

*****TRANSLATION*****

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(SEAL:
PRESIDENCY OF THE REPUBLIC OF PANAMA
MINISTRY OF THE PRESIDENCY
RECORDED)

**REPUBLIC OF PANAMA
MINISTRY OF GOVERNMENT**

**Executive Decree No. 62
Of March 30**

That regulates non-profit private interest associations and foundations whose legal status is recognized by the Ministry of Government and other provisions are stipulated.

THE PRESIDENT OF THE REPUBLIC

In use of its constitutional and legal powers,

WHEREAS:

Article 39 of the Political Constitution of the Republic of Panama allows the formation of associations and foundations that do not contravene morality or legal order, subject to their recognition as legal entities;

Law 19 of May 3, 2010 that reorganizes the Ministry of Government, empowers it to grant and suspend legal status to both public and private entities;

Prior to the enactment of the aforementioned Law, Executive Decree No. 524 of October 31, 2005, as amended by Executive Decree No. 627 of December 27, 2006 and Executive Decree No. 615 of July 12, 2012, attributed to the then Ministry of Government and Justice, the power to grant legal status and oversee the operation of non-profit private interest associations and foundations.

Resolution No. 30-R-10 of February 16, 2012 was issued in compliance with the obligation to supervise and monitor the operation of non-profit private interest associations and foundations, churches, congregations, religious communities or associations, federations and any other entities that are not related to cooperative, labor, sports, agricultural and other issues subject to a special legal regime. By means of the referred Resolution, the Supervision, Follow-up and Evaluation Unit assigned to the Advisory Office of the Ministry of Government

was created to regulate its operations. However, changes were made in both administrative units due to the enactment of Resolution No. 197-R-131 of November 23, 2016;

It is imperative to adapt the regulatory framework to grant legal status to non-profit associations and private interest foundations in order to guarantee the right of association;

DECREES:

Chapter I

General Provisions

Article 1. This Executive Decree regulates the non-profit private interest associations and foundations, churches, congregations, religious communities or associations, federations and affiliates whose legal status is recognized by the Ministry of Government, named non-profit organizations in this executive decree, hereinafter referred to as "NPO". Excluded from its scope, are those related to cooperatives, unions, sports, agriculture and others, subject to a special legal regime.

Article 2. For the purposes of this Executive Decree, a NPO will be understood as that non-partisan private entity which, according to its nature, does not receive personal patrimonial benefits so that its income cannot be distributed among its founders, members and/or directors, without constituting a limitation to their ability to hire these or other personnel for specific tasks or the provision of services.

Article 3. The State guarantees respect for human rights and in said regard, the Ministry of Government will not recognize associations or foundations that justify or promote any type of discrimination.

Chapter II

Granting of legal status

Requirements

Article 4. To recognize the legal status referred to in article 1 herein, the interested parties must file a request to the Ministry of Government through an attorney and submit the following documentation:

1. Articles of Incorporation of the entity, structure of the Board of Directors and approval of its bylaws, signed by the president and the secretary.
2. List of the members of the board of directors, which may be

composed by no less than three (3) individuals or companies. A copy of the identity card of each of the directors must be included. In the event of participation of companies, the minutes of the General Meeting approving their participation as a member of the non-profit private interest association and a valid Certificate issued by Public Registry must be provided.

3. The Bylaws duly signed by the president and the secretary of the entity.

4. Two copies of all the original documentation.

The entity in formation may also file the application for the granting of legal status before the agency or administrative unit of the Ministry of Government established for this purpose. Said request will be submitted to the Directorate of Legal Affairs and Legal Procedures for the respective processing.

To facilitate access to the process of legal recognition and subsequent steps such as the procedure to reform the bylaws, among others, the Ministry of Government will subscribe collaboration agreements with state and private universities as well as other entities to ensure that the legal representation service is provided for free.

Article 5. From the moment an entity in formation requests the granting of legal status, the Directorate of Legal Affairs and Legal Procedures will proceed to open a file in which all actions related to said request are recorded. The file referred to herein will be duly ordered and all documentation that arises and relates to the entity to which legal status has been granted will be incorporated into it.

Article 6. The members of the Board of Directors may be Panamanian or foreign individuals or legal entities with residence or domicile established in the Republic of Panama, as the case may be.

Embassy officials, diplomatic personnel, state agencies and duly verified personalities of international importance in the business, religious, educational, scientific, artistic and sports fields may also be part of the Board of Directors of the Board of Directors.

Article 7. The Bylaws must include:

1. Name of the entity in Spanish or its translation into Spanish by an authorized public translator in Panama. The name adopted cannot be identical or similar to that of another already registered association, nor can it be advertised in a

manner that leads to misidentification or confusion about its nature and objectives. For the purposes of this numeral, the Directorate of Legal Affairs and Legal Procedures will verify that the name that is intended to be used has not been previously used.

2. First address or place where notifications are received, expressed in a clear manner, which must be in the Republic of Panama. The obligation to inform the Ministry of Government of any subsequent change of the same must be established for the delivery of notifications.
3. Geographical area where the entity will carry out its operations.
4. Its objects in detail, specific purposes with an explanation if these are charitable, for union or others.
5. Detail of the composition of the assets of the entity and the activities to be carried out for the achievement of these.
6. Body in charge of establishing the admission quotas if any.
7. The manner of affiliation, respecting human rights and fundamental guarantees consecrated in the Political Constitution of the Republic of Panama.
8. Reasons for the cancellation of membership.
9. Duties and rights of the members.
10. Governing bodies of the association.

The General Board and the Board of Directors constitute essential governing bodies of any entity. In the case of the General Board, its composition, attributions, the procedure for notices to meetings, constitution of the regulatory quorum, the adoption of resolutions, of carrying out its publications and internal acts must be specified. The Board of Directors, in addition to the above, must also specify the democratic procedure for their election and the duties of each member, guaranteeing transparency.

11. Information of the person that will hold the legal representation of the entity.
12. The procedure to reform the Bylaws, in which it should be noted that it must have the approval of the Ministry of Government, and subsequent registration in the Public Registry for the purposes of its legal validity.
13. The way the accounting records of the entity are handled with

an indication of how to record the funds that are generated, received and transferred.

14. In case of having the power to constitute chapters, indicate the procedure to establish these.

15. The procedure for dissolution and liquidation of the association, also indicating the destination of the assets once dissolved.

Article 8. Applications for legal status submitted to the Ministry of Government by an entity in formation will be subject to review by competent institutions according to the intended purposes.

Article 9. The entity in formation at whose request no observations have been made, will be granted its legal status by means of resolution. Otherwise, the applicant will have a term of sixty (60) calendar days from the date of notification of objections to the legal representative to make the necessary corrections. If the corrections are submitted within the term granted, issuance of the respective resolution will proceed; however, if the corrections do not conform to the requirements of the Ministry of Government, an additional term fifteen(15)non-extendable calendar days will be granted by means of a resolution to carry out the requested corrections. Once that term has elapsed, the Ministry will have thirty (30) days to issue the resolution, either accepting or denying the request for recognition.

Article 10. Requests for recognition of legal status will be denied, if the legal representative allows the initial term of sixty (60) days granted without delivering the required corrections or when the extraordinary period of fifteen (15) days granted to amendments, expires or the documentation is not filed in accordance with the requirements established in this Executive Decree.

Article 11. An appeal for reconsideration may proceed against the decisions of the Ministry of Government. Said appeal must be filed within the following five (5) business days, counted from the date of notification.

Article 12. Requests for recognition of legal status that have been denied in accordance with Article 10, may be re-entered only once, by the interested party incorporating all the documentation initially required, for which his/her attorney or legal representative may request the respective breakdown.

Article 13. For it to be valid, the resolution whereby the entity in formation is granted legal status and the corresponding

documentation, must be issued as public deed and be recorded in the Public Registry.

Article 14. The Ministry of Government will maintain a Registry ordered by Activity at the Directorate of Legal Affairs and Legal Procedures, in which all entities that have been granted legal status and are registered in the Public Registry must be recorded. For said registration, it will be required to submit the written request of the attorney or legal representative and a simple copy of the deed with the proof of registration in the Public Registry.

At the request of the attorney or legal representative of the association, the Ministry may issue a certification stating that the entity is registered, indicating the date, registration number and the activities it engages in.

Article 15. The NPO that has been granted legal status by the Ministry of Government is required to maintain a physical domicile for purposes of notifications.

Article 16. The Ministry of Government may previously carry out an inspection of the domicile of the entity requesting legal status or subsequent to its granting, in compliance with the duty of supervision it must exercise.

Article 17. The duly constituted NPO must have a minute book, keep an updated record of its members and the necessary accounting books or records, which may be requested at any time by the Ministry of Government.

Article 18. Two or more associations may join with the majority approval of their General Boards to carry out common objectives.

Chapter III

Funds of non-profit associations and foundations, their management, destination and operation.

Article 19. The funds received by entities with legal status recognized by the Ministry of Government from Foreign Governments, National and International Organizations or from other sources, channeled through public institutions, will be considered public in nature and subject to follow-up actions by the Ministry of Government, the supervision of the Comptroller General Office and other relevant authorities, regarding its origin, handling, destination and financing.

Article 20. Self-management income and those from any other source, not channeled through a public institution, will not be

considered public funds, nor subject to the management, destination and operation rules established for them, for which the entity with legal status may use them in accordance with the provisions of its bylaws, without prejudice to the inspections, verifications and follow-ups carried out by the Ministry of Government on these.

Article 21. Public funds obtained by NPOs must be deposited in bank accounts in financial institutions registered in Panama. These accounts, as well as their movements of funds, may be audited by the Comptroller General of the Republic.

Chapter IV

Dissolution, liquidation and destination of the funds and assets of the association

Article 22. The NPOs may be dissolved for the reasons established in their Statutes, with the prior consent of the Board of Directors or with the approval of the General Board. The dissolution must be recorded in the Public Registry and subsequently notified to the Ministry of Government.

The funds and assets of the entities that have been dissolved must be donated to charitable institutions or entities with similar purposes or, failing that, adhere to the provisions of section 72 of the Civil Code.

Chapter V

Reform of the Bylaws

Article 23. The duly registered NPO requesting a reform of its bylaws, must submit the following documentation to the Ministry of Government:

1. Power of attorney and application filed through an attorney.
2. Minutes of the General Meeting of the Board approving the reform, specifying the articles to be amended and what the reform consists of, duly endorsed by the President and the Secretary. A copy of the identity card of each of them must be provided.
3. A Certification issued by the Public Registry stating the validity and legal representation of the entity.
4. Plain copy of the public deed of recognition of legal status with proof of registration at the Public Registry.
5. Bylaws amended by the President and Secretary.
6. Two copies of all the documentation.

Article 24. The request to amend the Bylaws, provided it does not violate current legal norms, will be approved by means of a resolution that must be issued as a public deed for Registration at the Public Registry. A copy of the public deed with the proof of registration must be filed with the Directorate of Legal Affairs and Legal Procedures of the Ministry of Government for their records.

Chapter VI

Establishment of Subsidiaries of Foreign Organizations

Article 25. For the establishment of subsidiaries, it is necessary to comply with the following requirements:

1. Power of attorney and application filed through an attorney.
2. Authorization from the President, Legal Representative or the person who manages the foreign entity to be constituted as a subsidiary in the Republic of Panama.
3. Documentation of the entity legally registered abroad duly authenticated by the corresponding authorities.
4. List of members of the Board of Directors with subsidiary in Panama, in accordance to the provisions of articles 4 and 6 of this Executive Decree.
5. Establish its domicile in the Republic of Panama.
6. Specify the person who will hold the legal representation of the entity in the Republic of Panama which may be Panamanian or a foreigner residing in Panama.
7. All the documentation submitted and the request must be duly legalized, and the documents issued in a language other than in Spanish must be submitted together with the corresponding translation into Spanish by an authorized public interpreter.
8. Two copies of all the documentation.

Chapter VII

Establishment of Federations

Article 26. For the establishment of federations, all the requirements for the constitution of an association or subsidiary must be met, submitting, in addition, a certification of the Public Registry certifying the registration and good standing of each one of the entities that shall integrate the federation, the Minutes of General Board with the majority approval to carry out mutual purposes and plain copy of the certificate of registration at the Registry of the Ministry of Government.

Chapter VIII

Supervision, Follow-up and Evaluation of the Associations and Non-profit Private Interest Foundations.

Article 27. The Department of Supervision, Follow-up and Evaluation of the NPOs is an agency of the Directorate of Legal Affairs and Legal Procedures of the Ministry of Government and oversees the supervision, follow-up and evaluation of the operational functioning of the NPOs recognized by the Ministry of Government.

Article 28. The Department of Supervision, Follow-up and Evaluation of the NPOs with the administrative hierarchy of the Department and all the duties, competence and powers determined by this executive decree, shall be composed by a chief and administrative personnel under his/her management and will have competence at the national level.

Article 29. Objectives of the Department of Supervision, Follow-up and Evaluation of the NPOs:

1. To permanently supervise, based on risk assessments, the operation of all the NPOs recognized by the Ministry of Government.
2. To exercise mechanisms of control to minimize risks and follow-up the NPOs recognized by the Ministry of Government in order to prevent that these contravene the provisions that regulate these types of entities currently in force.

Article 30. As part of its duties, the Department of Supervision, Follow-up and Evaluation may:

1. Oversee the authorization and registration of Legal Status of those NPOs recognized by the Ministry of Government.
2. Supervise, based on risk assessments, the legal status of the NPOs recognized by the Ministry of Government in respect to the requirements and administrative processes, with the corresponding notes, evaluations and recommendations in order to guarantee the proper development of the activities and the purposes and objectives for which these were created, that is, its non-profit nature.
3. Verify and demand the records of the funds received, generated or transferred by the NPOs recognized by the Ministry of Government.
4. Apply to the NPOs the supervision, follow-up and evaluation measures recognized by the Ministry of Government, required in accordance and for the compliance of the present executive decree.

Article 31. The Department of Supervision, Follow-up and Evaluation shall have the following duties:

1. Request all the documentation deemed convenient and necessary for the duties of supervision, follow-up and evaluation of the NPOs recognized by the Ministry of Government.
2. Instruct and carry out audits to the books, minutes, documents and others that correspond to the administration, financial management and the operation of the entities subject to supervision.
3. Request the officers, representatives or the persons responsible of the NPOs to provide the required reports in accordance to the results of the audits made.
4. To suspend the Legal Status of the NPOs provisionally for a term of no more than thirty (30) days if these fail to:
 - 4.1. Report their change of address, board of directors and financial balance in accordance to the provisions of article 40 herein.
 - 4.2. Engage in activities contrary to the non-profit nature of the NPO.
 - 4.3. Carry out acts or activities contrary to the provisions of this executive decree.

The suspension shall remain until the corrections have been carried out and the objections made in that respect are remedied.

5. Suspend the Legal Status of the NPOs by order of competent authority in which case the suspension shall remain for the duration of the investigations or proceedings.

When any NPO incurs in one or more grounds for suspension as mentioned in this article, this measure will be decreed by administrative means through a Resolution, and the decision must be sent to the competent authority, in the appropriate cases.

Article 32. The Department of Supervision, Follow-up and Evaluation will have the following powers:

1. To visit the NPOs recognized by the Ministry of Government at its domicile to supervise its activities and operations.
2. To request and convene the Representatives of the NPOs recognized by the Ministry of Government to submit any documentation or provide information required by the Department to explain, clarify or rectify defects related to its legal status. This communication or citation shall be delivered personally to the person who is present at the legal address of the entity or by notification edict.

Article 33. All information and documentation being reviewed by the Department of Supervision, Follow-up and Evaluation of Legal Status must be kept strictly confidential. Access will only be given to the parties involved or their representatives. Third persons and attorneys who are not party will only be informed as it is confidential information, so the Department shall proceed in accordance with the rules of transparency in public management.

Article 34. Information on Associations and Foundations with Legal Status recognized by the Ministry of Government and those that are in process, may be provided at the request of the Financial Analysis Unit for the prevention of the crime of money laundering and financing of terrorism of the General Directorate of Income and of the Public Prosecutor's Office, in accordance with the duties carried out by these institutions.

Article 35. All those NPOs that have not submitted the documentation that certifies their registration in the Public Registry to the Directorate of Legal Affairs and Legal Procedures, must submit a plain copy of said registration within a period of no more than thirty (30) calendar days counted from the date of notification of the request to submit said documentation.

Article 36. When an NPO is being monitored and supervised, this situation will be included in its file and no modifications to the documentation already approved by the Ministry of Government will be allowed until the process is closed.

Chapter IX

Additional Provisions

Article 37. Private interest foundations established under the provisions of Law 25 of June 12, 1995 may be recognized by the Ministry of Government as non-profit private interest foundations, provided these meet the following requirements:

1. Power of attorney and request through an attorney.
2. Plain copy of the public deed whereby the documents were formalized in order to confirm if the Foundation Charter stipulates that its purposes are strictly social.
3. Certification of the Affiliation of the Foundation to the regime of the City of Knowledge.
5. Original and two copies of all the documentation.

The foundations referred to in this article must comply with

the provisions of article 14 of this executive decree.

Chapter X

Final Provisions

Article 38. The Ministry of Government will publish in its website the list of the associations or foundations listed in the registry of the Directorate of Legal Affairs and Legal Procedures. This information shall be updated with the necessary frequency in order to maintain its validity.

Article 39. The internal conflicts in the NPOs, related to the challenge to actions or decisions of the General Meeting or Board of Directors, when these contravene the law or the bylaws, are competence of the regular courts of justice, so the Ministry of Government may not be able to rule on the matter, therefore, by will of the parties, these may be settled through alternate methods for conflict resolution.

Article 40. The NPOs authorized by the General Directorate of Income of the Ministry of Economy and Finance to receive donations deductible from the Income Tax, or that receive public funds for the execution of projects or that carry out transfers of funds abroad must submit a report before the Ministry of Government from the previous year, in respect to its domicile, current board of directors and financial balance. Said report must be summited within the first three months of the year starting from the year 2018.

The NPOs referred to herein are those recognized by the Ministry of Government under this Executive Decree as well as those previously recognized.

Non-compliance of this obligation for two consecutive years will result in the suspension of the legal status until submission of the respective reports.

Article 41. The Ministry of Government will carry out with associations or foundations with legal status, outreach activities such as feedback, training, working tables, among others.

Article 42. This executive decree revokes the Executive Decree No. 524 of October 31, 2005, Executive Decree 627 of December 26, 2006, Executive Decree No. 615 of July 12, 2012, any provision contrary to it and renders Resolution No. 30-R-10 of

February 16, 2012 without effect.

Article 43. This executive decree shall take effect from its enactment.

APPLICABLE LAW PROVISIONS: Article 39 of the Political Constitution of the Republic, articles 64 and 69 of the Civil Code, Law 19 of May 3, 2010.

BE IT NOTIFIED AND ENFORCED.

Given in Panama City, on the Thirtieth (30th) day of the month of March two thousand seventeen (2017).

(Signed-Illegible)

JUAN CARLOS VARELA RODRIGUEZ

President of the Republic

(Signed-Illegible)

MARIA LUISA MORENO

Minister of Government

(SEAL:
PRESIDENCY OF THE REPUBLIC OF PANAMA
MINISTRY OF THE PRESIDENCY
RECORDED)

The foregoing is a true and correct translation into English of the document in Spanish attached hereto. Panama, September 9, 2020.


Xiomara Calderón
Traductor Público Autorizado
Inglés a Español - Español a Inglés
Resolución No. 866 del 2013