

**PANAMA:
FOLLOW-UP REPORT TO
MUTUAL EVALUATION APPROVED SEPTEMBER 2006**



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I. Introduction.

1. This report summarizes the analysis prepared by the CFATF Secretariat on the measures said to have been implemented by the Country to rectify the deficiencies identified in its Mutual Evaluation Report adopted in September, 2006. The measures considered here are those informed by the time of preparation of this analysis (February 5th, 2009).

2. Only the recommendations that were assigned the rating NC o PC are subject to this follow up procedure. In the event that among these are any of the Core FATF Recommendations (R. 1, 5, 10, 13, RE. II y RE. IV) the country is required to report at each Plenary Meeting (held twice yearly). Regular monitoring is done every two years, unless the Plenary decides otherwise.

3. In the mutual evaluation of 2006 Panama obtained ratings of C or LC in all of the Core FATF Recommendations. This report is focused on the recommendations which obtained a lower rating. The Matrix of Progress submitted by the authorities (attached) provides information with respect to all FATF Recommendations:

Partially Compliant (PC)	Non-Compliant (NC)
9. Third parties and introducers	33. Legal persons-beneficial owners
12. DNFBPs – R.5, 6, 8-11	
16. DNFBPs – R.13-15 & 21	
24. DNFBPs regulation, supervision and monitoring	
25. Guidelines and feedback	
31. National Cooperation	
RE.III Freeze and confiscate terrorist assets	
RE.VIII Non-profit organisations	
RE.IX – Cross border declaration and Disclosure	

II. Summary of progress made by Panama since the adoption of the mutual evaluation report in May, 2006

4. In May 2007 Panama issued a new Penal Code (Act 14 of 2007) which incorporated 12 new categories of crimes related to money laundering. The new criminal offence includes all categories of crimes related to money laundering required by the FATF, now including terrorist financing. Moreover, it now allows the provisional seizure of property not only during the criminal investigation of money laundering, but a broader range of crimes.

5. Additionally, authorities are preparing a reform to Law 42 of 2000 (which contains the main AML provisions) to be submitted shortly to the Legislative Assembly for the purpose, among others, to expand the categories of regulated institutions required to have anti money laundering controls (CFATF Secretariat has not had access to the text of this draft). Furthermore, supervisory authorities have issued new regulations to clarify the scope of certain obligations of the regulated institutions, and are in the process of reviewing others.

6. Regarding the deficiencies of available information on beneficial owners of legal entities, which led to the only rating of NC (Rec. 33), the authorities reported that they are reviewing the legal framework and have had meetings with the private sector on this, but have not yet taken the steps recommended in the report. However, in connection with associations and non-profit private-interest foundations, a decree was issued establishing a registration requirement for such

individuals, provides some control requirements (such as the obligation to channel all its resources through the banking system) and authorized the Ministry of Government and Justice to revoke the legal status if it discovers activities deemed illegal or contrary to its social objective.

7. The following summarizes the actions taken by the country to comply with the recommendations made by the evaluators. Opposite each caption is indicated in brackets the degree of progress achieved: significant progress, partial or pending

Recommendation 9. Third parties and introducers -- [significant progress]

8. A new regulation issued by the Superintendencia Financiera (Agreement 12 of 2005) clarifies that the obligation to conduct customer due diligence (CDD) can not be outsourced or delegated to others. Also, accepting the Recommendation made in the evaluation report reinforces the minimum CDD procedures that should be followed by in all cases, especially for customers living abroad or who open their accounts through a representative.

Recommendation 12 y 16. DNFBPs -- [pending]

9. The authorities are preparing an amendment to Law 42 of 2000 to be submitted shortly to the Legislative Assembly for the purpose, among others, to expand the categories of regulated institutions to have anti money laundering controls. The bill (draft) already includes agents and property developers, but has not taken any decision with respect to lawyers and accountants when the transactions provided for in FATF Recommendation 12 are performed. The authorities are, however, conducting training and awareness in these sectors.

Recommendation 24. DNFBPs [pending]

10. The authorities reported on training given to staff of the Gaming Control Board. No action has been taken regarding the measures recommended in the report, namely, ensuring greater stability and independence of the Gaming Control Board staff, and strengthening the licensing and monitoring procedures with which the Game Board sought to prevent the use of casinos for illicit purposes by their owners or operators.

Recommendation 25. Guidelines and feedback [pending]

11. There were no reports on any action to rectify the deficiency described in the mutual evaluation report as follows: "Except for SdB, supervisory authorities, including the UAF, provide minimal feedback to reporting entities".

Recommendation 31. National Cooperation [significant progress]

12. The High Level Presidential Commission against Money Laundering and the Financing of Terrorism (CPAN), whose inactivity was criticized in the evaluation report, became fully operational in October 2006. General guidelines were given and Technical Sub-Committees were formed with their respective coordinators for the various areas of the national system AML / CFT. Among other matters, the respective sub-committee has been working in the elaboration of the draft reform to Law 42 of 2000, involving the private sector in its work, and it submitted progress reports to the CPAN.

13. Executive Order 76 was issued on May 2006, which assigns the Financial Analysis Unit (FIU Panama) with the coordination of efforts made by national public and private entities associated with fighting the crimes of ML and FT.

14. Act 38, 2007 was enacted to amend the regime on goods seized / confiscated. It issued guidelines for the administration and final allocation of permanently confiscated resources to the State. Still pending is the examiners' Recommendation of "determining whether the money today [in the custody of the CONAPRED] could be used in a more immediate and effective manner."

Recommendation 33. Legal persons-beneficial owners [pending]

15. Decree 524 of 2005 establishes the registration requirement for associations and non-profit foundations. Except for this development, none of the actions recommended in the evaluation report have been taken: a) corporate services providers (mostly lawyers) are not subject to an adequate AML / CFT regime, b) no measures have been taken to avoid the possible use of bearer shares for unlawful purposes; c) No obligation has been imposed to update information on the ownership of legal persons in the public registry of property, or for the strengthening of registration to enable more timely and accurate information to be provided, d) corporate law has not been revised to ensure that operators of justice and other authorities can access useful information on the beneficial ownership of legal entities established in Panama.

16. Taking into account the Panamanian specialization in the provision of establishing companies, foundations and legal structures "offshore", and given the urgency in the evaluation report on this subject (R.33 was the only recommendation assigned a rating of non compliance), the Plenary may request that Panama submit a biannual report of progress on this issue.

RE.III Freeze and confiscate terrorist assets [significant progress]

17. The new Penal Code of May 2007 included terrorist financing as one of the predicate offences of money laundering, thus allowing its provisional freezing or seizure order by a judicial authority. This Recommendation was made in the report. However, it is pending to evaluate whether this procedure complies with the speed and effectiveness required in the Special Recommendation III.

RE.VIII Non-profit Organizations [significant progress]

18. By Executive Decree No. 524 of 31 October, 2005, new regulations were adopted on the recognition of legal status for private non-profit associations and foundations. It creates a requirement to register for this type of legal entity, establishes some control requirements (such as the requirement to channel all its resources through the banking system), and authorizes the Ministry of Government and Justice to revoke the legal status if it discovers activities that are illegal or contrary to its objective. No action has been taken regarding the examiners' Recommendation to assess the ML / FT according to the number and nature of registered institutions and, depending on the results, to update the regulatory framework to include adequate AML / CFT regulations and controls.

RE.IX – Cross border declaration and Disclosure [pending]

19. The authorities reported that there have been instances of effective cooperation between Customs and the Financial Analysis Unit in Panama, in compliance with one of the recommendations of the examiners. However, actions have not been taken to address the factors supporting the rating: "The obligation to declare does not apply to the transport of cash leaving the country; does not apply to cash carried in unaccompanied cargo, it is required only at the Tocumén Airport and there is little control of cash smuggled in cargo containers.. " Additionally, the authorities did not inform if the bill being drafted will include the obligation to declare cash for people who leave the country

III. Conclusion

20. In the evaluation report on Panama, 2006, all the Core FATF recommendations were assigned ratings of largely compliant or higher, which relieves the country of the need to submit monthly reports to the Plenary. Given that Panama has undertaken a number of actions recommended in the report and is preparing others, including legal reform to expand the categories of regulated institutions, it is suggested to keep Panama under the regular follow up process (every two years).

21. The next report should be presented during the Plenary meeting of the second half of 2010, without prejudice to any partial progress reports which the Panamanian authorities wish to submit to the Plenary, considering that they expect to reform their AML legislation in the medium term.

22. In relation to Recommendation 33, for the reasons stated above, it is recommended to require Panama to submit a progress report on this issue at the next Plenary (October 2009).

PANAMA

Matrix of ratings and actions informed by the country as of January 2009.
Mutual Evaluation Report approved September 2006. 3rd Round of Mutual Evaluations

FATF Rec.	Rating	Factors underlying rating	Recommended Actions	Actions Informed by Country
Legal System				
1. ML offense	LC	Incrimination of ML not fully consistent with Palermo convention regarding predicate acts.	<ul style="list-style-type: none"> • Amend Article 389 to criminalize all money laundering predicate offenses as required by the Vienna and Palermo Conventions. • Address the differing treatment for the conspiracy offense that depends on whether or not the offense is drug-related (treatment should be consistent). • Implement the UN Convention against Corruption following the National Assembly's approval May 10, 2005. 	<p>R. By Act 14 of 18 May 2007, the new Criminal Code of the Republic of Panama was adopted. In it, the text of Article 389 was amended, and that article now becomes Article 248. Twelve (12) new offences were included in it as predicate offences for money laundering, making a total of twenty-two (22) in our present criminal legislation. These new offences are the following: international bribery, crimes against humanity, illegal association to commit drug-related offences, financial crimes, hired killing, crimes against the environment, illegal enrichment, financing of terrorism, pornography and corruption of minors, trafficking of human beings for prostitution, and sexual exploitation for gain. The new Criminal Code came into force in May 2008.</p> <p>R. Act 14 incorporates the legal concept of “conspiracy” into our penal code. It applies exclusively to drug-related offences. Article 306: “Whenever two or more persons meet or conspire to commit a crime related to drugs, they shall be liable to imprisonment for two to four years”. This provision does not extend to money laundering offences. It would seem that this Recommendation does not refer to this concept, but to the concept of “illegal association to commit crimes”, which even before the reforms, under Article 242 of the Criminal Code, applied generically to all crimes, and is punishable by imprisonment for 1 to 3 years. Likewise, Article 1 of the Single Text of the Narcotics Law refers to Illegal Association to commit offences related to drugs, including this as a predicate offence for money laundering, punishable by 5 to 8 years’</p>

FATF Rec.	Rating	Factors underlying rating	Recommended Actions	Actions Informed by Country
				<p>imprisonment. Now, in keeping with international recommendations on the subject, the newly-adopted Article 323 re-defines the concept of Illegal Association, increasing the penalty, independently of any connection to money laundering. The new Article 325 likewise increases the proportion of the penalty incurred by promoters, leaders or directors of the illegal association, from one fourth to one third.</p> <p>At the same time the penalty for association related to specific offences was increased from 5 to 7 to 6 to 12 years. The list of these offences was also broadened to include murder, extortion, theft of vehicles and their accessories, drug-related offences, money laundering, financial crimes, rape, child pornography, traffic in persons and terrorism..</p> <p>R. At the present time this Convention is being fully implemented in Panama, where the authorities of the Ministerio Público, specifically the anti-corruption prosecutors, request and receive assistance in the framework of the convention. Recent examples are assistance given to Peru and Costa Rica, which has already responded. In practice, bilateral Mutual Legal Assistance treaties at the regional level have also been invoked..</p>
2 ML offense–mental element and corporate liability	C	Corporate liability is against fundamental principles of Panamanian law, and appropriate civil/admin. penalties do apply.		
3. Confiscation and provision	LC	Confiscation and provisional measures not available for crimes not included as	<ul style="list-style-type: none"> Amend legislation to permit the investigating authority to freeze and seize in all criminal cases 	<p>R. Act 23 of 1986 concerning Assets Seized in the Republic of Panama has now been amended and expanded by Act 38 of 10 August 2007. The new law gives the investigating authority the power of Provisional Seizure of the instruments, goods, values and products derived from or</p>

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national measures		predicate offenses; safeguarding of assets not adequate.	<p>to conform to Palermo Convention.</p> <ul style="list-style-type: none"> • Amend legislation to permit forfeiture of assets of criminals without necessarily showing nexus to a particular crime. • Establish/improve systems to hold and maintain seized assets pending forfeiture orders to reduce the potential for improper use or the appearance regarding maintenance of assets which have not been determined to belong to the government. 	<p>related to the commission of offences against public administration, money laundering, financial crimes, terrorism, drug trafficking and offences connected to them. The assets concerned remain provisionally under the control of the investigating authority until the decision of the competent tribunal is handed down.</p> <p>R. The new law enhances the powers of provisional seizure of the investigating agent, since Provisional Seizure can now be applied to assets related not only directly but also indirectly to the offences in question. In this regard, when Provisional Seizure is applied to motor vehicles or establishments owned by third parties not connected with the punishable offence, the competent tribunal may, subject to the opinion of the instructing magistrate, designate a “Depository” for them.</p> <p>R. Article 2 of the new law provides that while the provisional seizure order is in force the money, securities or values shall remain in the bank, financial, security or trust institution where they are deposited, and shall continue to earn interest as before. If they are not deposited in any such entity, the Judge shall order them to be deposited in the account of the Custody Fund of the Procuraduría General in the National Bank of Panama.</p> <p>The system for maintaining and conserving seized assets pending confiscation has been improved. Article 3 of the Act provides that when perishable goods that constitute instruments of crime are seized, the instructing magistrate may donate them to public or charity institutions or to churches. When the goods seized are subject to damage or deterioration the instructing magistrate, following a survey, shall proceed at the earliest opportunity to offer them for sale, and the proceeds shall be deposited in the account of the PG pending the outcome of the case.</p>

FATF Rec.	Rating	Factors underlying rating	Recommended Actions	Actions Informed by Country
Preventive Measures				
4. Secrecy	C			
5. Customer due diligence	LC	Lack of AML/CFT coverage and customer due diligence obligation for insurance brokers and agents, savings and loans institutions, leasing and factoring companies..	<p>The SdB should introduce further guidance to trust companies for performing due diligence procedures. Currently, trust companies apply the requirements of Agreement 9-2000. [Note: The SdB has issued additional guidance under Agreement 12-2005, which revises Agreement 9-2000. The new guidance specifically addresses CCD procedures for trust companies].</p> <p>The current legal framework (Law 42-2000), should be amended to extend the coverage to insurance brokers and agents, savings and loans institutions, leasing and factoring companies, as well as issuing related measures for performing customer due diligence.</p>	<p>R. In 2005 the FAU signed an Agreement with the National Mortgage Bank (BHN) in order that savings and loan associations should begin reporting cash and quasi-cash transactions in excess of ten thousand dollars.</p> <p>R. With a view to strengthening AML/CFT procedures and controls, the BHN signed with the Superintendency of Banks an agreement for cooperation, technical assistance, and supervision and inspection of savings and housing loan associations. Under Act 39 of 8 November 1984, Regulations for Savings and Housing Loan Associations were drafted, with amendments, additions and deletions to be discussed.</p> <p>The Insurance Board is submitting a draft of a resolution to enable the Superintendency of Insurance and Reinsurance to order ML prevention and control measures in the sector. The draft is in its final stage, for approval in September 2008.</p> <p>Likewise, the Superintendency of Insurance and Reinsurance has a draft Bill and a draft Executive Decree setting out AML/CFT mechanisms and controls for the insurance industry. 2 manuals on the subject have been developed, one for regulators and one, on AML/CFT, for the Superintendency's Auditors. They deal with strategies ranging from adoption of a policy creating the concept of Compliance Officer in insurance firms and adoption of a manual for firms regulated by the Superintendency, to the idea of legally binding self-regulation by them under the new Insurance Act, which embodies a special chapter on anti-money laundering and combating terrorist financing.</p>

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6. Politically exposed persons	LC	Lack of specific requirement or guidelines in place for institutions under the responsibility of the SSRP, BHN, and the MICI for establishing business relationships with PEP. Lack of AML/CFT coverage for insurance brokers and agents, savings and loans institutions, and leasing and factoring companies to address the requirements for PEPs.	Supervisory authorities including the SSRP, BHN, and the MICI should develop specific requirements or guidelines similar to those issued by the SdB and the CNV to ensure compliance with the requirements of the law. Once in place financial institutions in these sectors should follow these guidelines when establishing business relationships with politically exposed persons (PEPs). In addition, the current legal framework should be amended to extend the requirements of addressing PEPs to cover insurance brokers and agents, savings and loans institutions, leasing and factoring companies.	
7. Correspondent banking	LC	Although banks are performing the necessary customer due diligence when	SdB should further clarify the obligation for financial institutions to perform due diligence when establishing	R. R. Regulations on Correspondent Banking are embodied in Article 3 of Agreement 12-2005 and Resolution JD 32-2005. Compliance with these provisions is verified as part of banking supervision and is included in the bank inspection reports.

FATF Rec.	Rating	Factors underlying rating	Recommended Actions	Actions Informed by Country
		<p>establishing correspondent banking relationships, the current obligation is too general. The SdB recently established the specific obligation; however additional time is needed to ensure that all financial institutions are fully complying with the revised Agreement and related Resolution requirements, when the new Agreement becomes effective on February 27, 2006.</p>	<p>correspondent banking relationships in accordance with the essential elements of Rec. 7.</p> <p>[NOTE: The SdB recently revised the Agreement and established the obligation and requirements for establishing correspondent banking relationships through Agreement 12-2005 (which revises Agreement 9-2000) and Resolution 032-2005 which provides further clarification. Although banks visited are already complying with the obligations and conduct adequate due diligence, additional time is needed to ensure that all banks fully comply with the requirements of the revised Agreement and related Resolution. The SdB should take the necessary measures during future on-site inspections to determine the level of compliance of financial institutions with</p>	

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8. New technologies & non face-to-face business	LC	Lack of measures and guidelines in place at the SSRP for handling of non face-to-face and other activities that clients could conduct via internet.	the new requirements.] Although the technological risk is mitigated within the insurance sector by face-to-face transactions, the SSRP should consider developing and establishing the necessary measures and guidelines for handling of non-face-toface and other activities that clients could conduct via internet, given the global focus on technology and internetbased products and services that might favor anonymity	R. Panamanian law does not permit placement of insurance via internet. Insurance business in Panama is conducted face to face.
9. Third parties and introducers	PC	The existing law and regulation do not address third parties or introducers, nor prohibit the application of the use of third parties or introducers. Lawyers are common introducers and they are not covered by the AML law nor required to perform customer	The regulations should address the issue of third parties or introducers and provide specific guidelines for relying on customer due diligence measures performed by third parties or introducers. Guidelines issues should include the necessary customer due diligence measures that third parties or introducers must perform to ensure compliance with the	R. Under Agreement 12 of 2005 issued by the Superintendency of Banks, banks and trust companies are required to know their customers and the final beneficiaries of the accounts. This duty may not be delegated to third parties, so that when a third party introduces a customer, the bank must collect all information on the owner of the account, and if it does not have all the data required, it may not open the account. Compliance with these provisions is verified in the inspections carried out on every banking and trust institution.

FATF Rec.	Rating	Factors underlying rating	Recommended Actions	Actions Informed by Country
		identification and customer due diligence procedures in line with the essential elements of this recommendation.	customer identification requirements and due diligence measures contained in Rec. 5. In the case of Panama, these guidelines should be directed to lawyers acting as introducers given the limited customer due diligence requirements in place for this profession.	
10. Record keeping	LC	Lack of supervision within the insurance and savings and loans sectors, does not provide for compliance with customer identification and record retention requirements. Limited oversight is provided by the SdB when insurance companies are subsidiaries of a bank, which mitigates some of the risk in the insurance sector.	Extend full record-keeping requirements to the insurance sector (including for insurance brokers and agents) and to the savings and credit institution sector.	<p>R. Article 153 of the draft Insurance and Reinsurance Bill requires insurance brokers to keep account ledgers of their activities in the form and with the content laid down by mandatory fiscal standards in force.</p> <p>In addition, insurance accountants must submit to the Superintendency every six (6) months a list of all persons exercising the functions of insurance account executives. They must also submit to the Superintendency any information the latter may request in the exercise of its functions, as it is empowered to carry out inspections of the insurance brokers.</p> <p>Article 183 of Title VIII of the draft embodies AML/CFT control and supervision measures, empowering the Superintendency, as it may see fit, to demand from all participants in the insurance industry mandatory reports on their activities.</p>
11. Unusual	LC	Financial institutions visited are paying	Amend the AML law to impose monitoring	R. The Insurance Board is submitting a draft of a resolution to enable the Superintendency of Insurance and Reinsurance to order ML prevention

FATF Rec.	Rating	Factors underlying rating	Recommended Actions	Actions Informed by Country
transactions		attention to all unusual transactions that fall outside the risk profile of the customer. The SdB, through the new Agreements 12-2005 and 12-2005 E, provides additional clarification to financial institutions to expand on the specific obligation to pay special attention to complex, large, or unusual transactions and retention of records. However, lack of similar obligation on insurance brokers and agents, and savings and loans associations to comply with the requirements of this recommendation.	obligation on insurance and savings and loan institutions.	<p>and control measures in the sector.</p> <p>Likewise, the Superintendency of Insurance and Reinsurance, as the regulator of the sector, issues manuals of procedure requiring every insurance company to regulate itself.</p> <p>In addition, a Monitoring Committee, entitled “Consejo de Administración” (Board of Management) will be set up in each insurance company, with the responsibility of ensuring that it complies with the AML/CFT standards for the sector. The concept of Compliance Officer is also extended to the insurance sector.</p>
12. DNF�Ps – R.5, 6, 8-11	PC	AML/CFT law doesn't apply to lawyers, company service providers, accountants and dealers in precious metals and stones (it	<ul style="list-style-type: none"> Extend customer due diligence and recordkeeping obligation to lawyers, accountants, and dealers in precious metals and stones. 	<p>R. At present Act 42 of 2000, under this heading, considers as regulated entities only pawn shops. However, the Draft Bill for amendment of the Act, which is under discussion, includes jewellery firms, i.e. dealers in precious metals and stones.</p> <p>R. Several coordination meetings have been held between the FAU</p>

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		<p>does cover trust service providers, casinos and real estate agents).</p> <p>Regulations for regulated DNFBPs have no clear legal basis and this weakens their enforceability.</p> <p>Regulations do not cover natural persons engaged in real estate businesses.</p> <p>Implementation is weak and is excessively focused on cash-threshold reporting (not enough attention is given to detection of suspicious transactions).</p>	<ul style="list-style-type: none"> • Provide guidance to DNFBPs for customer due diligence that considers the specific risks from money laundering. • Review the legal framework for DNFBPs to ensure regulations are supported by clear legal powers. • Extend monitoring obligation to real estate agents and promoters for customers meeting FATF thresholds, and for both casinos and real estate agents, to monitor customer activity and to report any suspicious transaction to the UAF. • Authorities should identify the risks that DNFBPs face according to their special nature and issue relevant guidance based on the risk presented. Different degrees of control may be warranted in different industries. 	<p>and the Panama Automobile Dealers Association (ADAP), as well as the Association of International Lawyers, to alert them to the existence of know-your-customer policies, and introduce ALM/CFT policies, particularly as regards risks arising out of the nature of their activities.</p> <p>R. Panama is in the process of revising its ALM/CFT legal framework, and working meetings have been held in this context with associations representing the DNFBPs to develop measures appropriate to this Recommendation.</p>
13.	LC	Reporting of suspicious	<ul style="list-style-type: none"> • Contained in 	R. See Special Recommendation IV

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Suspicious transaction reporting		transactions related to terrorism is an obligation under Legislative Decree, the SdB revised Agreement 9-2000 (now Agreement 12-2005 and Agreement 12-2005 E) to include the suspicious transaction reporting requirement for terrorism as well. Lack of obligation under the existing Law 42-2000 imposed on the financial institutions supervised by the SSRP and the BHN to comply with the STR requirements.	Special Recommendation IV.	
14. Protection & no tipping-off	C			

FATF Rec.	Rating	Factors underlying rating	Recommended Actions	Actions Informed by Country
15. Internal controls, compliance & audit	LC	<p>The banking sector has adequate AML/CFT program in place; however, there is no program in place at the SSRP and the BHN for the effective development of policies, procedures, and controls, including appropriate management arrangements, and adequate screening procedures to ensure high standards when hiring employees; and there is no ongoing employee training program; and no audit function to test the system.</p>	<p>The SSRP and the BHN should extend internal control requirements to insurance sector and savings and credit institutions including obligations for:</p> <ul style="list-style-type: none"> (i) policies, procedures and practices to deter money laundering and financing of terrorism; (ii) customer identification and due diligence; (iii) appointment of a compliance officer; (iv) Independent audit and compliance program; (v) training programs; and (vi) codes of ethics and policies for recruitment. 	<p>R. The National Mortgage Bank (BHN) has drafted a Board of directors Resolution for ML prevention in Savings and Housing Loan societies. The draft is at present under revision.</p> <p>An agreement has been signed with the Superintendency of Banks for the provision of cooperation, technical assistance, revision of the Bank's present regulations, and supervision and control of Savings and Housing Loan societies.</p> <p>Ask regards training, the BHN organised training in bank regulation and supervision, risk evaluation, the Basel committee, and international perspectives in ML/FC prevention.</p> <p>The Superintendency of Insurance has formulated a draft Executive Decree creating legal provisions to ensure compliance by all insurance entities with AML/CFT measures. This draft achieves the goal of establishing and harmonising the minimum standards and procedures to be observed by all entities to avoid being used to launder proceeds of illegal activities. The project also incorporates proposals for the adoption and regulation of specific aspects of corporate governance, the creation of the concept of Compliance Officer and the formation of advisory committees in support of risk management strategies. The draft is at present with the Ministry of Trade and Industry for approval.</p> <p>It should be emphasised that the Superintendency of Insurance has developed 2 AML/CFT manuals, one for the regulated institutions and one for the Superintendency's auditors. They embody strategies that range from the adoption of the idea of Compliance Officers for insurance companies to the adoption of a manual for entities regulated by the Superintendency, to the idea of mandatory self-regulation by the entities.</p>

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16. DNFBP– R.13-15 & 21	PC	<p>Compliance programs are not required of lawyers, auditors, dealers in precious metals and stones. Reporting of suspicious transactions by casinos is very low and nonexistent for real estate agents. Internal controls by DNFBPs are focused almost exclusively on the reporting of CTRs. Lack of comprehensive and risk-based approach to regulation and supervision without having determined a lower level of risk to justify the gaps. Regulatory requirements lack enforceability due to weak legal basis.</p>	<ul style="list-style-type: none"> • Provide training to authorities and issue guidance to DNFBPs on the typologies of money laundering in their respective sectors. The AML/CFT regulations for real estate businesses merit review to make them sector specific, having regard to the different risks of real estate as opposed to that of financial institutions. • Extend legal protection to DNFBPs from civil or criminal liability for reports made in good faith. • Clarify the obligation of when to file cash-threshold reports or suspicious transaction reports by regulated institutions. • DNFBPs should be required to implement adequate internal controls (i.e., AML Programs) according to their specific activities 	<p>R. R. Our present legislation, particularly in Act 42 of 2000, provides for reporting of transactions in excess of the FATF threshold of \$10,000.00.00 for real estate agents and brokers, and for casinos. The casinos are also required, by resolutions issued by the Gaming Control Board, to report suspicious transactions, but real estate agents and brokers are not.</p> <p>In order to comply with this Recommendation, the draft Bill stipulates that both sectors, as well as other economic actors shall be required to submit both types of report to the FAU (cash transaction and suspicious transaction).</p> <p>During 2007 several coordination meetings have been held between the FAU and the Panama Automobile Dealers Association (ADAP), as well as the Association of International Lawyers, to alert them to the existence of know-your-customer policies, and introduce ALM/CFT policies, particularly as regards risks arising out of the nature of their activities.</p> <p>R. Panama is in the process of revising its ALM/CFT legal framework, and working meetings have been held in this context with associations representing the DNFBPs to develop measures appropriate to this Recommendation.</p>

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17. Sanctions	LC	Sanctions and enforcement powers available to the SdB and CNV and in force appear adequate. However, limited supervision by the SSRP and lack of supervision by the BHN, within their respective sectors, raise concerns with respect to the ensuring compliance with the requirements of the AML Law and evaluating effectiveness of their sanctioning powers.	<ul style="list-style-type: none"> MICI should implement an AML/CFT oversight program that allocates resources based on money laundering risks within each sector. The program should include criteria for monitoring (off-site surveillance) and inspections. The auditors of MICI should receive training on AML/CFT issues targeting in order to be able to identify areas of priority. 	<p>R. By means of on-site audits, implementation of KYC policies by entities falling under the regulation of the Directorate General of Financial Enterprises has been verified. In 2006 111 audits were performed, and for the whole of 2007 64 inspections or visits to regulated entities are planned.</p> <p>R. The MICI auditors have received AML/CFT training as follows:</p> <ul style="list-style-type: none"> -Seminar/workshop to improve human resources; -Keys to good customer management; -Seminar/workshop on Accountancy and Financial Auditing; -Supervision of AML/CFT measures in the exchange sector; -Seminar on Financial Accountancy; -ALM/CFT update; -ML/FT prevention: -First ML/FT Congress, first module, interpretation of Act 41 of 2000; -International cooperation for ML/FT prevention; -International perspectives in ML/FT prevention; -Computer-assisted analytic and substantive Tests.
18. Shell banks	C			
19. Other forms of reporting	C			
20. Other NFBP & secure transaction	LC	CTR and other requirements for ZLC are still insufficiently implemented despite major risks being identified.	<ul style="list-style-type: none"> Strengthen enforcement of preventive requirements for Free-Trade Zone merchants, especially in higher risk areas. Better auditing capabilities and training for the administrator in the ZLC 	<p>R. Efforts are being made along these lines to correct this situation.</p> <p>R. The FAU has been carrying out AML/CFT training in the different modalities of commercial activity in the Colon Free Zone that might become vulnerable targets.</p>

FATF Rec.	Rating	Factors underlying rating	Recommended Actions	Actions Informed by Country
techniques		New AML/CFT law for pawn shops not yet implemented.	<p>are needed, as well as close cooperation with the UAF and with Customs.</p> <ul style="list-style-type: none"> • Free Trade Zone merchants need training and awareness of the modalities by which their businesses could be misused for money laundering, in order to foster compliance with the obligation to report suspicious transactions. • MICI should ensure that the Directorate of Finance Companies (Empresas Financieras) has adequate resources and training. • Regulation and oversight of pawn shops needs to be targeted according to its identified risks to better prioritize the scarce resources available to the MICI. 	<p>R. In 2007 2 auditors were contracted for the Directorate General of financial enterprises of the MICI (Ministry of Industry and Commerce). In their 3 months on the job they have already take part in Aml/CFT training.</p> <p>R. In the course of 2006 the Directorate of Financial Enterprises of the MICI Made efforts to carry out inspections in as many registered pawn shops as possible, to inform them about the new regulations, as well as about the training entailed by ML/FT prevention. The number of inspections was 42, and 23 follow-up visits were also made.</p>
21. Special attention for higher risk countries	C			
22. Foreign	LC	The banking sector has adequate system in	<ul style="list-style-type: none"> • Although this activity is not taking place at this 	

FATF Rec.	Rating	Factors underlying rating	Recommended Actions	Actions Informed by Country
branches & subsidiaries		place; however, there are no measures in place at the SSRP to require its foreign branches and subsidiaries to observe AML/CFT measures consistent with home country requirements	time, as the insurance sector develops further, measures similar to those established by the SdB should be developed and implemented by the SSRP to ensure that a system is in place to require foreign branches and subsidiaries of insurance companies to observe AML/CFT measures consistent with home country requirements and in line with the essential elements of this recommendation...	
23. Regulation, supervision and monitoring	LC	Oversight on AML/CFT matters by the SSRP and BHN is weak. For remittances, supervision by the MICI tends to focus on reporting requirements only. Licensing procedures by the SSRP need strengthening to ensure adequate “fit and proper” tests.	<ul style="list-style-type: none"> The supervisory authorities for insurance and savings and loans need to develop the necessary supervisory tools to conduct effective supervision as required by the AML/CFT law. The supervisory tools should take into account the risks facing the institutions as well as the overall risk profile in relation to money laundering and the 	<p>R. A joint on-site supervision was carried out, as well as ML/FT prevention training.</p> <p>The National Mortgage Bank (BHN) signed an agreement with the Superintendency of Banks (SBP)j for the purpose of obtaining cooperation, technical assistance and assistance in revising the Bank’s existing regulations, as well as help in the area of control and supervision of Housing Savings and Loan Associations.</p> <p>In accordance with Act 39 of 8 November 1984, the BHN has produced a draft of the Regulations for Housing Savings and Loan Associations, containing amendments, additions, deletions and articles for discussion.</p> <p>The auditing process developed by the Directorate General of Financial</p>

FATF Rec.	Rating	Factors underlying rating	Recommended Actions	Actions Informed by Country
			<p>financing of terrorism issues.</p> <ul style="list-style-type: none"> • The supervisors for insurance and savings and loans sectors should also focus on evaluating the adequacy of internal control systems in place, risk management practices, board oversight and involvement, as well as those requirements to comply with the law and enforcing regulations. The goal is to ensure that the institution's risk management systems in place are performing as intended. • The SSRP needs to strengthen and formalize the licensing process, including fit and proper tests to potential owners and senior management to prevent criminals or their associates from holding or being the beneficial owner of a significant or controlling interest or holding in a financial 	<p>Enterprises of the MICI there are provisions for verification of the structure and organisation of the enterprise concerned, including organisation and duties of management, accountancy and internal reporting, as well as training received.</p> <p>R. The BHN and the FAU carried out joint on-site supervision of the member institutions of the system, in pursuit of their goal of achieving more efficient and timely supervision.</p> <p>The BHN, for the purpose of optimising supervision and control in this sector, organised training days on “bank regulation and supervision” and “Risk assessment and Basle”. In addition to this, regular efforts have been made, and are being made, to introduce compliance audits. This is why these were included in the audit Plan for 2007, part of the plan for annual audits, which have up to now been carried out.</p> <p>A consultation was held on Financial Ratio Analysis, including revision and amendment of Audit Manuals, and ratio analyses adequate for each sector. This will broaden and streamline the supervision, with financing from the Inter-American Development Bank (IDB).</p> <p>Directorate General of Financial Enterprises of the MICI designed a management information system that includes submission and verification of cash and quasi-cash declaration reports. In addition, the new Audit Manual was put into effect, and AML/CFT training for auditors was organised.</p> <p>The draft regulations for Act 42 of 23 July 2001, governing operations of financial enterprises, are in their final phase. They include the concept of Compliance Officer.</p>

FATF Rec.	Rating	Factors underlying rating	Recommended Actions	Actions Informed by Country
			<p>institution.</p> <ul style="list-style-type: none"> • As it is the case in the insurance and savings and loans sectors, the scope, frequency and quality of the supervision performed is a concern. For the most part, supervisors only focus on ensuring that the institutions are complying with the currency transaction reporting requirements. No other assessment or evaluation of the institution's risk management systems is performed to ensure that proper controls are in place and are working effectively. • Supervisors for the insurance and savings and loans sectors need to strengthen overall supervisory frequency and practices as required by the standards 	<p>R. The MICI Directorate General of Financial Enterprises, in the licensing procedure it is developing, includes the requesting from the Criminal Police of police and judicial records, to ensure that no member of the board of directors has a conviction in the republic of Panama.</p> <p>At the same time, the Technical Board for Real Estate of the MICI has laid down a procedure for obtaining a Real Estate Broker's Licence, in which the applicant must pass a general knowledge examination and produce the required documents. Once the examination has been passed and the documents received, the resolution, the certificate of fitness and identity card are prepared and signed by the Chairman and Secretary of the Technical Board, and each licence is entered in the data base and the manual register. The Decree-Law that regulates the profession stipulates that the process shall take 30 working days.</p> <p>R. The National Securities Commission, the Superintendency of Banks, the Independent Cooperative Institute of Panama and the Gaming control Board have issued their respective AML/CFT regulations, which provide their regulated entities with guidelines on red flags or warning signals, as well as ALM/CFT compliance and due diligence measures.</p> <p>Sectors such as those of Securities, Remittance and Leasing have Compliance Officers and ALM/CFT prevention procedure manuals, as laid down by Act 42 of 2000.</p> <p>As regards feedback, the FAU, together with the regulatory bodies of the system, organises workshops and training activities according to the business carried on by each regulated entity. Likewise, the Unit holds periodic meetings with the supervisory agencies to monitor compliance with the Act. These working meetings are also held with Compliance Officers and staff responsible for ALM/CFT in the various entities.</p>

FATF Rec.	Rating	Factors underlying rating	Recommended Actions	Actions Informed by Country
				<p>R. Stress has been laid on training in ALM/CFT Supervision, thus improving the knowledge and therefore the technical competence of the team of inspectors operating in each supervisory agency. The supervisions are directed toward assessing the risk inherent in each sector.</p>
24. DNFBP - regulation, supervision and monitoring	PC	<p>Oversight/fiscalization by authorities lacks resources and does not adequately cover AML/CFT issues. Excessive focus on supervising compliance with formalistic CTR requirements. Licensing of casinos requires improved due diligence.</p>	<ul style="list-style-type: none"> • Ensure greater stability and independence of personnel of the Gaming Board, and update the regulations and inspection procedures to prevent the misuse of casinos by their own owners or operators. 	<p>R. The Gaming Control Board, with the assistance of other bodies, has held familiarisation meetings and consultations in 2006 and 2007, for the purpose of developing adequate and well-founded ALM/CFT regulation in this industry. In addition, the regulators of the gaming industry have received training and have been provided with a manual of ALM/CFT procedures to assist in the acquisition of knowledge that will enable them to participate actively in discussion of better ways to regulate the Panamanian gaming industry.</p>
25. Guidelines & Feedback	PC	<p>Except for the SdB, other supervisory authorities, including the UAF provide minimal feedback to reporting entities.</p>	<p>Supervisory/competent authorities should develop and establish adequate guidelines, similar to those established by the SdB to ensure compliance with the law and regulations. In addition, consideration should be given to establishing a mechanism for providing timely feedback like via forums, quarterly meetings with</p>	

FATF Rec.	Rating	Factors underlying rating	Recommended Actions	Actions Informed by Country
			<p>representatives from reporting institutions, or through any other adequate means.</p> <p>The supervisory/competent authorities should consider strengthening the existing process by establishing adequate mechanism for providing timely feedback like via forums, quarterly meetings with representatives from reporting institutions, or through any other adequate means.</p>	
Institutional and other measures				
26. The FIU	LC	Lack of clarity on budget/independence; need for coordination/outreach	<ul style="list-style-type: none"> • Review funding arrangements for UAF. • Strengthen protection of the information reported to UAF to maximize the secured electronic receipt and dissemination. • UAF undertake more outreach and awareness-raising to government agencies, UAF reporting entities, and the public. 	<p>R. A budget section has been created in the FAU, responsible for planning and formulating the draft budget that is submitted to the Budget Department of the Ministry of the Presidency, of which the FAU is a part.</p> <p>Since 2006 the Unit has prepared its draft budget as an Executive Unit, which has enabled it to be strengthened in areas such as, inter alia, building maintenance and repair personnel and computer equipment. The Unit has already submitted its draft budget for 2008, which features the installation of a modern conference and training room, as well as improvement of our new installations to optimise existing security standards.</p> <p>R. A series of meetings was initiated this year with the National Science and Technology Secretariat (SENACIT), the agency responsible</p>

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				<p>for modernising the State, with a view to bringing about, as part of a Technological Platform in the public sector, a phased improvement of the system of provision of information, in keeping with the realities of the various financial sectors and in accordance with the type of information to be processed.</p> <p>The FAU has mounted a national campaign for training in ML/FT prevention, as well as an awareness campaign on the subject of the FAU, its functions, structure and working methods, in the legislative environment. The purpose is to publicise the importance of these subjects as a prime factor in the struggle against these crimes, and increase the knowledge of compliance officers, officials of the various supervisory and control bodies, and regulated entities, as well as judges and prosecutors working in this field.</p> <p>The Unit organised important AML/CFT updates during 2006, attended by officers of the Ministry of Justice, the Procuraduría General, the Ministry of External Relations, the Superintendency of Banks, the Gaming Control Board, the Ministry of Trade and Industry, the Independent Cooperative Institute, the National Securities Commission, the Office of the Accountant General, the Criminal Investigation Police, the Directorate General of Customs, the National Security and Defence Council, the Colon Free Zone, the National Charity Lottery, and the Financial Analysis Unit. There were both national and international presenters.</p> <p>In 2006 a total of 3,975 persons from 92 institutions received training. 64% of these were from the banking sector, 26% were public sector officials, and 4% professionals belonging to Savings and Loan associations. It was also possible to incorporate into this training programme a very important sector, that of education (secondary school students) representing 6% of the total trained in 2006.</p>

FATF Rec.	Rating	Factors underlying rating	Recommended Actions	Actions Informed by Country																								
				<p>Training in 2006 by institution:</p> <table data-bbox="1035 430 1459 625"> <tr><td>Banking Sector</td><td>18</td></tr> <tr><td>Financial Sector</td><td>2</td></tr> <tr><td>Public Sector</td><td>21</td></tr> <tr><td>Cooperatives Sector</td><td>50</td></tr> <tr><td>Education Sector</td><td>1</td></tr> <tr><td>Total</td><td>92</td></tr> </table> <p>Training in 2006 by number of persons trained:</p> <table data-bbox="1035 730 1491 925"> <tr><td>Banking Sector</td><td>2,532</td></tr> <tr><td>Financial Sector</td><td>65</td></tr> <tr><td>Public Sector</td><td>1,018</td></tr> <tr><td>Cooperatives Sector</td><td>150</td></tr> <tr><td>Education Sector</td><td>210</td></tr> <tr><td>Total</td><td>3,975</td></tr> </table> <p>An important aspect of the FAU's functions is the training and continual upgrading of its officials. During the 2006 budgetary year these officials received training at the national and international level in their fields of competence. The number of training events attended by FAU staff was 25, held both inside and outside the country.</p> <p>In the first six months of 2007 the FAU held a total of 14 training events for different institutions, both supervisory agencies and regulated entities. In May this year Panama was host to the XXV Plenary Meeting of the CFATF, the organisation of which was the responsibility of the FAU. For this reason the training and upgrading schedule for this year has had to be reprogrammed for the second half of the year.</p>	Banking Sector	18	Financial Sector	2	Public Sector	21	Cooperatives Sector	50	Education Sector	1	Total	92	Banking Sector	2,532	Financial Sector	65	Public Sector	1,018	Cooperatives Sector	150	Education Sector	210	Total	3,975
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				<p>Training in 2007 by institutions:</p> <table data-bbox="1035 394 1535 592"> <tr> <td>Banking Sector</td> <td>8</td> <td></td> </tr> <tr> <td>Financial Sector</td> <td>1</td> <td></td> </tr> <tr> <td>Public Sector</td> <td>5</td> <td></td> </tr> <tr> <td>Cooperatives Sector</td> <td>0</td> <td></td> </tr> <tr> <td>Education sector</td> <td></td> <td>0</td> </tr> <tr> <td>Total</td> <td>14</td> <td></td> </tr> </table> <p>Training in 2007 by number of persons trained:</p> <table data-bbox="1035 727 1470 925"> <tr> <td>Banking Sector</td> <td>875</td> </tr> <tr> <td>Financial Sector</td> <td>175</td> </tr> <tr> <td>Public Sector</td> <td>425</td> </tr> <tr> <td>Cooperatives Sector</td> <td>0</td> </tr> <tr> <td>Education sector</td> <td></td> </tr> <tr> <td>Total</td> <td>1,476</td> </tr> </table> <p>In 2007 the staff of the Unit received training and upgrading, both national and international, according to their fields of competence. The total number of training events attended by FAU staff was 7, both abroad and in the country.</p> <p>Likewise, as follow-up to the “Regional Training Workshop for future AML/CFT Instructors”, held in Guatemala City from 27 November to 1 December 2006 and sponsored by the World Bank, the IMF and the CFATF, cycles of conferences have taken place aimed at the University Student Sector and the general public. They covered four (4) provinces of the country (Herrera, Veraguas, Chiriqui and Panama) and 2 universities (University of Panama and Universidad Latina de Panama). Presenters,</p>	Banking Sector	8		Financial Sector	1		Public Sector	5		Cooperatives Sector	0		Education sector		0	Total	14		Banking Sector	875	Financial Sector	175	Public Sector	425	Cooperatives Sector	0	Education sector		Total	1,476
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				<p>appointed by the abovementioned bodies, came from sectors as diverse as the National Securities Commission, the Superintendency of Banks, the National Securities Commission, the Ministry of Industry and commerce, the Banking Association, the Ministerio Público, the FAU, the Superintendency of Insurance and the judiciary.</p> <p>Between January and August 2008, AML/CFT training has been provided to more than 700 persons in both the public and private sectors.</p> <p>Finally, as a follow-up to the training sessions sponsored in 2007 by the Government of Spain in coordination with the CFATF, two events were held in Panama City on the following themes: "Improvement of Methods of Combating Financing of Terrorism", and "Cross-border Movement of Capital", led by expert trainers from the CFATF and Spain. More than eighty officials from the public and private sectors attended.</p> <p>On 25-29 August 2008 the course on Financing of Terrorism offered by the Spanish Government and the CFATF was attended by 25 private and public sector officials.</p>
27. Law enforcement authorities	C			
28. Powers of competent authorities	C			

FATF Rec.	Rating	Factors underlying rating	Recommended Actions	Actions Informed by Country
es				
29. Supervisors	LC	Although AML/CFT supervision in banking, securities, and cooperatives appears adequate, there is no AML/CFT supervision taking place in the insurance and savings and loans areas. The supervisory agencies in these areas lack the expertise, resources, and supervisory tools to conduct inspections and understand money laundering and the financing of terrorism risks.	The supervisory authorities, especially for insurance and saving, loans, and remittances should conduct AML/CFT inspections, as required by law and implementing regulations. Supervisory authorities should also establish a formal inspection program to ensure that all institutions, or those identified as posing the greatest risk to the system, received timely and effective supervision. Supervisors should also consider implementing a risk-based approach culture to maximize current resources available. The AML/CFT approach should focus on evaluating the internal control systems and measures in place to deter and detect money laundering and the financing of terrorism, including suspicious or unusual activities	<p>R. The BHN, together with the FAU, carried out on-site inspections of the member institutions of the system, as part of their efforts to ensure more efficient and timely supervision.</p> <p>The BHN, with a view to optimising this sector in the area of supervision and control, organised training sessions on “bank regulation and supervision” and “risk assessment and Basle”. In addition to this, regular efforts have been made, and are being made, to introduce compliance audits. This is why these were included in the audit Plan for 2007, part of the plan for annual audits, which have up to now been carried out.</p> <p>A consultation was held on Financial Ratio Analysis, including revision and amendment of Audit Manuals, and ratio analyses adequate for each sector. This will broaden and streamline the supervision done in this institution (the BHN), with financing from the Inter-American Development Bank (IDB).</p> <p>The Directorate General of Financial Enterprises of the MICI designed a management information system that includes submission and verification of cash and quasi cash declaration reports. In addition, the new Audit Manual was put into effect, and AML/CFT training for auditors was organised.</p> <p>The draft regulations for Act 42 of 23 July 2001, governing operations of financial enterprises, are in their final phase. They include the concept of Compliance Officer.</p>

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30. Resources, integrity and training	LC	Effective supervision to ensure compliance with the AML/CFT law and implementing regulation is not taking place. The main constraint is the limited resources available in light of the increasing number of reporting entities. Considering the number of regulated entities, a risk-based supervisory approach should be adopted to effectively identify risky institutions, resources needed, and scope of inspections to be conducted.	<ul style="list-style-type: none"> • Review staffing levels and training requirements with a view to increasing capacity for investigations and prosecutions. Consider whether special courts should be created for financial crimes. Review the dependence on a general budget allotment to ensure proper distribution of funds for enforcement purposes. • Develop training for judicial authorities, prosecutors, financial police, and UAF staff to undertake the investigation of financial crime (e.g., fraud, corruption), protection of informants, investigative skills, and use of typologies. • Develop a process for the courts to independently obtain expert forensic and accounting assistance on complicated financial matters related to 	<p>R. Judges and prosecutors have been receiving training on AML subjects, designed to give them tools for their investigative, prosecutorial and judicial work.</p> <p>Specific specialised functions were assigned to the prosecutors' Offices of the Third and Tenth circuit districts of the criminal bench to handle financial crimes.</p> <p>R. In addition to the continual training provided by the FAU to the various sectors, an academically-oriented activity took place in Panama from 9 to 22 March 2007, designed to create awareness in the wider society about fraud and corruption. The event was entitled "Week of Information and Updating on the Subject of Fraud". It was organised by the Panamanian Association of Fraud Examiners (APEF) and the College of kCertified Public Accountants of Panama.</p> <p>In addition, the "First International Congress on Fraud and corruption Management" was held on 9-10 August 2007. It dealt with the subject of fraud and corruption from the point of view of the realities of a variety of sectors and economic activities.</p> <p>R. Section (f) of Decree 163 of 3 October 2000, amending the previous executive decree which created the FAU, stipulates that among the functions of the FAU shall be "to provide instructing officials of the Procuraduría General and designated officials of the Superintendency of Banks any assistance they may require in the analysis and submission of intelligence that may be of help in criminal or administrative investigation of acts and offences relating to money laundering".</p> <p>This direct and independent coordination is achieved by means of the close</p>

FATF Rec.	Rating	Factors underlying rating	Recommended Actions	Actions Informed by Country
			<p>financial crimes and money laundering.</p> <ul style="list-style-type: none"> • The supervisory authorities need to re-assess the manner in which they conduct AML/CFT compliance inspections to ensure that they have the necessary resources, including human, financial, and technical. 	<p>communication that at present exists between the Judicial Power, the Ministerio Público and the FAU since the creation for that purpose in 2005 of the Tripartite Coordination Commission linking these three bodies, the purpose of which, inter alia, is to streamline the handling of AML/CFT matters.</p> <p>R. There is at present within the Ministry of Justice an office called the Joint Information and Coordination Centre (CICC). This office acts as a unified technological platform of information on organised crime, including ML and FT, from sources both national and international.</p> <p>R. At the present time various State security agencies are developing a Joint Information and Coordination Centre with a view to creating a unified technological platform with the highest criteria of security, observing, at the same time, the autonomy of the agencies composing it. The purpose of this Centre is to put into effect a consolidated and integrated search and consultation system providing access to a variety of data bases, in which the various agencies can carry out their searches in response to the requests of duly authorised institutions and bodies.</p> <p>R. In this regard, Technical Sub-committees, with their respective coordinators, were created in the areas of Standards, Information Processing, Training, International Affairs and Operational Matters, in order to pool ideas and efforts toward the development and implementation of a national AML/CFT policy, to be submitted to the High Level Presidential commission.</p> <p>In addition, the FAU meets periodically with the regulatory agencies of the system, and these submit quarterly update reports to the FAU on their AML/CFT policies, guidelines and controls.</p>

FATF Rec.	Rating	Factors underlying rating	Recommended Actions	Actions Informed by Country
31. National cooperation	PC	Lack of organized AML/CFT interagency cooperation on both operational and policy levels.	<ul style="list-style-type: none"> • Ensure that the High Level Presidential Commission against money laundering and financing of terrorism is fully appointed and functioning. • Develop a coordinating government committee on AML/CFT matters, which assigns working groups to address specific issues, including sensitive internal matters. • Review overlaps between the authorities of the AML/CFT Commission and CONAPRED as to drug and nondrug-related money laundering. • Develop a working group within the coordinating committee for the review of the supervision or need for supervision of DNFBPs. • Review the CONAPRED's use of the drug asset forfeiture fund to determine 	<p>R. The High-level Presidential Commission against Money Laundering and Financing of Terrorism (CPAN) began its work on 12 October 2006. At this meeting general guidelines were issued and Technical sub-committees, with their respective coordinators, were formed in the areas of Standards, Information Processing, Training, International Affairs and Operational Matters, in order to pool ideas and efforts toward the development and implementation of a national AML/CFT policy.</p> <p>At a meeting of the CPAN on 23 October 2007, the Commissioners received the draft of the Bill to amend Act 42 of 2000. At its meeting on 1 November 2007 the Technical Sub-Committee on Standards and International Affairs began discussions on the recommendations of each sector for amendments to Act 42 of 2000, which embodies AML/CFT prevention measures.</p> <p>R. As a supplement to Response 56, and in view of Executive Decree 76 of 26 May 2006, which came into effect on 1 June of the same year, the FAU was designated the agency responsible for coordination of the efforts of national public and private entities involved in combating ML and FT.</p> <p>R. There is no such conflict of functions between the CPAN and CONAPRED, since the functions of the High-Level Presidential Commission (CPAN) defined in Article 3 of Executive Decree 29 of 16 February 2005 are the following:</p> <p>a) To advise the President of the Republic regarding national policy for combating money laundering and financing of terrorism and the measures that should be taken for the implementation of the national policy to combat these crimes. b) to coordinate the efforts of the public and private sectors at the national and international level with a view to the efficient and harmonious implementation of the national policy for combating money laundering and financing of terrorism: c) To promote the</p>

FATF Rec.	Rating	Factors underlying rating	Recommended Actions	Actions Informed by Country
				<p>implementation and execution of measures that should be taken to adequately develop the national policy for combating money laundering and financing of Terrorism, and keep it up to date.</p> <p>Furthermore, the National Commission for the Study and Prevention of Drug-related Crime (CONAPRED) is a technical administrative agency of the Panamanian state, responsible solely for studying mechanisms conducive to prevention of activities related to drugs, and for drug rehabilitation.</p> <p>R. Meetings have been held with associations of lawyers and automobile dealers, to whom the suggestion was put that working groups be formed to develop AML/CFT initiatives arising out of the different sectors according to their economic and/or professional activities.</p> <p>R. The newly adopted Act 38 of 10 August 2007 amending and broadening Act 23 of 1986 in the area of seized property, particularly Article 4 of it, stipulates that when confiscation has been judicially ordered of property, instruments, money or securities which have been used in or are proceeds of the commission of any of the crimes referred to in the Act, the competent Judge shall order in the final verdict that they shall be placed at the disposal of CONAPRED, which shall be responsible for allocating them to its various member institutions, among them the Procuraduría General, the ministry of Health, the Ministry of the Economy and Finance, the Ministry of Justice, the Catholic church, the Panamanian White Cross, the Narcotics commission of the Chamber of Deputies, the High Court for Children and Adolescence and the FAU, or failing this shall sell them by public auction according to established legal procedures.</p> <p>Money confiscated, or the proceeds of auction of confiscated goods shall be constitute a fund to be used for campaigns and programmes of</p>

FATF Rec.	Rating	Factors underlying rating	Recommended Actions	Actions Informed by Country
				<p>prevention rehabilitation and repression of drug-related activities mounted by all governmental and non-governmental organisations working in the field. This fund shall be regulated in accordance with procedures of accountability and management established by the Accountant General's Office.</p> <p>CONAPRED is legally required to submit an annual report to the Accountant General's Office giving details of the use to which these monies have been put.</p> <p>R. CONAPRED is an agency created to manage confiscated property and money derived from drug-related crime. The FAU, however, is the agency responsible overall for efforts to combat money laundering, including financing of terrorism, and for the coordination of such efforts.</p>
32. Statistics	LC	Statistical information is maintained, however, there is lack of coordination and uniformity of statistical data within and between agencies	<ul style="list-style-type: none"> • Develop secure data base systems for investigative agencies and the courts. • Carry out more frequent coordination meetings among relevant government enforcement agencies to exchange ideas and report policy recommendations to the High Level Commission. • Develop process of coordination of government statistics so that AML/CFT data can be interpreted across 	<p>R. The FAU, as Secretariat of the CPAN, received quarterly from the supervision and control bodies information on activities carried out in compliance with Act 42 of 2000 for ML/FT prevention. The activities reported to the FAU relate to supervision, training and diffusion of standards.</p>

FATF Rec.	Rating	Factors underlying rating	Recommended Actions	Actions Informed by Country
33. Legal persons–beneficial owners	NC	<p>Company service providers are not subject to any AML/CFT measures. Lawyers must only identify the immediate client for whom they incorporate a company, and this requirement has not been enforced. The potential misuse of corporations that may issue bearer shares has not been addressed in the AML/CFT law or regulations. The Panamanian registration system does not have information on the ownership structure of most legal persons incorporated in Panama and is not kept up to date. The corporate legislation limits the ability of competent authorities</p>	<p>agencies.</p> <ul style="list-style-type: none"> To the extent that lawyers are involved in the financial activities or non financial activities described under the FATF recommendations, these activities should be regulated and supervised. 	<p>R. Panama is in the process of revising its legal framework for ML/CFT prevention. For this purpose working meetings have been held with associations representing DNFBPs, to develop measures relating to this Recommendation.</p>

FATF Rec.	Rating	Factors underlying rating	Recommended Actions	Actions Informed by Country
		<p>to determine the ownership structure of most legal persons incorporated in Panama.</p> <p>There is no evidence that judicial and other authorities have been successful at identifying the beneficial owner of companies under investigation</p>		
34. Legal arrangements – beneficial owners	LC	<p>AML/CFT requirements on trust service providers may be turned inapplicable when the client of a law firm is also the client of a trust service providers (fiduciaria) which is owned and controlled by that law firm. Effective supervision is also hampered in these circumstances.</p> <p>Although there is a reporting obligation for trust service</p>	<ul style="list-style-type: none"> • Company incorporation and related services should be subject to AML/CFT reporting obligations, to avoid the negative incentive that trust companies owned by law firms do not have to report suspicious transactions. 	<p>R. Agreement 12 of 2005 issued by the Superintendency of Banks, which applies equally to banks and trust firms in general, requires suspicious operations to be reported. This means that trust operations performed by firms of lawyers are also obliged to report suspicious operations.</p>

FATF Rec.	Rating	Factors underlying rating	Recommended Actions	Actions Informed by Country
		providers (fiduciaries), implementation remains weak.		
International Cooperation				
35. Conventions	LC	Palermo Convention not fully implemented regarding list of predicate offenses.	<ul style="list-style-type: none"> Review newly-ratified financing of terrorism convention to determine which of its provisions need national enabling legislation for effective implementation. 	<p>R. The agreement under reference was adopted under Act 14 of 28 May 2007, which embodies the new Panamanian criminal code. In addition, the draft Bill for prevention of money laundering takes into account the provisions of this international legal instrument.</p> <p>R. The recent reform of the Criminal Code by Act 14 of 28 May 2007, particularly its Article 248, incorporated twelve (12) new predicate offences for money laundering, including the offence of financing of terrorism.</p>
36. Mutual legal assistance (MLA)	C			
37. Dual criminality	LC	Although Panama adheres to the principle of dual criminality it reviews each MLAT request carefully to determine whether legal and proper methods might be employed to comply with the spirit	<ul style="list-style-type: none"> Review dual criminality principle to determine whether Panama might render mutual legal assistance in cases where Panama would normally reject the request for mutual legal assistance due to the lack of dual-criminality. Consider 	<p>R. The requirement of dual criminality exists in Panamanian law, and Panama is therefore able to offer mutual legal assistance.</p>

FATF Rec.	Rating	Factors underlying rating	Recommended Actions	Actions Informed by Country
		of the request. The authorities advised that the dual criminality requirement should not be an impediment to MLA simply because there are technical differences between the legal provisions of the requesting and the requested states. Nevertheless the country cannot render MLA in every case.	eliminating the requirement of dual criminality.	
38. MLA on confiscation and freezing	LC	There is no evidence of the use or of the effectiveness of the asset sharing agreements provisions in MLATs with countries with which coordinated law enforcement actions are common.	<ul style="list-style-type: none"> • Consider the potential for asset-sharing agreements with countries which have obtained forfeited assets due to coordinated law enforcement efforts. • Review the policy that noncriminal forfeiture orders will not be recognized or enforced.. 	R. In Panama this is the exclusive responsibility of the judicial authorities.
39. Extradition	C			
40. Other	C			

FATF Rec.	Rating	Factors underlying rating	Recommended Actions	Actions Informed by Country
forms of cooperation				
Nine Special Recommendations				
SR.I Implement UN instruments	LC	Same as R. 35	<ul style="list-style-type: none"> Amend Penal Code to add additional predicate offenses, including financing of terrorism 	R. The recent reform of the Criminal Code by Act 14 of 28 May 2007, incorporated twelve (12) new predicate offences for money laundering. Of capital importance among these is including the offence of financing of terrorism, embodied in Article 248.
SR.II Criminalize terrorist financing	LC	With regard to FT and associated ML, implementation is needed on the Conventions and Treaties to which Panama is a party. FT needs to be inserted in the list of predicate crimes in Panamanian AML law.	<ul style="list-style-type: none"> Expand predicate list to include financing of terrorism for the AML Law. 	R. Financing of Terrorism was specifically inserted as one of the predicate offences for money laundering, in the abovementioned Act 14 of 18 May 2007, which embodies the new Criminal code of Panama.
SR.III Freeze and confiscate terrorist assets	PC	Reporting institutions do not have a mechanism in place for freezing accounts of persons or entities involved in FT.	<ul style="list-style-type: none"> Expand predicate list to include financing of terrorism for the AML Law in order that prosecutors gain freeze and seize authority under the Unified Text on 	R. Financing of Terrorism was incorporated into Act 14 of 18 May 2007, which embodies the new criminal Code, and becomes one of the predicate offences for money laundering. This is specifically stipulated in Article 248 of the Code.

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			Drug Laws to this offense.	
SR.IV Suspicious transaction reporting	LC	Reporting of suspicious transactions related to FT is covered under a Legislative Decree. The SdB revised Agreement 9-2000 (now Agreement 12-2005 and Agreement 12-2005 E) to include the reporting requirement for suspicious transactions related to terrorism. Additional oversight needed over the money remitters with respect to STR reporting related to FT, where the focus has been on complying with the cash reporting requirements.	<ul style="list-style-type: none"> • Amend the law to extend coverage to reporting transactions related or linked to terrorism and require reporting by the insurance sector, and savings and credit institutions. • Supervisory/competent authorities should provide more feedback to reporting institutions by conducting forums, periodic meetings. • Supervisory/competent authorities should provide training to ensure greater awareness of obligations including when transactions do not take place. 	R. The Directorate of Financial Enterprises of the MICI has been providing continuous training for its regulated entities: to remittance firms in auditing and in ALM/CFT matters in general; to pawnbrokers in ALM/CFT.
SR.V International cooperation	LC	Same as R. 37; Panama has criminalized terrorism and terrorist finance, so would be able to cooperate regarding these	<ul style="list-style-type: none"> • See Rec.37 	R. Financing of Terrorism was expressly inserted as one of the predicate offences for money laundering, in Article 28 of the abovementioned Act 14 of 18 May 2007, which embodies the new Criminal code of Panama.

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		crimes. But terrorist finance is not on ML predicate list.		
SR.VI AML requirements for money and value transfer services	LC	Implementation of AML/CFT requirements is weak and reports are almost only cash-threshold based (there is little detection of suspicious transactions by the licensed remitters).	<ul style="list-style-type: none"> • Consideration should be given to adjusting the threshold amount for filing currency transaction reports to provide the UAF with useful information for the detection of structured transactions in the remittance area. • Priority should be given to enhancing the auditing capabilities of the Directorate of Empresas Financieras of the MICI which is responsible for overseeing compliance by remittance businesses. This includes efforts to evaluate the risk management systems, internal controls, and record keeping systems in place for monitoring suspicious or unusual transactions. • The authorities responsible for overseeing 	<p>R. The Directorate of Financial Enterprises of the MICI has strengthened its technical resources, produced staff auditing and training manuals in the interest of adequate supervision of remittance firms, leasing firms and pawnbrokers.</p> <p>R. The draft Bill for amendment of the regulation of remittance firms contains provision for lowering the threshold for reporting to the FAU to transactions in excess of \$1,000.00.</p>

FATF Rec.	Rating	Factors underlying rating	Recommended Actions	Actions Informed by Country
			compliance need training on issues of AML/CFT specific to the remittance industry.	
SR.VII Wire transfer rules	C			
SR.VIII Nonprofit organizations	PC	Authorities are in the process of updating a list of NPOs licensed in order to be able to assess the risk in this sector. Law 50, 2003 (Article 3) has not been implemented.	<ul style="list-style-type: none"> The Ministry of Government and Justice should create a registry (inventory) for NPOs, and undertake a risk assessment of the NPO sector. Depending on the result, an updating of the regulatory framework to include AML regulations and other oversight may be appropriate.. 	<p>R. Executive Decree 524 of 31 October 2005 laid down the new rules for granting legal personality to private non-profit foundations and associations.</p> <p>This decree empowers the Ministry of Justice to revoke or annul legal personality, and to report to the relevant authorities, inter alia, non-compliance with the rules governing the mandatory domicile of an Association, including reporting on their financial management, failure to submit to inspection by the Ministry and carrying on activities out of keeping with their approved objectives.</p> <p>As regards information on the number of non-profit organisations, the public registry keeps information of a public nature on associations existing in the Republic of Panama. Furthermore, Executive Decree 524 of 2005 creates a register of legal persons, which began to function from 1 November 2005.</p> <p>The Ministry of Justice has initiated the procedures to include in its web page access to the Ministry’s resolutions granting legal personality, in order to increase transparency in the matter.</p>

FATF Rec.	Rating	Factors underlying rating	Recommended Actions	Actions Informed by Country
SR.IX Cash Couriers	PC	The declaration obligation does not apply to outgoing transportation of cash; it does not apply to cash transported in non-accompanied freight; it is enforced only at the Airport of Tocumen; and there is little control of cash smuggled in cargo containers.	<ul style="list-style-type: none"> • Require the declaration in all circumstances for currency that is mailed, transported or shipped by any means of transportation. • Consider a more systematic approach for spot checking containers for smuggled currency. • Make better use of the current investigative powers of Customs, in cooperation with the UAF. 	<p>R. The draft Bill to amend Act 42 includes, in the list of entities required by law to submit reports, firms engaged in this type of activity.</p> <p>R. A new system of surveillance cameras has been put in place to improve inspection in this sector.</p> <p>R. At the present time the Directorate General of Customs provides support in investigation, in collaboration with the FAU and within the policy of strengthening inter-agency cooperation in this area.</p>