

# Panama at a glance: New regulations in progress



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## FATF REMOVES PANAMA FROM THE GREY LIST

**Panama made progress 'in record time', according to the Financial Action Task Force.**

- The country is leaving the grey list in which it was included in June 2014 by consensus.
- Representatives of the organization highlight the speed with which the country implemented the agreed action plan to reinforce the legal framework in the prevention of money laundering.



After leaving the FATF's grey list, the financial sector expects that the relationships with international correspondent banks will improve, which had been affected by the status of Panama. La Prensa/Archivo

The Financial Action Task Force (FATF) recognized the progress achieved by Panama in the strengthening of the legal framework to prevent money laundering and the financing of terrorism. The organization has highlighted the compliance of the measures contained in the action plan agreed between the FATF and the Panamanian government.

"The FATF has recognized all the progress made by Panama. It has approved in the plenary the report that indicates Panama has complied with every point contained in the action plan. It has complied with each and every one of the points in record time", highlighted Esteban Fullin, executive secretary of the FATF for Latin America, the regional group in which Panama belongs.

His statements were given shortly after concluding the plenary meeting in Paris, France, in which they determined to remove Panama from the list that categorized the country as a risk territory for money laundering.

A delegation led by the Minister of the Economy and Finance, Dulcideo De La Guardia, attended the

appointment, which had the participation of the Financial Analysis Unit and the Superintendence of Banks.

In the plenary, the Reviewing Group of the Americas presented a report that was the result of the on site visit carried by them the past month of January. In this trip, they verified the measures implement and recommended the removal of Panama from the list due to the progress made.

The proposal was publicly supported by representatives of the United States (USA), Canada, Mexico, Argentina, Brazil, France, Spain, United Kingdom and the FATF group for Latin America; and was approved by consensus in the plenary, explained De La Guardia in a telephone conversation with this newspaper.

It is recognized that Panama counts with a regulatory and institutional legal framework to prevent laundering, thus, the country stops being in the special reviewing status, which included every certain time meetings with the regional group to comment on the progress.

### THE PROCESS

Panama was included in the grey list since June 2014. This happened due to a visit in 2012 from the International Monetary Fund where they detected deficiencies in the legal framework to prevent money laundering. Out of the 40 recommendations of the FATF to fight money laundering, Panama was only complying fully with one. This step back was substantial in relation to the revision of the 2005, which left the country complying with a total of 11 recommendations.

The international organism was once again signaling Panama. History was repeating itself and the first episode was in 1999 when the country entered the black list of the organization.

The Ministry of Economy and Finance identified the presence of Panama in the FATF's grey list as the biggest threat for the Panamanian economy. It was therefore a priority to be removed from this list.

The route for this was traced through the action plan agreed with the FATG. The backbone of this plan was the new legal framework to prevent money laundering, Law 23 of April 2015.

One of the primary innovations introduced by the regulation was the extension of supervision to the non-financial sector, in which deficiencies had been detected. The regulation forces sectors such as construction, real estate, jewelry businesses, exchange houses, gaming, companies in free trade zones, car dealers, among others, to assume practices to meet their clients and report suspicious operations to the Financial Analysis Unit (UAF in Spanish).

These sectors are now under the umbrella of the new Intendence of Regulation and Supervision of Non Financial Entities, while banks, insurance companies, and cooperatives maintain their current regulating entities.

Another substantial step given by Panama was to move forward the implementation of the custody regime of bearer shares. The measure had been contemplated in Law 47 of 2013, however its complete implementation had been pushed back to 2018. In the revision of the legal framework for removal from the grey list it was moved forward to December 31, 2015. This step is key in order to know in every instance the final beneficiaries of the societies registered in Panama.

The strengthening of the Financial Analysis Unit, the criminalization of preceding crimes, the freezing of terrorist assets and the improvement of international cooperation were other steps implemented by Panama to reinforce its legal framework to prevent money laundering.

Although the country will not be subject to a special and constant review, the process does not end with the removal from the grey list. As the rest of the countries, Panama will continue to be the object of regular revisions. The next one will be in 2017. "We should be in a very good position for the revision that will take place in 2017", noted De La Guardia.

## CONSEQUENCES

The removal from the grey list is important for the image of the country, which allows it to get rid of the stigma of being a paradise for money laundering.

"Being in the list caused serious problems for banks and clients, both commercial and individual, not to mention the damage to the morale of our international banking center, affecting its competitiveness. By eliminating that image, the banking center regains its ever-existing attractiveness and prestige internationally, both for first class banks as well as companies that are interested in setting up in Panama to carry out internal and external operations, which will contribute enormously to the economic development, with its resulting benefits, of the country and the Panamanians, such as increases in investments and job offers", assured Mario De Diego, executive vice president of the Panamanian Banking Association.

The financial sector expects this decision will help improve the relations with the correspondent banks, which were deteriorated in the last year and a half. The Financial Crimes Control Network (FINCEN), a dependency of the US Treasury Department, demanded banks with existing relations with Panamanian entities to apply extended due diligences. This elevated operational costs and in consequence reduced the attractiveness of doing business with Panamanian banks.

Since the inclusion in the grey list, Panamanian banks have lost 21 correspondent services, a key service for bank's international operations. The government expects that once the removal from the grey list is formalized when a resolution of the plenary of this Friday is issued, the FINCEN will also remove Panama from the list of high-risk countries. De La Guardia revealed that he met in Paris with two important French banks. "Both expressed that they were waiting for the removal of Panama from the grey list to establish business relations with Panamanian banks", he said.

The removal from the list will have a positive effect for the insurance and securities industries. The Superintendent of Insurance, José Joaquín Riesen, explained that in the case of the insurance industry "it eliminates the main barrier in order for the main insurance companies of the world to establish themselves in Panama and serve the Latin-American market".

## OTHER REACTIONS

The recognition of the FATF was well received by representatives of the government, the main business associations and by distinct sectors of the society.

The president Juan Carlos Varela was one of the first to announce in the social network Twitter the removal from the grey list. Afterwards he commented: "*We have corrected the mistakes made in the past one by one. This represents more opportunities, more foreign investment, less pressure in the financial system, more tourism; in the end this represents more employment opportunities for the country*".

The general secretary of the Superintendence of Banks of Panama, Gustavo Villa, said "*the removal from the list was one of the greatest challenges in the short term. Now, Panama is back in a competitive and equitable position to maintain a close relationship with the international financial community*".

The removal from the grey list brings with it the responsibility for government and private employees to maintain the current status, continue working in the prevention and prosecution of crimes in order to keep the country from being included in the list again.