**Banking - Panama**

## Legal Implications of Banking Regulator's Intervention

Contributed by **Arias Fabrega & Fabrega**

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Following steps taken by the US financial authorities, on February 17 2009 Panama's banking regulator formally intervened in Stanford Bank (Panama) SA, a branch of Stanford International Bank, via Resolution SBP 057-2009. As a result of the intervention, the regulator took administrative and operative control of Stanford Panama and designated a temporary administrator to act on the regulator's behalf.

This is the first time that the regulator has exercised its intervention powers under the recently reformed banking law (the law was entirely reformed in April 2008 and entered into effect in August 2008). Pursuant to the new banking law, under certain circumstances the regulator may take administrative and operative control of a bank through a motivated administrative resolution for a control period of up to 30 days (which can be extended for an additional 30 days). Such circumstances include where:

- the bank requests an intervention;
- the continued operation of the bank will jeopardize the interests of its depositors; or
- the bank has stopped making payments to its creditors.

Following an intervention, the regulator takes administrative and operative control of the bank and grants the temporary administrator the power to:

- suspend or limit the bank's payment obligations during the control period;
- hire additional personnel and suspend those employees whose gross negligence or wilful misconduct may have led to the bank's intervention; and
- prepare a balance of the bank's assets and liabilities and deliver the report to the regulator.

During the control period, the regulator evaluates whether the bank must:

- be reorganized;
- be forcefully liquidated; or
- resume operations under the administrative control of the bank's directors and executives.

Thus far, the regulator has provided no further details on the status of the Stanford Panama intervention. However, since this is the first time that the regulator has applied the intervention principles of the new banking law, the coming weeks should prove insightful.

*For further information on this topic please contact Rodrigo Cardoze at Arias Fabrega & Fabrega by telephone (+507 205 7000) or by fax (+507 205 7001) or by email (rcardoze@arifa.com).*



**Author**

**Rodrigo Cardoze**