

Title:

Panama Investment Corporation

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Summary:

Investment corporations, also known as investment funds, are institutions of collective investment.

Keywords:

asset protection, offshore banking, offshore bank account

Article Body:

Investment corporations, also known as investment funds, are institutions of collective investment. They gather capital from the public to reinvest it collectively and diversely, therefore the investment risks are lower and the returns to the investors are in theory going to be enhanced. It is a Panama vehicle to raise third party investment funds.

Definition - An investment corporation in Panama is any judicial person (corporation or foundation), trust or contractual agreement that, through the issuance and sale of its own participation quotas, is dedicated to the business of obtaining monies from the investment public, through one time payments or periodical payments, with the object of investing and negotiating, either directly or through investment managers or administrators, investments in securities, bonds, options, futures, metals, real estate or any other recognized investment medium. The Panama investment corporations are entities that gather funds from the public to reinvest them collectively. The intent is that they can offer lower risks and costs of administration (reduced trading commissions for instance) and a professional capability of investment analysis, administration, follow up and financial control of the investment.

Investment Corporations Conducting a Public Offering in Panama

It is legally understood that a public offering of participation quotas of an investment corporation is taking place when it or its investment administrator, or another entity on behalf of it, offers securities through marketing and promotion activities in the territory of the Republic of Panama. These marketing and promotional activities are any form of communication targeting potential investors with the object of promoting the subscription or obtaining participation quotas (investments) in an investment corporation vehicle, and

will be considered to be in the territory of the Republic of Panama as long as it is addressed to people domiciled in Panama. This is probably not of interest to many of you since you are reading this in English not Spanish. It is useful to read through this article to see how the law operates and how one can be excluded from registration which will probably be of great interest to you.

An investment corporation is considered to be administered in or from Panama when one of the following applies:

1. That the investment corporation designates an investment administrator in the Republic of Panama.
2. That the principal domicile of the investment corporation is located in the Republic of Panama, or the prospect or any other advertisement material indicates that it is located in Panama.
3. That the investment corporation designates a custodian in the Republic of Panama
4. That the directors necessary to adopt a resolution of the Board of Directors of the investment corporation have their domicile in Panama.

#### Investment Corporations Requiring Licensure with the Panama Securities Commission

1. Simple Investment Corporations: Only have one type of participation quotas and one investment portfolio.
2. Umbrella Investment Corporations: Have multiple series of participation quotas with different investment portfolios.
3. Multiple Class Investment Corporations: Have multiple series of participation quotas, each one of those series with different terms regarding the payment of commissions and subscription fees, redemptions and administrative fees.
4. Principal Fund Feed by other Funds: This is best described as an investment corporation that invests in other investment corporations.

#### Requirements for the Registration of an Investment Corporation in Panama

1. Name and incorporation information.
2. Legal and commercial domicile of the corporation.
3. Designation of an investment administrator who will have to have a License issued by the National Securities Commission. When the investment corporation will be administered for itself, the documentation regarding the person who will be the principal executive and the compliance officer must be submitted.
4. Designation of a custodian for the investment corporation.
5. Identification of the type of fund.

6. Authorized share capital and minimum capital to initiate the operation.
7. Amount of participation quotas required to be registered for public offering and value of the initial offer.

#### Documents to be Submitted with the Application

1. Authenticated copy of the articles of incorporation, which must establish that the corporation will exclusively operate as an investment corporation and the accounting books will be kept in Panama. Must be in Spanish but a certified English translation can be obtained.
2. Copy of passport or Panama Cedula of Directors.
3. Audited financial statements or audited initial balance.
4. Curriculum Vitae of Directors and Dignitaries and Legal Representative.
5. Informative prospect of the investment corporation.
6. Signed contract with the investment administrator and signed contract with the custodian.
7. Draft Code of Conduct for those investment corporations that will assume their own administration and representation.
8. Advertisement and other publicity material that will be used by the investment corporation (everything that will be used even once).
9. Draft of the investment contract to be subscribed to every potential investor.
10. Draft Minutes of the Board of Directors establishing all terms and conditions related to the operation of the investment corporation.

#### Private Investment Corporations ? Registration Exempt

This type of investment corporations are not required to be registered in the Securities Commission and therefore are not subject to the rules that applies to registered investment corporations found above.

The Commission can sanction any representation or declaration that the investment corporation does, stating that it is registered in the Commission.

It is considered to be a private investment corporations when it is administered in the Republic of Panama or from the Republic of Panama, and has participation quotas that are not offered in the Republic of Panama and that its Articles of Incorporation includes one of the following two dispositions:

1. One disposition that limits the amount of effective owners of its participation quotas to 50, or that stipulated firmly that the offers for the investment will be done through private communications only and not through public communication such as web sites, newsletters, print or media ads etc.

2. A disposition that establishes that its participation quotas will only be offered to qualified investors in minimal initial investment amounts of \$100,000.

The private investment corporations must designate a representative in Panama, who can be an licensed investment administrator, a securities house, a licensed investment advisor, a licensed Bank, an Accountant or a Lawyer, who must be able to dully represent the investment corporation before the Securities Commission at any time.

They must provide copy of the Articles of Incorporation, the Offering Prospectus, Audited Financial Statements, name and address of Directors. Yearly audited statements must be submitted.

#### Self-Administered Investment

When the investment corporation decides not to use an outside investment administrator, it must comply with the following:

1. The investment corporation must have at least 3 members of the Board of Directors, all of whom must have renowned business and professional honorability. They must be able to demonstrate that they are reputable well-regarded business professionals. This is generally established with reference letters, education and professional licensures.
2. At least one third of the members of the Board of Directors must have adequate knowledge and experience in fields related to securities market and financial market in general. This would be established through professional licenses, work experience, references and education.
3. Have a complete administrative and accounting organization, in addition to technical (Information Technology, Legal) and human resources for the administration of the investment corporation. They must be able to clearly demonstrate that all the pieces are in place to be able to competently and profitably administer the investment.
4. An internal code of conduct.
5. Designate a compliance officer that can ascertain all investment and due diligence requirements are being complied with.

This document was basically translated from Spanish Legalese and putting it into English Legalese which if you have ever tried it you would know it is not easy so do feel free to ask questions.