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Due to its convenient location in the middle – and narrowest part – of the American continent, Panama has served for centuries as a natural inter-oceanic and intercontinental crossroads, over the years developing an effective set of connected facilities that has given it a well-deserved reputation as one of the world's most important trade routes, and an excellent place for business and investments in the Americas.

The Panamanian legal regime governing business activities and foreign investment has been consistent with its trade and services-oriented economy, offering many facilities and incentives for its development, with almost no restrictions regarding the nationality of the investors. The Panamanian monetary system is completely dollarized, widely open to the flow of capitals, and exempt from exchange and convertibility controls.

Until the early nineties, the Panamanian capital markets were more or less dominated by the banks. This was largely because of the small size of the market, the banks' high levels of liquidity and their easy access to the international capital markets. However, the Panama Stock Exchange was set up in 1989 to provide an alternative way of accessing the capital markets, and its rapid growth meant that new regulations were required.

On July 1 1999 a new securities law was enacted in Panama, bringing the legislation in line with the standards set by the International Organization of Securities Commissions (Iosco) and the Securities and Exchange Commission (SEC).

The new securities law is characterized by:

- more precise regulation of all securities market participants, including broker-dealer houses, investment advisors, brokers, self-regulated organizations, clearing, custody and settlement companies, issuers and investment companies;
- the introduction of regulations governing the most well-developed financial instruments, including options, futures, derivatives, dematerialization of securities and indirect holding of securities;
- the provision of more transparency requirements, and accountability for the benefit of investors (by, for example, mandatory registration, regular reporting and remittance of

documents to the Securities Commission for public accessibility, specifying acts considered fraudulent and deceitful, regulating the procedure for the reorganization or liquidation of registered institutions, and requiring the voluntary adoption of corporate governance rules);

- the imposition of more severe criminal and civil sanctions (such as fines up to \$300,000 and up to five years' imprisonment); and
- the creation of an autonomous regulatory entity, the National Securities Commission (the NSC) to enforce the law.

The NSC is the securities market regulatory entity created by the new securities law. It is funded independently of central government, and therefore has the right to administer those funds, to decide upon its own budget and to appoint and remove its own personnel. The NSC is composed of three commissioners who must have, among others, a university degree and at least five years' experience. The commissioners are appointed by the president of Panama for a five-year term, and cannot be removed except in the circumstances expressly contemplated in the legislation. The commissioners will act as full-time officers, and cannot engage in business or any other remunerated activities.

Among its functions, the NSC is responsible for: implementing more detailed regulations, based on the legislation; approving registration requests for public offers; issuing, suspending and cancelling licences; examining, supervising and controlling the licence-holders; and imposing penalties according to the legislation.

The law requires that parties intending to embark on business involving the securities market in Panama must first obtain a licence. Such parties include sales agents, investment advisors, broker-dealer firms, securities brokers, analysts, principal executives, and compliance officers.

The law requires securities to be registered in three cases: (i) if they are publicly offered in Panama, and/or to persons domiciled in Panama; (ii) if they are stocks from an issuer domiciled in Panama, with 50 or more shareholders who jointly own at least 10% of its paid-in capital, unless 75% of the holders of issued and circulating stocks decide not to get registered; and (iii) securities listed on a Panamanian stock exchange.

The law also requires that any public offer or sale made by an issuer, an affiliated person or an offeror in Panama and/or to

persons domiciled in Panama must be registered at the NSC, except if it is exempted by law or regulations.

Every person who publicly offers, within Panama, to buy registered stocks for an amount representing 25% or more of the issued and outstanding (authorized) capital of the issuer or any amount that results in the purchase of more than 50% of the issued and circulating capital of the issuer, must inform the NSC of this transaction.

The law exempts from registration, among others: (i) private offerings or placements, considering as such the offer made to no more than 25 persons that jointly will not result in the selling to more than 10 persons, within a period of one year; (ii) offers made to institutional investors; (iii) offers, sales, distributions, transfers, or exchanges of shares between the issuer and its stockholders, by reasons of an increase in the paid in capital, declaration of dividends, reorganization, dissolution, liquidation, merger, or the exercise of previously granted option rights; and (iv) offers and sales of securities made by an issuer exclusively to its (or an affiliated company's) employees, directors or officers.

To register publicly offered securities, a prospectus and all relevant information and documents must be submitted to the NSC. The registration process takes between 25 and 35 days. Registration and supervision fees must also be paid – registration fees range from \$500 to \$50,000, depending on the offering price, and supervision fees can be anything up to \$15,000, depending on the market value of the registered securities.

At the time of writing, the NSC is harmonizing the registration of securities across the Central American and Caribbean region (which has around 18 stock exchanges that trade more than \$1.7 billion). This is being achieved through the recognition of certain jurisdictions with similar or higher standards than Panama regarding the registration process. There are around 14 jurisdictions already recognized, including the US, the UK, France, Spain, Japan, Hong Kong, Mexico, Costa Rica and El Salvador. The process is a challenging one, but Panamanians are committed to continuing to work hard towards success.

Corporate and commercial

Recommended firms

Tier 1

Aleman Cordero Galindo & Lee

Arias Fabrega & Fabrega

Icaza González-Ruiz & Alemán

Morgan & Morgan

Tier 2

Alfaro Ferrer & Ramirez

Galindo Arias & Lopez

Patton Moreno & Asvat

Sucre Arias & Reyes

Tier 3

Arosemena Noriega & Contreras

Fabrega Molino & Mulino

Aleman Cordero Galindo & Lee

Despite the leave of absence of two partners – Alejandro Ferrer because of his recent appointment as Minister of Commerce, and Jorge Lee because of his appointment to the Supreme Court – Aleman Cordero Galindo & Lee continues to have a strong practice, and maintains its position as a top-tier law firm. From among the team, Arturo Gerbeaud has been recommended by many of his peers. Representative clients of the firm include Banco General, ScotiaBank, Citibank, Chiquita Brands International and Charles Schwab & Co. The firm is also a member of the Meritas network, which gives it access to a wide range of international legal talent.

Over the past 12 months, Aleman Cordero Galindo & Lee has continued to act on many of the country's top mergers and acquisitions matters, especially those in the banking sector. For instance, the firm advised GNB Bank (Panama) on its purchase of the private banking business of Banque Sudameris in Panama, acted for Banco General on its purchase of the operations of Bank of Boston in Panama, and served as counsel to Dresdner Bank Lateinamerika on the sale of its private banking business in Panama to UBS. The firm also acted for Primer Banco del Istmo on the purchase of the operations of Lloyds TSB Bank in Colombia.

Outside of bank M&A instructions, the firm's other recent transactions include its representation of Taiwan's Evergreen Group on its agreement with the Republic of Panama regarding a \$200 million expansion of its port facilities in Panama.

Sitting alongside and complementing its regular practice, Aleman Cordero Galindo & Lee also boasts an excellent offshore practice, which advises on the incorporation of companies, trusts and foundations through affiliate offices in the British Virgin Islands, the Bahamas, Belize and Luxembourg.

Leading lawyers

Jaime Alemán

Carlos Cordero

Arturo Gerbeaud

Key contact partners

Jaime Alemán
 Carlos Cordero
 Anibal Galindo

Arias Fabrega & Fabrega

Arias Fabrega & Fabrega maintains a strong, well-respected practice led by client favourite Eduardo de Alba, who is deemed a “reliable source for corporate and commercial law advice.” Additionally, partner Ricardo Arango has been ranked in Euromoney’s *Guide to the World’s Leading Project Finance Lawyers* and the *Guide to the World’s Leading Structured Finance and Securitization Lawyers*, and peers also recommended both Francisco Arias and Fernando Cardoze.

The firm’s client list includes ChevronTexaco, Banco Cuscatlán Panama and Medcom Holdings. Arias Fabrega & Fabrega is a member of Interlaw, the international association of independent law firms, and as such has access to a wealth of international talent.

This past year, Arias Fabrega & Fabrega advised Banco Continental de Panama on its \$100 million syndicated loan to Elektra Noreste, and acted for the Poma Group on a joint venture matter involving a multiplaza commercial shopping mall.

Arias Fabrega & Fabrega also boasts a strong mergers and acquisitions practice. Towards the end of 2004, the firm advised Multi-Holding Corporation in relation to its \$832 million acquisition of BellSouth Panama. And in the first part of 2005, the firm counselled BankBoston (Panama) when Banco General acquired its assets.

Leading lawyers

Eduardo de Alba
 Ricardo Arango
 Francisco Arias
 Fernando Cardoze

Key contact partners

Ricardo Arango
 Rogelio de la Guardia
 Leroy Watson

Icaza González-Ruiz & Alemán

Icaza González-Ruiz & Alemán has developed a widely regarded practice, and has capitalized on its domestic and cross-border strength by recently opening additional offices in Panama and Switzerland. Icaza González-Ruiz & Alemán is also a member of independent law firm association Multilaw. The team contains plenty of talent, but peers recommended partners Juan Tejada and Alvaro Alemán in particular.

In one standout transaction of the past 12 months, the firm acted as legal counsel to the Interoceanic Region Authority (the Panamanian government entity in charge of the development of the territory that reverted to Panama under the Panama Canal Treaty) and the International Finance Corporation. This instruction involved advising on discussions held in Panama’s National Assembly of Law leading to the creation of a special

economic zone in Howard, a former US Air Force base. Howard’s special economic zone was the first of its kind to be set up on the American continent. Icaza González-Ruiz & Alemán also advised the Republic of Panama in connection with the legal matters related to drafting the regulations that allowed for the creation of the economic zone.

Other representative clients of the firm include Bilfinger Berger, Dell, Citibank and Banco Cuscatlán (Panama).

Leading lawyers

Alvaro Alemán
 Juan Tejada

Key contact partners

Alvaro Alemán
 Gabriel Gonzalez-Ruiz
 Juan Tejada

Morgan & Morgan

Morgan & Morgan’s corporate and commercial practice is considered to be a solid choice for advice on the full range of transactions. Over the past year the firm has continued to expand its practice internationally, opening up offices in Buenos Aires, Sao Paulo, and Shanghai. Among the leading individuals, partner Romulo Roux has been described as an “excellent up-and-coming attorney,” Mario de Diego and Roberto Lewis were highly recommended by peers, and client praise was reserved for partner Juan David Morgan. Morgan & Morgan boosts its international credentials through its membership of Terralex, the American Law Firm Association and the World Services Group.

Morgan & Morgan’s strongest suit is traditionally in project finance, and over the past year the firm has continued to retain its visibility on some of the country’s top project deals. For example, Morgan & Morgan counselled AES Panama on its \$320 million financing for the construction and refurbishment of hydroelectric plants, and advised the International Finance Corporation on a \$16 million financing package to local water producer Aguas de Panama. As part of this transaction, the firm was required to navigate its client through the tricky regulatory process to establish the security package relating to the financing.

On another project financing matter the firm acted for the banking syndicate in relation to the \$110 million refinancing of the debt of Colombian thermoelectric generator Termoflores.

Leading lawyers

Mario de Diego
 Roberto Lewis
 Eduardo Morgan
 Juan David Morgan
 Romulo Roux

Key contact partners

Luis Hincapie
 Roberto Lewis
 Simon Teixeira Jr

Alfaro Ferrer & Ramirez

Corporate and commercial advice is Alfaro Ferrer & Ramirez's speciality, and the firm attracts many high-profile domestic and international clients.

For example, the firm recently represented Bellsouth International on the \$8 billion sale of all of its Latin American assets to Telefónica Móviles. And at the time of writing, Alfaro Ferrer & Ramirez was advising the Panamanian government on its negotiations with the US for a free trade agreement.

Additional clients of the firm include the McDonald's Corporation, the Microsoft Corporation, Adidas Latin America and Kenwood Electronics Latin America. From among the team, Rodrigo Moreno Jr and Alfredo Ramirez Jr both come in for praise from peers and clients. The firm's Panamanian practice is supported by further offices in Aruba, the Bahamas and the British Virgin Islands that provide expert advice on off-shore matters.

Leading lawyers

Rodrigo Moreno Jr
Alfredo Ramirez Jr

Key contact partners

Luis Lopez Alfaro
Rodrigo Moreno Jr
Alfredo Ramirez Jr

Galindo Arias & Lopez

Galindo Arias & Lopez has a solid corporate and commercial practice. Partners Ramon Ricardo Arias, Diego Herrera Dutari, and Diego de la Guardia have all been highly recommended by peers.

Over the past 12 months, Galindo Arias & Lopez has been especially active in the mergers and acquisitions arena. The firm represented Iden Centroamerica on its \$13 million acquisition of the Tricom's (of the Dominican Republic) central American assets, and Coca-Cola Femsa turned to the firm for Panamanian advice in relation to its pan-regional \$3.6 billion acquisition of Panamerican Beverages. On other M&A matters, Galindo Arias & Lopez provided advice to Banco Continental de Panama on two deals: the first involved its acquisition of 100% of the shares of Banco Alemán Platina, and the second related to its \$56 million acquisition of 100% of the shares of Wall Street Securities.

Among the year's other standout mandates, Galindo Arias & Lopez provided legal advice to Sky Technologies Networks on its \$50 million wireless telecommunications investment in El Salvador, Guatemala, and Panama, and acted for the Panamanian arm of Chr Hansen in relation to the €1.1 billion (\$1.3 billion) sale of its ingredients business to Pai Partners. And in one notable debt capital markets instruction, the firm advised Ingenieros Civiles Asociados on its \$150 million bond issue.

Leading lawyers

Ramon Ricardo Arias
Diego Herrera Dutari
Diego de la Guardia

Key contact partners

Diego Herrera Dutari
Diego de la Guardia

Patton Moreno & Asvat

Patton Moreno & Asvat makes its first appearance in the rankings after numerous recommendations by peers. The firm is one of the most international firms in Panama; as well as its local office it has a presence in London, the British Virgin Islands, the Bahamas, Uruguay and, most recently, Belize. The firm's international credentials are further boosted by its membership of the Colegio Nacional de Abogados, the International Bar Association, the Inter-American Bar Association and the American Society of International Law.

The firm's recent transactions include advising an international financial institution on a due diligence matter involving a local bank, valued at \$20 million, and representing a Panamanian airline on the financing of its aircraft. Patton Moreno & Asvat also provided legal advice on a \$167 million financing transaction that was part of a restructuring matter involving a fleet of vessels registered in the British Virgin Islands, and provided advice to a Panamanian hydrocarbon company on its restructuring.

From among the team, Francisco Martinelli is the most prominent corporate lawyer.

Leading lawyer

Francisco Martinelli

Key contact partners

Ebrahim Asvat
María de Lourdes Marengo
Francisco Martinelli

Sucre Arias & Reyes

Sucre Arias & Reyes has a considerable corporate and commercial practice, and over the past few years has successfully established itself on the domestic and international scene. Its international presence is most impressive, with affiliated offices in the British Virgin Islands, Anguilla, Bahamas and Belize, and representative offices in Miami and, most recently, Sao Paulo. The firm's client list is equally impressive, and includes a host of local and international names such as Banco Atlántico, Assa Compañía de Seguros, the Bank of Nova Scotia, Samsung Electronics Latinoamérica and Cervecería Barú-Heineken Panama.

Sucre Arias & Reyes has been extremely active over the past year. Among the highlights, the firm represented Spain's Grupo Mall on its \$250 million real estate investment in Panama and, providing further evidence that the firm continues to strengthen its capital markets operation, it represented Heineken Finance and Cervecería Barú-Heineken Panama on its \$40 million private offering of corporate bonds. Global Crossing and its local subsidiaries also turned to the firm for advice on its \$250 million issue of senior secured mandatory convertible notes,

issued as part of the restructuring of Global Crossing American Holdings.

The firm also advised the World Bank in relation to its assessment of the institutional and legislative framework underlying Panama's corporate governance regime. The assessment was published in a report on the World Bank website, along with a series of policy recommendations aimed at securing the enforcement of existing laws and regulations and creating new ones.

Leading lawyers

Ernesto Arias
Thaís Chalmers

Key contact partners

Ernesto Arias
Thaís Chalmers

Fabrega Molino & Mulino

Fabrega Molino & Mulino continues to strengthen its corporate and commercial practice and, with a client list that includes such names as Banco Continental de Panama, the Mitsubishi Corporation, Schering and Shell, it is well placed to do so over the coming years. From among the team, partner Juan Pablo Fabrega comes highly recommended by peers.

In one standout instruction earlier this year, Fabrega Molino & Mulino advised GE Consumer Finance on its purchase of a 49% stake in Red Financiera BAC International Bank, valued at about \$500 million.

Leading lawyer

Juan Pablo Fabrega

Key contact partners

Juan Pablo Fabrega
Eduardo Molino
Jose Raul Mulino