

Capital Markets 2012 – Panama

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1 Which laws, regulations and administrative rulings govern the offering and trading of securities and how are they proposed, adopted and amended?

The single most important piece of legislation that rules the securities market in Panama is Decree-Law No.1 of 8 July 1999, as amended by Law 67 of September 1, 2011, which, together with the administrative regulations issued thereunder encompasses a comprehensive body of law on the subject (Securities Act). A significant number of administrative regulations, known as “acuerdos”, have been issued to further regulate the provisions of the Securities Act including Regulation 2-10 of 16 April 2010 that sets out the procedure and documentation needed for the registration of public offerings of securities with the Superintendency of the Securities Market (SSM).

2 What is the rationale behind this legislation?

The Securities Act is a disclosure statute. It does not limit or prohibit the public offering of any specific kind of securities but its emphasis is rather on the quality of and the amount of information that the issuer must disclose in the prospectus and offering materials. The general rule is that the offering of instruments that qualify as securities requires prior registration with the SSM, unless a specific exemption from registration applies.

The Securities Act makes it illegal for any person to engage in certain conduct including fraud, the disclosure of false information with respect to an important fact or the failure to disclose an important fact in order to not make misleading statements made by such person, insider trading, the manipulation of the market price of securities, the promotion of the sale of securities without disclosing that the person receives compensation from the issuer, the manipulation or alteration of financial and accounting information, among others. Any person that engages in any of the prohibited conducts may be subject to administrative fines in addition to any civil and criminal liabilities that may also attach to such conducts.

Aside from the disclosure provisions of the Securities Act and the ban of certain conducts, said body of legislation also requires that the main participants in the securities market such as stock exchanges, clearing and depository agencies, investment advisors, broker-dealers, among others intermediaries be licensed and supervised by the SSM.

3 Which regulatory authorities oversee capital markets and what is the scope of their jurisdiction?

The SSM is the regulatory authority that oversees capital markets in Panama. This entity was formerly headed by three commissioners, but with the 2011 amendment to Decree-Law No.1 of 8 July 1999, the entity is now headed by a seven person board of directors appointed by the Executive Branch and ratified by the National Assembly, and one Superintendent, also appointed by the Executive Branch and ratified by the National Assembly. The Superintendent has ample authority over the securities market and is responsible for, among other things:

- the authorisation of public offerings of securities;
- the determination of the content and form of the prospectus and other disclosure materials and the rules under which financial information must be prepared and reported;
- the issuance and cancellation of licences granted to the different securities intermediaries such as stock exchanges, clearing and depository agencies, broker-dealers, investment advisers and the supervision of all of said entities;
- imposing sanctions to persons that violate the Securities Act; and
- the issuance of acuerdos and interpretative opinions of the Securities Act in connection with matters that fall within its jurisdiction.

4 How is financial fraud and price manipulation in capital markets regulated?

The Securities Act bans the conducts described in question 2. A wide range of sanctions may be applied to those that perform these conducts, including criminal prosecution, as discussed in question 5.

5 What sanctions and remedies can the regulatory authorities impose?

- Administrative fines imposed by the SSM of US\$1 million or more in the case of violations of prohibited conducts (depending on a variety of factors and the seriousness of the violation) and up to US\$300,000 for any other violations of the Securities Act. The fines for revealing confidential information in violation of confidentiality obligations range from US\$1,000 to US\$300,000.
- Civil damages as determined by the competent courts provided, however, that if the person is found to have violated insider trading provisions of the Securities Act, the court could order the payment of treble damages, determined based on the gain realised or the loss avoided by the violator. If more than one person is found to be responsible for insider trading, all of them are joint and severally liable to the plaintiff.
- Termination of agreements affected by the violation. The Securities Act sets out rules for calculating the compensation to the affected parties in these cases.
- Revocation of proxies granted with respect to registered securities if the same were obtained based on communications that contained false information or that omitted to divulge an important fact so that the statements contained therein were not misleading in light of the circumstances in which they were made.
- Class action lawsuits in those cases in which the illegal conduct affects numerous investors and the amount of damages of each investor, if treated on an individual basis, would make the filing of individual lawsuits impractical.
- The Criminal Codes makes it a crime to engage in money laundering activities; to hide or falsify accounting and financial records with the purpose of obtaining financing or securing financing resources from the public; for an issuer registered with the SSM to destroy, hide or falsify accounting and financial information if that results in damages, to any person; and to engage

in insider trading, the manipulation of the market price of the securities, among other conducts.

6 What are the private remedies an investor may pursue?

An investor affected by a violation or infringement of the Securities Act may pursue the imposition of administrative sanctions, file a civil lawsuit or, in some cases, even seek criminal prosecution, against the respective violators. In some instances, class action remedies may be available to the affected investors (please see question 5).

7 Give details of the frequency and nature of enforcement actions or private actions.

To our knowledge, enforcement or private actions by investors affected by violations or infringement of the Securities Act occur with relative infrequency in Panama. However, the SSM is obligated and takes any and all infractions with utmost seriousness and has acted upon violators when merited over the years. Minor infractions of the *acuerdos*, such as delays in submitting quarterly financial reports or monthly transaction reports by regulated entities, occur with some frequency, but such minor infractions are usually resolved by non-material administrative fines.

8 What is the legal definition of a 'security' and which types of securities are commonly traded?

The Securities Act defines 'securities' as any bond, commercial, paper or other similar debt instruments, shares (including treasury shares), beneficial interests recognised in a custody account, quotas, participation certificates, certificates of securitisation, trust certificates, deposit certificates, mortgage certificates, options and any other title, instrument or right commonly recognised as security or that the SSM determines that constitutes a security provided, however, that the following instruments shall not be deemed as securities:

- certificates or non-negotiable titles representing obligations issued by banks to their clients as part of the banking services commonly offered to the clients such as non-negotiable certificates of deposit;
- insurance policies, certificates of capitalisation and similar obligations issued by insurance companies; and
- any other instruments, titles or rights that the SSM has determined do not constitute securities.

9 How are securities offered and sold to the public?

In Panama, an application for a primary or other listing of securities entails a registration of the public offers of securities with the SSM and its admission to trading on the Panama Stock Exchange (PSE).

To register a public offer of securities with the SSM, the issuer must file a registration statement with the SSM through an attorney admitted to practice law in Panama. The registration statement must consist of two parts: the prospectus, including financial statements; and all other information required by the SSM, including organisational documents, corporate authorisations and material contracts related to the offer. Following the initial filing of its registration statement, the issuer may start marketing the relevant securities and book building but only through the use of a preliminary prospectus (red herring).

To file for admission to trading with the SSM, the issuer must file a listing application with the PSE during the registration process with the SSM, attaching a copy of the prospectus and other offering documents. Any comments by the SSM to any of the documents presented must be addressed before the SSM approves the offer and the final version of all documents.

The approval of a petition for registration of a public offer filed with the SSM usually takes between 45 and 60 days from the date of the initial filing. The SSM often delivers a comment letter with regards to the documents presented within three weeks of the filing. Once all comments are properly addressed, the SSM takes an additional week or two to approve the offer.

Following approval from the SSM, the issuer deposits the securities with the Central Latinoamericana de Valores SA (LatinClear), the only licensed clearing agency in the country, and completes its application for admission to trading with the PSE, which must include the SSM's resolution approving the public

offer of securities. Once the application is complete, the admission to trading is granted.

The procedure is the same for an overseas company but additional information requirements may also apply.

10 What are the disclosure requirements for securities issuers for both public and private offerings?

The public offering of securities requires that the issuer files a registration statement with the SSM. The registration statement consists of two parts: the prospectus, including financial statements; and all other information required by the SSM, including organisational documents, corporate authorisations and material contracts related to the offer. The prospectus must reflect certain basic information, including information about the issuer, its business and capital composition, the industry to which the issuer belongs, the most relevant provisions of the charter documents, material litigation, information about directors and officers of the issuer, a description of the terms and conditions of the offer, risk factors, the distribution plan and the intended use of proceeds of the offering.

With regards to private offerings, no particular disclosure requirements apply except for offers made to institutional investors as more fully described in the answer to the next question. It is worth mentioning that the Securities Act contemplates certain exemptions from registrations that have not been regulated to date by the SSM. Thus, the SSM could impose in the future special disclosure requirements applicable to such exempted offers.

11 Are there exemptions from securities registration?

Yes. Registration is not required under the Securities Act, among other instances, if the securities are offered:

- in a 'private placement';
- to 'institutional investors'; or
- under the correspondent broker exemption.

Private placement exemption

Under the Securities Act, a private placement is any offer or series of offers of securities made to no more than 25 offerees (other than the institutional investors, as defined below) domiciled in Panama, which result in sales to no more than 10 of those offerees within a period of one year. It is irrelevant for purposes of the Securities Act whether the offer is made to existing clients or to new clients, whether the offer is made by telephone, fax, mail, courier, e-mail or personal visits or whether the offer is made by local broker-dealers or by foreign broker-dealers. As long as the issuer and its underwriters or agents limit the distribution efforts as described above, the securities would not be required to be registered with the SSM. No mass mailing or public advertisement of the securities should be made in Panama, as this would be interpreted as an offer to more than 25 people.

Institutional investor exemption

Under the Securities Act and its regulations, the following persons qualify as 'institutional investors' and therefore any offer made to these persons is exempted from registration:

- sovereign states and any department, political subdivision or agency thereof which is authorised to make investments in securities;
- licensed banks; insurance and reinsurance companies; investment companies registered with the SSM; investment trusts managed by licensed trustees; certain retirement and pension funds licensed to operate in Panama; and broker-dealers when they act for their own account; and
- any legal entity (such as corporation, trust or foundation) domiciled in Panama, with a net worth of not less than US\$1 million according to its most recent audited financial statements, which, on a regular basis during the two years prior to the offer, has dealt in securities, and its key executives or the majority of its officers and directors have had not less than two years of experience in dealing with securities.

As a general rule, offers made to institutional investors in Panama must be reported to the SSM by filing a report in a form prescribed by the SSM within

15 days of the offer. However, if the issuer of the securities is domiciled in a jurisdiction “recognised” by the SSM, such filing with the SSM is not required. If the issuer is domiciled in a recognised jurisdiction, it is sufficient that the issuer comply with the disclosure requirements applicable to exempted offers to institutional investors under the laws of said jurisdiction. To date, the SSM has recognised the following jurisdictions: United States, France, Spain, United Kingdom, Japan, Switzerland, Germany, the provinces of Quebec and Ontario in Canada, Hong Kong, the Netherlands, Mexico, Colombia, Australia, Italy, El Salvador and Costa Rica.

Institutional investors domiciled in Panama that purchase non-registered securities pursuant to the institutional investor exemption must hold these securities for at least a year, and any release of these securities within Panama during such period may be made only to other institutional investors. Thus, for offers made in reliance on the institutional investor exemption, it is advisable to obtain from the institutional investor an acknowledgment of the following: that he or she is an institutional investor as defined in the regulations issued by the SSM pursuant to the Securities Act; that he or she has purchased the securities for its own account and not with a view to resell or place the securities as part of the offering of the securities; and that he or she will agree not to sell the securities within a period of a year, except to other institutional investors.

Correspondent broker exemption

In addition to the above exemptions, the Securities Act allows broker-dealers licensed to operate in Panama to offer to their clients domiciled in Panama foreign securities without having to register these securities with the SSM, provided that: these securities are not offered by a public means of communication (eg, newspapers, mass mailing, etc) in Panama; the local broker-dealers does not actively solicit purchase or sale orders with respect to these securities to clients domiciled in Panama; the client is informed that these securities are not registered with the SSM; and the trade of these securities is executed outside of Panama by a broker-dealer licensed to operate in a jurisdiction recognised by the SSM. The relationship between the foreign broker-dealer and the Panamanian broker-dealer must be notified to the SSM and a copy of any agreement between these parties must be filed with the SSM.

12 Do your accounting standards differ in significant ways from other jurisdictions' generally accepted accounting principles?

No. The SSM, by means of Regulation 8-2000, authorised issuers and regulated entities to report present their financial information based on either International Financial Reporting Standards or USGAAP.

13 If the International Accounting Standards Committee's International Financial Reporting Standards have not been fully implemented, is full convergence planned?

As discussed in question 12, Panama allows issuers to prepare and report financial information based on IFRS.

14 Does your jurisdiction offer policy and tax incentives to invest in the capital markets?

Yes. The main tax issues that arise when issuing and listing equity debt securities are taxation of dividends, interest, of dispositions of the securities, stamp and other taxes, and taxation of foreign investors.

Taxation of dividends

Dividends payable on equity securities of issuers that do business in Panama are subject to a dividend tax of 10 per cent if the earnings distributed are linked to Panama source income and 5 per cent if the earnings arose out of foreign source income and certain exempted incomes. In both cases, the issuer must withhold the applicable dividend tax before making the distribution payments to the shareholders.

Taxation of interest

Interest payable under debt securities registered with the SSM is subject to a 5 per cent income tax that must be withheld by the payer. Notwithstanding,

such interest is exempted from income tax if the debt securities are not only registered with the SSM but also placed through an stock exchange or other organised market.

Taxation of dispositions

If the securities are registered with the SSM, any capital gains realised by a holder of said securities on the sale or other disposition of the equity securities will be exempt from income tax in Panama, if:

- such sale or disposition of the securities is made through a securities exchange or another organised market (other than sales or dispositions made as a result of a tender offer in which case the 5 per cent withholding discussed below would apply); and
- if the issuer of the securities does not carry out any business activity in or has derived any income from Panama.

If the equity securities are not sold through a securities exchange or another organised market, the relevant test to determine if such disposition is taxed by Panama is whether or not the issuer has derived income linked to activities, trade or business carried out or services rendered within Panama. If the issuer does not derive any Panama source income, then the sale of such securities would not cause the capital gains tax. On the other hand, if the issuer does generate Panama source income, the law provides that:

- the seller will be subject to income tax in Panama on capital gains realised on the sale of the equity securities, calculated at a fixed rate of 10 per cent;
- the buyer will be obliged to withhold from the purchase price payable to the seller an amount equal to 5 per cent of the aggregate proceeds of the sale, as an advance in respect of the capital gains income tax payable by the seller, and the buyer will be required to send to the fiscal authorities the withheld amount within 10 days following the date of withholding;
- the seller will have the option of considering the amount withheld by the buyer as payment in full of the seller's obligations to pay income tax on capital gains; and
- in the event the amount withheld by the buyer is greater than the amount of capital gains tax payable by the seller, the seller will be entitled to recover the excess amount as a tax credit or in cash by filing a special sworn income tax declaration with the fiscal authorities.

Please note that the law does not expressly address how this tax applies when the issuer obtains both Panama source income and foreign source income.

Stamp and other taxes

Securities registered with the SSM and the contracts and documents associated with such registration are not subject to stamp taxes. There are no sale, transfer or inheritance taxes applicable to the sale or disposition of equity securities.

15 Please describe the applicable tax withholding regime, the customary exceptions and the commonly used standard tax-planning devices.

Please see question 14.

16 Where and how are securities traded?

Securities are traded in the PSE, the only stock exchange licensed in the country. The PSE is treated in the Securities Act as a self-regulated organisation and as such has the power to issue internal regulations (subject to prior SSM approval) to which all of its broker-dealer members must abide. As of March 2010, approximately 17 broker-dealers have a seat in the PSE.

The offering of securities to the public, whether debt or equity securities, is made through broker-dealers that have a seat with the PSE. Typically, the issuer enters into an agreement with a broker-dealer for the purpose of offering the relevant securities to the public through the PSE. Said agreement is filed by the issuer with the SSM along with the registration statement of the offered securities.

Prior to the offering of the securities the issuer also deposits a title representing the total amount and/or number of the offered securities (the ‘global security’) with LatinClear, so that this clearing agency recognises securities

entitlements in said instruments to its respective participants. Ownership of securities entitlements in the global security is shown on, and the transfer of that ownership is made only through, records maintained by LatinClear. LatinClear's participants, generally broker-dealers, would in turn recognise securities entitlements in the global security to its end clients.

Any person interested in purchasing the offered securities can do so through any broker-dealer licensed by the SSM that has, directly or indirectly, access to LatinClear's clearing and record keeping systems. If the price requested by the selling issuer or underwriter is matched by the purchase price offered by an investor through its respective broker-dealer, the transaction is consummated and the settlement of the same occurs three business days later.

There is no OTC market as such in Panama. Most offers of non-registered paper are made in Panama to institutional investors in reliance of the institutional investor exemption from registration.

17 Where and how do securities clear?

Publicly traded securities clear through the Central Latinoamericana de Valores SA (LatinClear), which is the only licensed clearing agency in the country. As mentioned in question 16 above, prior to the offering of the securities the issuer also deposits a title representing the total amount and/or number of the offered securities (the 'global security') with LatinClear, so that this clearing agency recognises securities entitlements in said instruments to its respective participants. Ownership of securities entitlements in the global security is shown on, and the transfer of that ownership is made only through, records maintained by LatinClear. LatinClear's participants, generally broker-dealers, would in turn recognise securities entitlements in the global security to its end clients.

18 Please provide a general description of securities settlement systems in your jurisdiction.

The settlement of transactions concluded at the PSA is made through the platform of the Central Latinoamericana de Valores SA (LatinClear), the only licensed securities clearing agency in the country. LatinClear internal rules require that all issuers of listed securities and all LatinClear's participants appoint a bank with a general banking licence for settlement purposes. Settlement of the debit or credit positions of each settlement bank takes place through the clearing facilities of Panama's banking system operated by the state-owned Banco Nacional de Panama.

As part of the settlement rules, LatinClear requires that all of its participants post performance bonds to secure their payment obligations with LatinClear and its participants. Daily debit limits exist as a mechanism to reduce the exposure of the participants.

19 What are the distinguishing characteristics of your debt and equity capital markets?

Panama uses the US dollar as currency of legal tender and due to that reason virtually all securities registered and offered are US dollar denominated. Traditionally, the significant growth and regionalisation of Panama's banking sector was not echoed by a similar growth in its capital market, which had remained purely local. In recent years, however, a number of factors have created more favourable conditions towards the regionalisation and expansion of Panama's capital markets, such as the liquidity of Panama's banking centre and the various agreements and understandings reached by the SSM with its counterparts in the Central American jurisdictions, particularly for the establishment of abbreviated proceedings for the registration and offering of securities that have been previously registered in other jurisdictions. Still, the trading activity in the PSE is relatively low due to the relatively low number of institutional investors.

Panama's securities market is clearly concentrated on debt instruments. By far the most active issuers are banks and other companies linked to the financial sector. As of 31 December 2011, the total aggregate amount of principal of the debt instruments listed with the PSE was close to US\$3.5 (up from 2.2 billion in March of 2010). The most common instruments registered and offered are programmes for the issuance of short-term debt instruments, commonly referred to as valores comerciales negociables with maturity dates of a year or less; notas which have maturities ranging from one to five years; and bonds, which typi-

cally have maturities exceeding five years. Certain issuers specialised in mortgage financing have also registered with the SSM securitisation structures involving SPV trusts. In addition, from time to time, the Republic of Panama issues short-term debt paper, known as letras del tesoro. By law, the paper offered by the Republic to the public is exempted from registration requirements.

On the equity front, the most common instruments registered and offered are common and preferred stocks and quotas of investment companies.

20 Where and how are derivatives traded?

Derivatives are considered as securities under the Securities Act and as a result of this, the public offering of the same is subject to registration requirements. Derivatives are traded in the same manner as other securities. In the practice, however, very few derivative instruments have been registered with the SSM and most sales of these instruments are made in reliance of the institutional investor, exemption from registration.

21 Can you explain development of structured finance instruments in your country?

The development of structured finance instruments started relatively recently in Panama with certain asset-backed and mortgage-backed securitisations. The most active issuer on the mortgage-backed securitisation market has been Banco La Hipotecaria SA; a company specialised in the financing of low and mid-class mortgages, which has recently obtained a banking licence. Under some of these structures Banco La Hipotecaria SA and other banks, as settlors, transfer mortgage loans to a SPV trust, which, in turn, issues and registers debt instruments backed with the pool of mortgage loans transferred by the originators. The proceeds of the issuance and sale of the debt instruments by the SPV trust ultimately flow to the originators.

In other structures, a bank or financial institution would act directly as the issuer of the bonds or debt instruments secured by a guaranty trust to which certain assets, including mortgage loans, have been transferred. Credit card receivables, future flows and other types of receivables have also been securitised.

22 How are institutional investors defined and regulated?

Please see question 11.

23 What is the definition of 'insider trading'? Outline the major developments in insider trading law giving details of any recent cases.

Insider trading occurs when a person that has knowledge of important facts, not known to the public, and that has obtained such knowledge as a result of a privileged relationship, uses such information to take advantage of another person in connection with the purchase or sale of registered securities. As described elsewhere in this article, the persons that engage in this prohibited conduct are joint and severally liable for the payment of civil treble damages, in addition to any other liability imposed by the law.

There have been no major developments on this matter recently.

24 What are the roles of the authorities when a foreign issuer makes a public offering? Who has jurisdiction over the public offering?

Foreign issuers must comply, basically, with the same disclosure requirements applicable to local issuers. The public offering of securities in Panama by foreign issuers requires prior registration with the SSM.

25 Is there a formal understanding with other jurisdictions to share information and provide reciprocal assistance in enforcement matters? If so, which jurisdictions?

The SSM has entered into MOUs to share information and provide reciprocal assistance with the regulators of the securities markets of Argentina, Colombia, Costa Rica, Dominican Republic, El Salvador and Mexico.

26 Please describe the framework for corporate governance.

The SSM issued in 2003 guidelines and principles of good corporate governance. Although the guidelines apply on a voluntary basis, a registered issuer must expressly state in its prospectus and quarterly reports whether or not it applies

some or all of the corporate governance standards included in the guidelines. The guidelines recommend that the board of directors of a registered issuer establishes internal rules to regulate, among other things, conflicts of interests, information policies, the selection of key employees, risk control, the independence of directors and prevention of fraud. Similarly, the guidelines recommend that the issuer establishes audit, risk management and compliance committees.

The SSM has issued a regulation that requires that the outside auditor of a registered company maintains independence from the shareholders and directors of the issuer. The Securities Act also obliges a registered issuer to establish and maintain adequate internal controls to ensure the accuracy of the information reported in the financial statements.

In addition, under the Securities Act, the prospectus must expressly include information regarding related parties transactions and executive compensation.

27 Which governing bodies must public companies have and what are their main duties?

Most issuers in Panama are corporations. By law, a corporation must have, at least, a board of directors. The articles of incorporation of some issuers also contemplate the existence of executive committees or similar bodies but these are not required by the Securities Act.

As explained above, one of the recommendations included in the guidelines is that registered issuers set up the following internal committees: audit committee, evaluation committee, compliance committee and risk management committee. Under the guidelines, the registered issuer must expressly indicate in its prospectus and quarterly reports whether or not it has complied with the recommendations stated in the guidelines.

28 Are there any laws governing capital markets that are unique to your jurisdiction?

No.

29 How do authorities and issuers resolve matters that are not expressly provided for in the securities laws and regulations?

Any interested person may request a written opinion from the SSM with regards to the interpretation of the provisions of the Securities Act. A person that acts in accordance with a written opinion issued by the SSM will not be subject civil or administrative liability for such acts.

30 Which types of companies may make public offerings in your jurisdiction?

By far, the most common issuers are banks, bank holding companies and other companies linked to the financial sector. Other issuers include holding companies of large economic conglomerates, power generation and distribution companies and industries.

31 Which economic activities or segments are the most active in the capital markets in your jurisdiction?

Most registered issuers come from the following sectors: banking, insurance, leasing, financing activities in general, power generation and distribution, retail trade and industries in general. There are various mutual funds registered that invest in a variety of sectors and activities. More than 100 issuers have registered debt or equity securities with the SSM and listed their papers with the PSE

32 Describe the main stock exchanges and OTC networks.

As mentioned before, the PSE is the only licensed stock exchange in the country. There are no OTC networks as such.

There are more than 100 issuers that have listed their debt or equity securities with the PSE. Out of these listings, 22 correspond to public companies that have listed equity securities. There are no specific market capitalisation rules.

33 Describe recent initiatives undertaken by the government to improve the regulation and efficiency of its capital markets.

In 2008, a new Criminal Code entered into force that sets out in more detail financial-related crimes.

In addition, Decree-Law No.1 of 8 July 1999 was recently significantly amended by Law 67 of 1 September 2011. Among the notable changes was the introduction of a board of directors to oversee the operations of the SSM and the designation of a Superintendent of the Securities Market with widespread responsibilities over the day to day operations of the SSM. The bill also includes a number of changes to the Securities Act including but not limited to new provisions dealing with rating agencies, administrative proceedings applicable to investigations of violations of the Securities Act, provisions dealing with the administration, functions and operations of the Superintendence of Securities among others.

34 Describe the main obstacles that a company may confront in your jurisdiction when it is trying to become public.

The main obstacles are:

- the preparation for the first time of audited financial statements, a process that usually requires a significant involvement of the top management;
- the implementation of internal controls to ensure that the issuer will comply with all reporting and other requirements associated with obtaining and maintaining the registry and the listing;
- lack of information and statistics of the industry to which the issuers belongs;
- little understanding of the issuer's staff about the overall implications of the registration and listing process; and
- the loss of flexibility and freedom that results from becoming a public company, especially if the issuer is a closely held or family controlled corporation.

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