judicial sale contemplated in Article 1708 and the following articles of the Judicial Code, to the extent of their applicability. In the case of securities traded in a securities market, it shall not be necessary to comply with the procedure of auction, and they may be sold in the securities market.

3. In the case of mortgage, pledge or other type of credits, the Superintendence shall have coercive jurisdiction for the execution of such credits, according to the rules of executive proceedings contained in the Judicial Code. The Superintendence may delegate its authority to one of its officials so that he may act as executor judge provided that he is a qualified lawyer.

   The above is without prejudice of the liquidator's authority to assign the credits to other registered institutions or banking institutions.

Article 318. Leasing. In connection with the properties leased by the registered institution according to a lease contract of chattel property, the provisions of Law 7 of 1990 and the Executive Decree 76 of 1996 must be complied with.

Article 319. Dissolution of the registered institution. When the liquidation ends, the Superintendence shall proceed to decree the dissolution of the registered institution and shall send the respective written notification to the Public Registry.

Article 320. Precautionary measures or attachments. The estate of a registered institution is not subject to precautionary measures or attachments based on a right ***in rem***.

Article 321. Appeal before the Superintendence. Those resolutions adopted by the liquidator, which may not be objected before the Third Chamber of the Supreme Court of Justice may be appealed before the Superintendence.

Article 322. Impropriety of bankruptcy. A declaration of bankruptcy of registered institutions may not be requested. However, the provisions of the Civil Code, of the Commercial Code and of the Judicial Code shall be applied as supplementary when they are not incompatible with the provisions of this Decree-Law.

Notwithstanding the above, as soon as the Superintendence considers that the negligent or fraudulent bankruptcy contemplated by the Commercial Code has occurred, it shall submit to the Attorney General's Office a copy of the pertinent measures taken by it for the respective penal consequence.

Title XIV
Administrative procedure for adopting agreements

Article 323. Announcement of agreements proposed by the Superintendence. When the Superintendence considers adopting, amending or revoking an agreement or recommending

the Executive Branch to adopt, amend or revoke an executive decree regulating this Decree-Law or the Law creating the Superintendence, it must publish an announcement calling a process of public consultation in the Superintendence's web site at least fifteen days before the date when it intends to adopt said agreement or make the recommendation, and must also send the announcement to the self-regulatory organizations registered with the Superintendence. The announcement shall at least include the following:

1. A general statement about the nature of the action, which it intends to adopt, a summary of the relevant terms of said action and an explanation of the motives of said action.
2. The legal grounds on which the action to be adopted is based.
3. An indication that any interested person may obtain a copy of the text of the proposed action in the Superintendence for the cost of said copy, or through the Superintendence's web site.
4. The name and address of the official of the Superintendence, to whom the comments should be sent, the term within which the comments should be received, which may not be less than fifteen days after the publication of the announcement, as well as the date, the time and the place where a public hearing is to be held to consider the proposed action, in case that the Superintendence deems appropriate to hold such hearing.

In any event, when the Superintendence is contemplating the adoption, amendment or revocation of an agreement or recommending to the Executive Branch to adopt, amend or revoke an executive decree, it must consider the following in order to determine if the action is necessary or appropriate:

a. The public interest.
b. The protection of the investors.
c. If the action fosters efficiency, competitiveness of the market and capital formation.

Article 324. Opportunity to make comments. Any interested person may submit to the Superintendence written comments, memoranda and proposals about the action, which the Superintendence contemplates adopting, and shall have the right to be heard in a public hearing in the event that the Superintendence decides to hold one.

Article 325. Adoption of the action. When the term for submitting comments has expired and after duly considering the comments received, the Superintendence may adopt the action it is contemplating, with the modifications it considers appropriate, provided always that the action to be adopted is not materially different and that it does not establish more restrictions than the ones contemplated by the action submitted to public consultation. Should it be materially different or if it imposes more restrictions, the Superintendence shall again submit the action to the process of public consultation, which this Title contemplates.

Article 326. Exemption. The provisions of this Título shall not be applicable to the actions granting an exemption or revoking a restriction or to the opinions issued by the Superintendence in respect of this Decree-Law and its regulations.

Article 327. Procedure in cases of emergency. The Superintendence may adopt resolutions in situations of emergencies that imply danger to the investors, and require immediate action, without having to comply with the provisions of the preceding articles. In such a case, the Superintendence may adopt only those resolutions that are necessary to prevent, avoid or minimize said danger.

After issuing an agreement according to this Article, the Superintendence shall submit the adopted agreement to the procedure of public consultation contained in this Title.

Article 328. Public hearing. All hearings to be held according to the provisions of this Title shall be public and shall be chaired by the superintendent. The Superintendence shall keep record of what takes place in said hearings.

The Superintendence may regulate by agreement the procedures to be complied with in said hearings to see that the public observes in the meetings and in the submission of comments the proper order.

Title XV
Inspections and confidentiality of the information

Article 329. System of supervision and inspection. This Decree-Law has entrusted the Superintendence with the system of supervision, inspection and penalties it establishes in respect of:

1. Stock exchanges, exchanges, securities clearinghouses, broker-dealer firms, investment advisors, investment companies, investment administrators, fund administrators and entities that are managers of pension and retiree funds.
2. Securities brokers, analysts, principal executives, investment manager's principal executives and compliance officers.
3. Those that the law determines that they will be subject to the system of supervision of the Superintendence.
4. Any other natural person or entity for the purpose of checking if they directly or through a third party carry out activities reserved by the Securities Market Law.

The issuers of securities are subject to the system of supervision and penalties established in this Decree-Law and entrusted to the Superintendence.

The price appraiser entities and the credit rating agencies may be inspected when the Superintendence considers it necessary, and they may be penalized for not complying with the Securities Market Law.

Article 330. Measures and inquiries. Whenever it has a basis to believe that a violation of the Securities Market Law has occurred or may occur, the Superintendence may previously take the measures and make the inquiries, which it deems convenient in order to obtain information, without prejudice to the provisions of this Decree-Law.

The Superintendence may require the persons indicated in the preceding Article to provide such information and documents, which it deems necessary in connection with matters that are referred to in the Securities Market Law.

For the purpose of obtaining said information or confirming whether it is true, the Superintendence may conduct the inspections it considers necessary. The persons indicated in the preceding Article are bound to submit books, records and documents to inspection if the Superintendence considers it necessary, regardless of their support, including computer software and magnetic, optic or any other kind of files.

The Superintendence is expressly authorized to conduct examinations of the records and documents, demand that accounting books or records be shown, as well as the documents that justify each entry or account, check the investments of portfolios and review the minutes of the company's bodies.

The Superintendence may compel any one of the persons indicated in the preceding Article to submit the documents or the information or the make any deposition, which the Superintendence deems necessary and relevant for said investigations.

Any natural person or legal entity that have been asked for the required information, reports or copies thereof, in the process of an investigation of a possible violation of the Securities Market Law, and who refuses to deliver them, makes them difficult or delays them during the process of an investigation shall be penalized with a fine of fifty balboas (B/.50.00) up to five hundred balboas (B/.500.00), which shall be considered in the resolution that ends the process. In the case of recidivism, the person shall be subject to the application of the maximum fine mentioned, without prejudice to the remedies it may invoke in both cases.

The Superintendence of the Securities Market may ask the Superintendence of Banks for assistance in the inspection of securities market matters of the persons described in the preceding Article, of because they have banking license are subject to inspection and supervision by the Superintendence of Banks. In such cases, both Superintendences may exchange information about said persons, and both Superintendences and their personnel shall be bound to maintain the confidentiality of said information in accordance with the legal provisions of each regulator.

The Superintendence may compel the registered issuers to make public the information it deems pertinent about their activities related to the securities market or may influence it. If the parties that are bound to do so do not do it, it shall be done by the Superintendence.

Article 331. Access to information and confidentiality. Any information and any document submitted to the Superintendence or obtained by it shall be of a public nature and may be examined by the public, unless:

1. It is an industrial or commercial secret such as patents, formulas or others or information about the business or its finances, the confidentiality of which is protected by law and are not required to be disclosed to the public for the purposes of this Decree-Law.
2. They have been obtained by the Superintendence in an investigation or a negotiation in connection with a violation of the Securities Market Law. However, the Superintendence may submit said information and said documents to courts of law in a collective class

process, to the Attorney General's Office if it has enough grounds to believe that a violation of the Penal Law has occurred or to enforce the provisions of the Article regulating the supervision consolidated in the Securities Market Law.

3. At the request of an interested party, the Superintendence has agreed to maintain them as confidential because there are justified reasons to do, and because disclosure of said information or said document is not essential to protect the interests of the investors.
4. It is information or documents, which an agreement of the Superintendence establishes that they should be kept as confidential.

The Superintendence shall take the necessary measures to preserve the confidentiality of any information and any document that should be maintained as confidential according to this Article.

The Superintendence shall reveal information required by a competent authority of the Republic of Panama according to the law.

Article 332. Exclusive use of denominations. The use of the following descriptive denominations as a part of the name of the legal entity, or commercial denomination or purposes of legal entities to be organized or existing under the laws of the Republic of Panama, either in singular or plural, masculine or feminine, requires the prior authorization of the Superintendence, and is so required, too, by the amendments of the articles of incorporation that change the corporate or commercial name or the purposes of legal entities to be organized or existing under the laws of the Republic of Panama or have a license issued by the Superintendence. Only registered issuers or registered persons, and the entities that obtain the respective license or registration with the Superintendence may expressly use said denominations.

The limitation extends to the use of the following descriptive denominations in any language, which for convenience's sake, are included in the following chart with their English translation.

In Spanish	**In English**
Sociedad de Inversión	Investment company
Fondo de Pensiones	Pension Fund
Casa de Valores	Broker-dealer firm, Broker Dealer House, Broker-dealer firm
Asesor de Inversiones	Investment Advisor
Administrador de Inversiones	Fund administrator
Proveedor de Servicios Administrativos del Mercado de Valores	Fund Administrator
Entidad Calificadora de Riesgo	Credit Rating Agency
Entidad Proveedora de Precios	Price Appraiser, Liquidity Provider
Bolsa de Valores	Stock Exchange
Central de Valores	Clearing Corporation, Clearinghouse
Emisor Registrado	Registered Issuer
Forex	Forex, FX Trading

The Superintendence is the only entity with the power to authorize the use of descriptive denominations, whose use is restricted according to this Article.

Notaries are forbidden to execute or protocolize deeds that are contrary to the provisions of this Article. The same prohibition applies to the Public Registry of Panama concerning recordation, and the Director General of the Public Registry is bound to inform the Superintendence about the existence of any recordation against the provisions of this Article.

In case of such an infringement, the Superintendence must order that a notation be made for a period of sixty days on the margins of the legal entity's records stating that it has committed a violation, and thereafter the infringer entity shall be dissolved in full right if it is a Panamanian entity or disqualified to do business in Panama if it is a foreign corporation.

It is expressly stipulated that this Decree-Law does not restrict the use of denominations that do not appear in the preceding chart. The individual use of the following words in any language, as a part of the corporate name or commercial denomination of Panamanian legal entities, shall not be subject either to the limitation of use established in this Article:

In Spanish	In English
Inversión	Investment
Finanzas	Finance
Financiero	Financial
Financiera	Finance Company, Finance Corporation
Asesor	Advisor, Consultant
Asesoría	Advice, Consulting
Administrador	Administrator, Manager
Fondo	Fund
Casa	House
Valores	Securities
Pensiones	Pensions
Pensión	Pension, Retirement
Calificadora	Rating
Bolsa	Exchange
Central	Central

Article 333. Undue use of information. Neither the superintendent nor any official or external consultant of the Superintendence, or director, officer or employee of a self-regulatory organization may use for his personal benefit the information submitted to the Superintendence or to the self-regulatory organization or obtained by them, as the case may be, if said information or the one that has been obtained by them, as the case may be, is not of public knowledge. Said persons will not be able to trade registered securities using information submitted to the Superintendence or to the self-regulatory organization even if said information is of public knowledge but not enough time has elapsed to be assimilated by the securities market.

Title XVI
Tax Aspects

Article 334. Income tax on capital gains. For the purposes of income tax, the tax on dividends and the complementary tax, profits obtained by disposing of securities issued or guaranteed by the government shall not be taxable and the losses shall not be deductible.

The same will apply to profits and losses arising from the disposal of securities registered with the Superintendence, when said disposal takes place:

1. Through a stock exchange or another organized market; or
2. As the result of a merger, a consolidation or a corporate reorganization provided that in lieu of his shares the shareholders receives only other shares in the surviving entity or of an affiliate thereof. However, the surviving entity may pay its shareholders up to one percent of the value of the shares received by said shareholders, in money and other assets for the purpose of avoiding stock splits.

In the event that a person disposes of securities received by him as a consequence of the disposals described in item 2, the weighted average of the price paid by said person to acquire the securities given in exchange shall be considered the cost of said securities for the purpose of calculating income tax if applicable.

Article 335. Income tax on interests. Interests paid or accredited on securities registered with the Superintendence shall cause income tax based on a sole rate of five percent, which must be retained by the person paying or accrediting such interests. This income shall not be considered as part of the gross income of taxpayers, who will not be under obligation to include them in their tax return.

The sums retained shall be delivered to the National Treasury within thirty days following the date of payment or accreditation, together with an affidavit in forms provided by the Ministry of Economy and Finance. Non-compliance with these obligations shall be penalized as ordered by the Fiscal Code.

Notwithstanding the provisions of the preceding paragraphs and with the exception of the stipulations of Article 733 of the Fiscal Code, the interests and other benefits paid or accredited on securities registered with the Superintendence, which are placed through a stock exchange or another organized market shall be exempted from income tax.

The purchase of securities registered with the Superintendence by subscribers does not end the process of placement of said securities, therefore, the fiscal exemption contemplated in the preceding paragraph shall not be affected by said purchase, and the persons who subsequently purchase said securities from said subscribers through a stock exchange or another organize market shall be entitled to the above-mentioned fiscal benefits.

Article 336. Exemption from stamp tax. As from the first of January of the year two thousand, the securities registered with the Superintendence, and also any contract, agreement or other

documents in some way related to said securities or to their issue, subscription, sale, payment, transfer, exchange or redemption shall not cause the stamp tax.

Title XVII
Additional provisions

Article 337. Amendment of Article 2 of Law 10 of 1993. Article 2 of Law 10 of 1993 shall reads thus:

> **Article 2.** Quotas or contributions made to plans or funds to pay retirement, pension and other similar benefits for the benefit of the taxpayer's employee or for the taxpayer's own benefit, when the taxpayer is a natural person, shall be deductible for the purposes of determine taxable income. These plans will be voluntary and complementary to the benefits of the Social Security System, if such is the case.

Article 338. Amendment of Article 4 of Law 10 of 1993. Article 4 of Law 10 of 1993 shall reads thus:

> **Article 4.** The plans shall be issued and managed by general license banks, including the Banco Nacional de Panamá, insurance companies authorized to operate in the country, trusts constituted in accordance with the laws of the Republic of Panama and managed by entities with a trust license issued by the Superintendence of Banks or by investment administrators registered with the Superintendence of the Securities Market. In the event that the plans are issued and managed by the banks, insurance companies or trusts indicated above, said legal entities must have an investment administrator license issued by the Superintendence of the Securities Market. The plans referred to in this Law shall be regulated and supervised by the Superintendence of the Securities Market.

Article 339. Amendment of Article 5 of Law 10 of 1993. Article 5 of Law 10 of 1993 shall reads thus:

> **Article 5.** The plans referred to in this Law may be individual or collective, contributory or non-contributory and with defined contribution. These plans require a minimum of ten (10) years of contributions to be able to make voluntary withdrawals from the funds of the plan, unless it is for beneficiaries entering a plan after having reached fifty-five (55) years of age or who reach said age having entered previously in said plan, in which case the period may be reduced to a minimum of five (5) years. Notwithstanding the above, withdrawals may be made from the plan due to death, disability, medical emergencies, personal catastrophes, seriously misfortunate financial situation or other similar circumstances, as established in the plan. These withdrawals shall not be subject to penalties.

Article 340. Amendment of Article 8 of Law 10 of 1993. Article 8 of Law 10 of 1993 shall read thus:

Article 8. The legal entities that are managers of pension and retirement funds shall have at least one basic fund that complies with the following parameters of investment:

1. Credit instruments issued or entirely guaranteed by the Panamanian government under the laws of the Republic of Panama, and usually traded in the stock exchanges authorized in the Republic of Panama up to an amount not higher than eighty percent (80%) of the value of the resources of the pension funds entrusted to them.
2. Credit instruments issued by banks that have a general license issued by the Superintendence of Banks, and usually traded in the stock exchanges authorized in the Republic of Panama up to an amount not higher than sixty percent (60%) of the value of the resources of the pension funds entrusted to them.
3. Credit instruments issued by legal entities, with the exception of those issued by banks, authorized by the Superintendence of the Securities Market, and usually traded in the stock exchanges authorized in the Republic of Panama up to an amount not higher than fifty percent (50%) of the value of the resources of the pension funds entrusted to them.
4. Instruments of capital, including participation quotas of investment companies authorized by the Superintendence of the Securities Market, and usually traded in the stock exchanges authorized in the Republic of Panama up to an amount not higher than forty percent (40%) of the resources of the pension funds entrusted to them.
5. Credit instruments issued or entirely guaranteed by foreign States with a credit rating equal or better than the credit rating of the Republic of Panama, up to an amount not higher than fifteen percent (15%) of the value of the pension funds entrusted to them.
6. Credit instruments issued of entirely guaranteed by multilateral credit institutions with a credit rating equal or better than the Republic of Panama, in which the Republic of Panama is a member, up to an amount not higher than fifteen percent (15%) of the value of the resources of the pension funds entrusted to them.
7. Credit or capital instruments issued by foreign legal entities authorized in a public offering by foreign regulatory entities recognized by the Superintendence of the Securities Market, up to an amount not higher than fifteen percent (15%) of the value of the resources of the pension funds entrusted to them.

The Superintendence of the Securities Market shall have the authority to include other investment instruments by means of an agreement, which shall not be higher than ten percent (10%) of the value of the resources entrusted to them.

In respect of investments in items 2, 3 and 4, only the instruments and the issuers with a credit rating not lower than BBB-, Baa3 or their equivalent, conducted by a credit rating entity authorized by the Superintendence of the Securities Market. Similarly, in respect of investments in items 5, 6 and 7 only the instruments and the issuers with a credit rating not lower than BBB-, Baa3 or their equivalent, conducted by a credit rating entity of well-known international prestige.

Paragraph. The entities that are pension and retirement funds administrators shall have a term of six (6) months, counted as from the date when the Law that amends this Article came into force and effect, to make the investments of the funds under their management adequate. In case it is necessary, the Superintendence of the Securities Market shall have the authority to extend that term, either generally or for particular investments.

In respect of credit instruments that, according to items 1, 2, 3 and 5, they must become adequate in view of the requirements of this Law, as from their expiry date, provided always that they have been acquired before this Law came into force and effect.

Article 341. Amendment of Article 11 of Law 10 of 1993. Article 11 of Law 10 of 1993 shall read thus:

> **Article 11.** The administration of the plans referred to in this Law and the funds deposited in them may be transferred by the beneficiary to any other institution, provided always that it be notified within a term not less than thirty (30) days and not more than sixty (60) calendar days, as established in the contract. The contracts may not establish penalties for the transfer of the funds or of the account to another institution.

Article 342. Addition to Article 1613 of the Judicial Code. Item 17 is additioned to Article 1613 of the Judicial Code, thus

Article 1613. ....

17. Certificates issued by the issuer or its representative in connection with the rights of a person over securities represented by account notations, and those issued by an intermediary in connection with trading rights, which it had recognized over financial assets in custody accounts.

Title XVIII
Transitional and final provisions

Chapter I
Transitional provisions

Article 343. Period of transition. The National Securities Commission and its Commissioners shall exercise the functions of the Superintendence until the Board of Directors and the superintendent have taken office.

While the Board of Directors of the Superintendence of Insurance and Reinsurance of Panama is formed, its superintendent shall hold the position of director to which the third paragraph of Article 6 of this Law refers.[11]

[11] **MODIFIED** by Article 2 of Law No.56 of 2nd of October of 2012.

Article 344. References to the National Securities Commission. Any reference to the National Securities Commission in laws, decrees and other regulatory provisions, as well as in contracts, agreements, resolutions or circulars existing before this Law, shall be understood as made in respect of the Superintendence, and its rights, powers, obligations and functions shall be deemed rights, powers, obligations and functions of the Superintendence, except in the case of an express provision contrary to this Law.

Similarly, any reference to the commissioners of the National Securities Commission in laws, decrees and other regulatory provisions, as well as in contracts, agreements, resolutions or circulars existing before this Law, shall be understood as made in respect of the superintendent, and their rights, powers, obligations and functions shall be deemed rights, powers, obligations and functions of the superintendent or the Board of Directors if this Law so provides.

Article 345. Validity of the agreements, opinions, resolutions and administrative acts issued by the National Securities Commission. The validity of the agreements and opinions issued by the National Securities Commission up to the date when this Securities Market Law came into force and effect is hereby recognized, provided that they are not contrary to its letter and spirit. The resolutions, contracts and general and particular administrative acts signed by the commissioners of the National Securities Commission shall be recognized as having the same effect.

The persons who, on the date when this Law comes into force and effect, had initiated procedures for registration or applications for license before the National Securities Commission shall finish said procedures or applications on the basis of the laws and the regulations in force and effect before this Law came into force and effect.

Chapter II
Final provisions

Article 346. Government securities. The government and the autonomous, semiautonomous and mixed capital entities may issue securities with a discount from their face value.

Securities issued by the government and the autonomous, semiautonomous and mixed capital entities may be repossessed in accordance with the procedure established in the Judicial Code. However, the government and the autonomous and semiautonomous entities shall not be under obligation to replace securities issued to the bearer.

The government and the autonomous, semiautonomous and mixed capital entities may issue securities represented by titles or dematerialized, and said securities may be deposited in clearinghouses.

International loan contracts and issues of securities entered into by the government and by its autonomous, semiautonomous and mixed capital entities may be subject to foreign laws and foreign courts, even if said contracts are signed, executed and endorsed within the national territory.

Article 347. Supervision of certain investment administrators. The Superintendence shall establish, by means of an agreement, either independently or in cooperation with the Administration Council, the rules and procedures for the supervision of the activities of investment administrators that handle funds of the System of Savings and Capitalization of Pensions of the Public Officers created by Law 8 of 1997.

Article 348. Exclusion and application of provisions of Law 45 of 2007. The provisions contained in Title II of Law 45 of 2007 shall not be applicable to contracts or transactions involving registered securities or the persons registered with the Superintendence in connection with their securities trading activities. The provisions of Title I of Law 45 of 2007 shall be applicable to the persons subject to the supervision of the Authority of Protection to the Consumer and Defense of Competition.

Article 349. Language. Any document submitted to the Superintendence, which is not written in the Spanish language must be accompanied by its corresponding translation into Spanish made by a certified public interpreter. However, the prospectuses, the financial statements, the publicity materials, the stock contracts and other contracts, agreements, communications, reports, statements of account and other documents related in any manner to registered securities or to registered persons may be sent to investors or executed or prepared in any language.

Article 350. Regulations. The Executive Branch, through the Ministry of Economy and Finance, may regulate the provisions of this Decree-Law.

Article 351. Effects on previous legislation. Decree-Law 1 of 1999 repeals Titles, I, II, III, IV and the General Provisions of Cabinet Decree 247 of 1970, Chapter I of Title VI of Book I of the Commercial Code, Articles 22, 23, 25, 26 and 30 of Decree-Law 5 of 1997, Cabinet Decree 27 of 1996, Law 4 of 1935, Articles 1, 9, 12, 13 and 14 of Law 10 of 1993 and item 3 and the last two paragraphs of Article 1662 of the Civil Code; it adds an item to 1613 of the Judicial Code; amends Decree 45 of 1977 and Articles 2, 4, 5, 8 and 11 of Law 10 of 1993, and it repeals any provision that is contrary to it.

Article 352. Original Decree-Law coming into force and effect. Decree-Law 1 of 1999 shall come into force and effect four months after its enactment, with the exception of Title II, which shall come into force and effect thirty days after the enactment of this Decree-Law.

However, the Executive Branch may postpone the coming into force and effect of one or more provisions of this Decree-Law up to twelve months after its enactment, if it deems it necessary for its proper regulation.

The persons who, on the date of enactment of this Decree-Law, were carrying out the business of broker-dealer firm, investment advisor, investment fund administrator, custodian, stock exchange or securities clearinghouse, members of a self-regulatory organization, or were in the positions of securities broker, analyst or principal executive may continue in said business or

in said positions up to six months after the provisions of this Decree-Law and its regulations, which refer to granting licenses required for carrying out such businesses, come into force and effect, and within said term said persons shall have to obtain the new respective licenses.

The Commission shall recognize the registration of securities that, on the date when this Decree-Law comes into force and effect, are registered with the Superintendence, but thereafter said securities shall be subject to the provisions of this Decree-Law.

The persons, who on the date of the enactment of this Decree-Law, had initiated procedures of registration or applications for license before the Commission, shall finish said procedures or applications on the basis of the laws and the regulations in force and effect before the enactment of this Decree-Law.

LET IT BE PUBLICIZED AND COMPLIED WITH.

Single Text ordered by Article 121 of Law 67 of the 1st of September 2011, which comprises Decree-Law 1 of the 8th of July 1999 and Title II of Law 67 of the 1st of September 2011.

The President

Héctor E. Aparicio Díaz

The Secretary General,

Wigberto E. Quintero G.