MANUAL OF
THE SUPERVISORY COMMITTEE FOR EXCHANGE OPERATIONS
AND
THE COMPLIANCE OFFICER
PANAMA STOCK EXCHANGE

Text modified pursuant to Resolution No.7-2005 of the National Securities Commission issued on January 14, 2005.

Decree Law 1 of 1999, whereby the National Securities Commission is created and the securities market in the Republic of Panama is regulated, and in its Title IV, articles 61, 62 and 63 establishes a procedure for self-regulating organizations to supervise and penalize Exchange Members.

In order to enforce this Decree, the Panama Stock Exchange, as a self-regulating organization of the National Securities Commission, has established a procedure for complying with these articles.

The Board of Directors of the Panama Stock Exchange, at a meeting held on July 12, 2000, resolved to create a Supervisory Committee for Exchange Operations, in order to exercise its disciplinary powers, and with the purpose of investigating and penalizing violations to the Exchange’s Internal Regulations and the Securities Act.

I. Supervisory Committee for Exchange Operations.

1. The Members of the Supervisory Committee for Exchange Operations shall be appointed by the Exchange’s Board of Directors and shall be comprised by three former Presidents and two Main Directors of the Exchange.

2. The Members of the Committee shall be appointed for a renewable term of one year.

3. The Committee shall have full authority to choose its President from amongst its Members.

4. The Supervisory Committee for Exchange Operations shall have full independence and general power to define its work methodology, resolve any disciplinary cases that Management of the Panama Stock Exchange submits before it and make any decisions in that regard.

5. The Committee’s President may, directly or through the Exchange’s Management, convene meetings whenever deemed convenient.
6. Decisions adopted by the Supervisory Committee for Exchange Operations shall be subject to appeal before the Exchange's Board of Directors, pursuant to Title IV of this Manual.

7. Members of the Committee shall withhold the identity of the persons that are part of cases being investigated, as well as regarding any discussions that take place at the meetings, these being strictly confidential.

8. A Member of the Committee who is a related party of a case under investigation shall recuse himself/herself from his/her position and not take part in the disciplinary procedure.

9. No Member of the Committee may be related either directly or indirectly to the Exchange Seat Holder being penalized, or have any conflict of interests that could hinder or make it difficult for said member to render an objective and impartial decision.

10. The Committee may request the aid of experts in order to decide cases, said persons being under the obligation to maintain confidentiality.

II. Responsibilities of the Supervisory Committee for Exchange Operations

1. To resolve all disciplinary cases submitted for its consideration and determine the applicable penalties.

2. The Committee shall issue a justified resolution for each of the cases investigated containing the final decision and the reasons why the decision was taken.

3. The Committee shall determine whether the penalty imposed shall be disclosed through the media or the Exchange Gazette.

4. The Committee shall notify the National Securities Commission regarding any violations against the Securities Act, as soon as it becomes aware thereof, and disclosing any penalties it has imposed.

5. The Committee shall have all other duties established by the Board of Directors of the Panama Stock Exchange.

III. Compliance Officer

1. The General Manager shall appoint a Compliance Officer, who shall have a Main Executive license issued by the National Securities Commission. The Compliance Officer shall be a high-ranking
officer within the Exchange’s hierarchical structure and shall report to the Board of Directors and the General Manager.

2. The Compliance Officer shall be responsible for ensuring that all Directors, Officers and Members of the Exchange comply with the procedures established in the Exchange’s Internal Regulations, with the obligations imposed by the Securities Act and all applicable legal provisions regarding the prevention of money laundering.

3. The Compliance Officer shall be fully aware of the Exchange’s Internal Regulations, the Securities Act, all legal provisions regarding the prevention of money laundering, the Regulations of the Latin American Securities Center, the International Financial Reporting Standards (IFRS) and any other necessary documentation for the appropriate execution of his/her duties.

4. Pursuant to Agreement 4-2001 of the National Securities Commission, the Compliance Officer shall immediately notify the Financial Analysis Unit regarding any suspicious trades of money laundering that he/she may be aware of, carried out by the Members.

5. The Compliance Officer shall verify that all Exchange employees that require a license from the National Securities Commission (CNV) have obtained these and that the same are valid.

6. He/she must prepare an on-going training program concerning measures to prevent money laundering, pursuant to the provisions of the Decree Law and its regulations, and ensure that all company employees comply with these provisions. He/she must keep a record and maintain a file evidencing how many seminar hours each person has taken, and all necessary documentation to submit before the CNV.

7. He/she must prepare files, attaching all necessary documentation, in order to report to the CNV about the personnel’s annual training hours, as provided by the Securities Act.

8. He/she must keep a record of the submission of quarterly interim Financial Statements and Annual Audited Financial Statements that the company must submit before the CNV. He/she must verify that these are complete and that they meet all requirements of the CNV’s agreements.

9. Keep control of the reports and information that must be submitted before the CNV in compliance with the Securities Act and its corresponding agreements.
10. Comply with the annual payments required by the Decree Law and the agreements established, preparing the corresponding reports and requesting Management for the check in order to make the payment.


12. Notify the CNV regarding Main Executives’ starting and termination dates, and follow all procedures required by the Decree Law.

13. Update all compliance policies and manuals necessary for complying with the Exchange’s Internal Regulations and the Securities Act.

14. Propose updates to policies concerning supervision, disciplinary procedures and penalties to Exchange Members.

15. Establish any policies, programs or instructions necessary to prevent money laundering.

16. Monitor on a daily basis all trades and offers carried out through the electronic trading system, in order to verify that these comply with all the procedures established by the Exchange.

17. Verify on a daily basis price settlements at the end of the trading session, their variations and the effect caused thereby.

18. Verify on a daily basis that Exchange Seat Holder have complied with the delivery of securities and funds as a result of all trades negotiated through the Exchange.

19. In the event that a Seat Holder does not fulfill the settlement procedures, the Compliance Officer shall immediately notify Management in order for the latter to take the corresponding measures.

20. He/she shall verify on a daily basis the daily limits of the Exchange Seat Holders, and monitor any changes made by instruction of the Exchange Seat Holder’s clearing bank, due to an increase in the volume traded.

21. Detect any trades that may be in violation of the Securities Act, report them to Management and start an investigation process.
22. The Officer shall keep a record of all Performance Insurance Policies of each of the Exchange Seat Holder through the Securities Center, ensure that these are renewed in a timely manner, and verify at least once a year that the amount of the policy is appropriate for each of the Seat Holder’s daily volume.

23. Keep a record of delivery of all interim and audited financial statements of the Exchange Seat Holders, verifying that they comply with the dates established, the minimum capital rules required by the Exchange, which was set at $250,000.00 as of December 31, 1999, and with all other requirements of the Exchange. Prepare the notices in case of non-compliance and follow these up.

24. Verify that all Exchange Seat Holder and securities broker-dealers have valid licenses granted by the CNV.

25. Keep a record of all shareholders of each of the Exchange Members and of any shareholding changes.

26. Verify that all documentation for approved issuances is in order and that it has been received before these start trading.

27. Verify that all Members of the Exchange are using the electronic trading system appropriately, applying all the rules established in the Exchange’s procedural Manuals.

IV. Investigating violations to the Securities Act and the Internal Regulations of the Exchange.

1. The Exchange shall have the power to investigate any case, as a result of the detection or reasonable assumption that a provision of the Securities Act or the Exchange’s Internal Regulations has been violated, especially those actions that can affect the integrity of the markets. An investigation can be motivated by: a drastic price change in offers or trades of an Exchange Seat Holder, the suspicion of price manipulation, or any false information or other justified cause.

2. In order to guarantee the market’s proper functioning and transparency, the Exchange may order an Exchange Seat Holder or its personnel to immediately suspend activities while it investigates actions that may give rise to a penalty or that may affect the Exchange’s activities.
3. The Compliance Officer shall initiate the investigation by obtaining copies of the bulletin where the trade appears, a copy of the electronic confirmation, a list of the last prices and the closing price for that day.

4. The Officer must complete the trade investigation form with all the necessary information, send it to the Exchange Seat Holder and grant it five (5) business days for a reply and follow up.

5. Once the Officer has received all the documentation of the trade, he/she must verify: the dates of the purchase and sale orders, which must coincide with the dates of the trade at the Exchange; the confirmations to the clients, the settlement; that both the delivery of funds and securities are duly made; and any other important aspect of the trade.

6. If deemed necessary, he/she must prepare a report to Management including all the general information, object of the investigation, report from the Exchange Seat Holder, settlement, observations and conclusions.

7. The Compliance Officer, Management or the Members of the Supervisory Committee for Exchange Operations may require additional information from the Member of the Exchange being investigated, and may even request his/her presence at the meetings held regarding said investigation.

8. If the National Securities Commission has requested information about it, the Officer must submit the report and attach the documents requested for Management’s signature.

9. A file shall be opened, which shall be assigned a consecutive number, containing all the information available to Management or to the Supervisory Committee for Exchange Operations.

10. If the case does not warrant a deeper investigation, the Officer shall attach a final report on the investigation to the file and its conclusions, indicating that the case has been closed.

11. If the case has been investigated by the CNV, and the latter has issued a resolution ending the investigation procedure, a separate file must be kept for review by the general public, which shall not include any confidential information.

12. The Compliance Officer must keep strict confidentiality about the identity of the persons that are parties in the cases being investigated, as well as regarding any discussions that take place during
the meetings held. Likewise, he/she must keep strict confidentiality about all information contained in the files.

13. If the case warrants being taken before the Supervisory Committee of the Securities Market, the Officer shall issue the corresponding summonses, preparing the necessary files and reports for the Committee.

V. Disciplinary procedures.
1. The Exchange has adopted measures and mechanisms necessary for supervising the correct operation of the market and the Members of the Exchange, in order to ensure a transparent and orderly functioning of the market, to wit:
   a. Investigating trades with prices above or below 10% and that do not meet the requirements of the Session Manuals detailed below.
   b. Verifying price settlements on a daily basis.
   c. Requesting updated documentation required from Securities Broker-Dealers and Seat Holders.
   d. Verifying that Securities Broker-Dealers have a Compliance Officer.
   e. Verifying that only Broker-Dealers who have complied with the procedures and have a license duly granted by the National Securities Commission can access the trading system.
   f. Verifying that the market is notified on a daily basis about trades carried out through the Exchange.
   g. Verifying that the market is informed every time that the Exchange is notified of a relevant fact.
   h. Ensure that procedures are followed when an IPO is announced.
   i. Verifying that issues have complied with all requirements before being traded at the Exchange.

2. Before imposing a penalty against a Member or against a Director, an Officer or an employee of a Member, the Exchange shall start a disciplinary procedure whereby it shall specify the charges formulated against said member or person and the evidence supporting them.

3. The Exchange shall notify the affected party in person regarding the charges made, and the evidence alleged against him/her. When a disciplinary procedure is against a Member, the notification shall be made to one of the Main Executives of the Exchange Seat Holder.
4. The Member or the person being accused shall have the right to defend himself/herself and to submit any evidence deemed necessary as long as these are lawful, for which he/she may request in writing a hearing within five (5) business days following the notification of the charges. The parties shall set a date for the hearing, taking into consideration the time that is necessary to obtain evidence, but in any case, it shall be held no later than thirty (30) calendar days starting from when the request for the hearing was submitted.

5. If a Member or person being accused does not request a hearing within the above-indicated term, it shall be understood that he/she accepts the charges and shall comply with the penalty imposed.

6. The Exchange shall keep a record of all actions in a disciplinary procedure and shall write minutes of the hearings held.

7. Any disciplinary action that imposes a penalty against a Member, or against a Director, an Officer or an employee of a Member, shall be notified in person, and shall include:
   a) A statement of the actions and the alleged violation or omission against said Member or against said person;
   b) The arguments and evidence that the affected party adduced in his/her defense;
   c) The internal rules that have been violated, whether by action or omission;
   d) The penalty imposed and the reason therefor;
   e) The term and the formalities for appealing the decision, pursuant to the procedure established in this Manual.

8. The appealing party shall have a term of five (5) business days, counted as of the day following notification of the decision, in order to present the corresponding appeal before the Board of Directors, by means of a written document signed by the interested party, clearly expressing the decision being challenged, the reasons for requesting its revoking or modification, and the evidence deemed appropriate.

9. Appeals must be resolved within a term of ten (10) business days counted as of the submission of the appeal.

10. The Board of Directors shall notify the appealing party regarding its decision to uphold, revoke or modify the verdict and the reasons why it reached that conclusion.

11. The Exchange shall keep a detailed file of the case for a minimum period of five (5) years.

VI. Reasons why a disciplinary procedure is initiated
1. The Exchange Seat Holder has ceased to comply with the Internal Regulations of the Panama Stock Exchange, the Securities Act or the Exchange's internal procedures.

2. The Exchange Seat Holder or some of its members have incurred in dubious practices that affect the good functioning of the securities market.

3. If confirmed that the Exchange Seat Holder has obtained confidential information and carried out trades based thereon that affect the market's transparency.

4. If confirmed that the Exchange Seat Holder carried out trades or actions that are deceitful or manipulative and affect the market's transparency.

5. The Exchange Seat Holder has not settled one or more trades.

6. The Exchange Seat Holder or some of its members has committed any practices which are fraudulent, deceitful or contrary to the ethic of the securities industry.

7. Any other act that, in the opinion of the Exchange or the Supervisory Committee of the Securities Market, makes it necessary to immediately adopt a disciplinary procedure to avoid substantial, imminent and irreparable damage to the Exchange, one of the Exchange Seat Holders or the investing public.

VII. Penalties

1. Any violation to the Internal Regulations of the Exchange, or any non-compliance with the obligations established therein shall give rise to one or more of the following penalties:
   a. Expulsion of the Member, Broker-Dealers, Officer or employee of the Exchange Seat Holder.
   b. Suspension of the Exchange Seat Holder.
   c. Limits on the Exchange Seat Holder's rights.
   d. Fines imposed to the Exchange Seat Holder.
   e. Reprimand to the Exchange Seat Holder or its personnel.
   f. Any other determined by the Exchange's Board of Directors.

2. Penalties shall be applied pursuant to the severity of the violation and its reiterating, pursuant to the procedure established in Title IV of this Manual, and shall not give rise to any compensation whatsoever for the affected party.
3. The Board of Directors of the Panama Stock Exchange shall stipulate a system of penalties that shall be used by the Supervisory Committee for Exchange Operations.

4. Penalties imposed by the Committee on an Exchange Seat Holder or other persons for similar conducts, in similar situations, shall be equivalent; however, penalties may increase taking into consideration reoccurrences or record of penalties of the person being penalized.

5. Exchange Seat Holders shall immediately pay any fines imposed as a result of a disciplinary procedure.

6. Exchange Seat Holders shall be responsible for complying with the penalties imposed to its directors, officers, representatives, and employees, and the Exchange Seat Holder may be penalized additionally if in the opinion of the Committee, the violation for which the director, officer, representative or employee is being penalized could have been prevented through proper supervision by said Exchange Seat Holder.

7. The referred penalties may consist of:
   a. A warning: Depending on the nature of the defaulted obligation, the Committee may require the Exchange Seat Holder to comply with the obligation object of the penalty within a term of five (5) business days, or if not possible, reprimand the person being penalized and inform him/her that in the event of reoccurrence of the conduct that caused the warning, the Exchange may impose a more serious penalty.
   
   b. A fine without suspension: Should the Committee decide to impose a fine without suspension because it is the first violation of the Exchange Seat Holder, this will be for an amount of $1,000.00.
   
   c. A fine and a suspension: In the event that the Exchange Seat Holder has committed a violation for the second time, a fine of $5,000.00 and a one week suspension to the Exchange Seat Holder and the Broker-Dealer shall be imposed.
   
   d. Fine and Suspension: In the event that the Exchange Seat Holder has committed a violation for the third time, a fine of $10,000.00 and a one month suspension to the Exchange Seat Holder and the Broker-Dealer shall be imposed.
   
   e. Complete suspension In the event that the Exchange Seat Holder has committed a violation for the fourth time, a complete suspension shall be imposed and the CNV shall be informed.
8. Suspending a Seat Holder shall consist of the invalidation the access code to the Electronic Trading System that was assigned to him/her, as well as not being allowed into the open outcry floor.

9. Suspending an Exchange Seat Holder shall consist of fully invalidating the Seat Holder’s ability to perform operations, whether through the Electronic Trading System or through the open outcry floor.

10. A suspended Exchange Seat Holder must comply with all trading obligations acquired prior to the suspension, whether with another Exchange Seat Holder or with the Exchange or with its clients.

11. A suspended Exchange Seat Holder that serves as Payment Agent must continue with its payment obligations to investors.

12. Any penalty imposed to an Exchange Seat Holder or a Broker-Dealer must be immediately informed to the CNV, including the reasons that gave rise to the suspension.

13. After the suspension period has ended, the Exchange Seat Holder or its Broker-Dealer shall immediately be able to return to his/her duties, as long as there is no cause for additional suspensions.

VIII. Procedure in the event of unsettled trades

1. Any default on the part of an Exchange Seat Holder regarding its obligation to deliver securities or funds to settle a trade made through the Exchange, shall give rise, depending on the degree of default, to:
   a. Daily fines;
   b. The immediate suspension of the Exchange Seat Holder;
   c. The start of a disciplinary procedure.

2. In the event that the Seat Holder has failed to deliver securities or funds, the Exchange shall not be under the obligation to call the Seat Holder and request compliance with the unfulfilled obligation, since it is the duty of each one to deliver securities or funds when appropriate.

3. In the event of unsettled trades, Management may impose daily fines in the following manner:
   a. Automatically, $10.00 per calendar day shall be charged for each unsettled trade.

RI-11 Supervisory Committee for Exchange Operations, CNV Res. No. 7-2005, 14/01/05.
b. If after three (3) days following the settlement date, no securities have been delivered, said fine shall increase daily, starting with $20.00 on the fourth day of default, $30.00 on the fifth day, $40.00 on the sixth day on so on.

4. After five (5) days of default, Management shall proceed to temporarily suspend the Exchange Seat Holder, informing the Supervisory Committee for Exchange Operations about the case, in order for the latter to take the appropriate measures, and if necessary, to start a disciplinary procedure.

5. Even if the Exchange Seat Holder is suspended, it has to continue paying the fines imposed until it fulfills the delivery.

6. Once the security is received from the Exchange Seat Holder in default, the trade shall be settled immediately, and the Seat Holder shall accept, if on the sell side, that the Seat Holder on the purchase side shall not be charged any additional accrued interests for the days that the default lasted.

7. In the event that the default is by the Seat Holder on the purchase side, the days for accrued interests shall be adjusted, including the days that the payment was delayed.

8. In the event of a recurring default, the Exchange Seat Holder shall be immediately suspended, the CNV and the other Exchange Seat Holder shall be notified, and the performance insurance policy granted to the Exchange Seat Holder shall be executed. In order to collect the policy, the Compliance Officer must prepare a report about the default, describing the trade and its amount, and send it to the company that granted the policy.

9. The affected Exchange Seat Holder granting several days for the trade to be settled does not mean a waiver to request interests for the defaulted days or any other type of penalty.

10. In the event that the default is originated by a Seat Holder on the sell side, the purchase shall be made through other Exchange Seat Holders, at the then market price.

11. If the market price is above the price agreed upon for the trade, the defaulting Seat Holder shall pay the difference.
12. Likewise, if it has been impossible to buy the security at the price agreed upon, it shall be considered to be offered a higher price, and the price differential shall be covered by the Seat Holder in default.

13. If the default is by a Seat Holder on the purchase side, the sale of the securities at the market price shall be initiated, and any difference generated in the price shall be covered by the Seat Holder in default, or in its favor, if that be the case.

14. If it is not possible to sell the security at the market price, it will be considered to be offered a discount, and the difference in price shall be covered by the Seat Holder in default.

15. The Exchange Seat Holder in default must pay interests at a rate of Libor or Prime for the days elapsed between the settlement date agreed upon in the contract, and the date when the funds or the securities were received.

16. The Exchange Seat Holder in default must cover any other expenses or fines imposed by the Exchange.

17. The Exchange may request additional guarantees to the Seat Holder that defaulted in order to secure any future trades.

18. Exchange Seat Holders must periodically check the amount of their performance insurance policies, in order to prevent that a volume higher than the amount established in the performance insurance policy is negotiated on any given day.

19. Exchange Seat Holders must request from their clearing Banks in advance for an increase in their daily credit lines for volumes above the authorized amount, in order to carry out trade settlements through Latin Clear.

20. Each trade shall be considered independent from any other agreed upon trade for the same settlement date, thus in the event of a Seat Holder being affected, it must comply with the other trades, without alleging that it has not received the amount of the sale of the unsettled trade.

21. Exchange Seat Holder are responsible for the legitimacy of the securities traded through the Exchange. In the event of a theft, forged security, etc. that arises after settlement, the Seat Holder on the sell side shall reimburse the buyer the amount of the sale of said security, without detriment of any compensation that may be claimed by the affected Seat Holder.
22. In the case of repurchase transactions, the securities shall be kept in custody through the Latin American Securities Center (Latin Clear) or through another custody center, but they must provide evidence of said custody to the Exchange.

23. Upon settlement of a repurchase, if the Seat Holder on the purchase side did not pay, the securities in custody shall immediately be delivered to the Seat Holder on the sell side, as compensation for the default.

24. The affected Seat Holder may request for a default procedure to be initiated for the securities, in the event that their market value is lower than the value agreed upon in the transaction.

IX. Precautionary Measures.

In order to guarantee the proper functioning and transparency of the market, Management or the Supervisory Committee for Exchange Operations may order the immediate suspension of activities of an Exchange Seat Holder or its personnel, while events that may give rise to a penalty or that may affect the activities of the Exchange are being investigated. Some cases are detailed below:

a. In the event that the Exchange Seat Holder has been suspended by the CNV, by another supervising entity or another self-regulating organization.
b. When it has ceased to comply with the requirements of the Exchange’s Internal Regulations, or the Securities Act, and it has a negative effect on the securities market.
c. When it has not settled one or more trades.
d. When it carries out practices that affect the market’s transparency.
e. When it has commenced a voluntary process of liquidation, bankruptcy, intervention or similar.
f. When it is imminent that it does not have the financial ability to pay its debts and obligations.
g. Any other reason that is relevant and for which Management or the Supervisory Committee for Exchange Operations considers that it warrants a suspension in order to avoid harm to the Exchange, the Exchange Seat Holders or the investing public.

X. Cases that do not warrant a disciplinary procedure.

There are cases which, given their nature, do not warrant a disciplinary procedure:

i. Exchange Seat Holder that are declared bankrupt are automatically suspended from operations.

ii. Exchange Seat Holder that request a closing of their operations.
iii. Exchange Seat Holder that cease operations due to mergers between two or more companies or Banks.

iv. Those trades that imply a preliminary investigation, as detailed next.

For those cases where initially an investigation is requested due to its volume or price fluctuations, a preliminary procedure shall be initiated, the form attached hereto shall be used, requesting important information, and three (3) calendar days shall be granted to the Exchange Seat Holder in order for the latter to give its reply to the Panama Stock Exchange.

The Compliance Officer shall be in charge of the investigation and reviewing the data. If the Seat Holder has complied with everything concerning the trade, and nothing suspicious is detected, Management shall be notified, who may request additional information if deemed appropriate.

After having made the investigation, if the case does not warrant a disciplinary procedure, it shall automatically be closed and filed in a sequential order.

If the case does require a disciplinary procedure, the Committee and the Exchange Seat Holder shall be notified and the procedure indicated in the Manual shall be followed.
BOLSA DE VALORES DE PANAMÁ, S.A.
TRADE INVESTIGATION FORM

To: ________________________________________

From: ___________________________________ - Compliance Officer
Bolsa de Valores de Panamá, S.A. - Fax No.269-2457

Matter: Trade Investigation

Date:

We hereby request from Exchange Seat Holder ____________________________
information regarding the following trade:

Trade number: _______________________________________________________

Trade Date: _________________________________________________________

Name of the issuer: __________________________________________________

Amount of shares: ____________________________________________________

Trade amount: _______________________________________________________

Trade price: _________________________________________________________

Next, the information required:

1. Full name of the clients who purchased and sold. If the clients are corporations, the names of the legal representatives must be indicated.
2. Copy of the purchase and sale orders of the referred trade.
3. Copy of the confirmations sent to the clients.
4. Settlement documentation, including a copy of the clients’ payments received and delivered (checks).
5. Copy of the account statements sent to the clients as evidence of their purchase and sale of the securities.
6. Copy of the account opening form for each client involved in these trades.
7. Indicate if the persons involved are considered “control” persons.

We appreciate your reply on ________________, attaching a copy of this form together with the documents of the trade under investigation.

Sincerely,