

Bearer Shares

1. Changes

After long discussions and several turning points, the national assembly finally approved the proposed changes regarding the immobilisation of bearer shares and adopted Law 47 of 6 August 2013, which stipulates that

- **Bearer shares do remain possible**
- **Bearer shares to be deposited with a custodian from 2015 / 2018**
- **No increase of the Franchise tax like in other jurisdictions**
- **Coming into force in 2015 plus transitional period**

2. Overview

The law does not abolish the system of bearer shares of Panama corporations but changes the rules regarding the whereabouts of the shares. In the future, shares will need to be issued as registered shares or be deposited with an authorized custodian

The custodian can be a bank, a broker-dealer or clearing house or a trust company. In addition, registered agents may also act as custodians under the new law. We will be able to provide these services either using the lawfirm or the licensed trust company. We will update on this issue at a later stage

In contrast to other jurisdictions, there is no increase in the franchise tax if bearer shares will be issued. However, the immobilisation of the bearer shares with a custodian will increase costs for this service

The law will come into force on **7 August 2015** and offers a **three years transitional period**. This means that there is no need to adapt existing structures until 7 August 2015. After that date:

- Bearer shares issued before 7 August 2015: Three years period to exchange bearer into registered shares or deliver shares to the custodian – with full identification of the shareholder by means of an affidavit
- Bearer shares issued after 6 August 2015: Delivery of bearer shares to the custodian within 20 days after issuance

3. Caveat

While bearer shares can still be used for Panama corporations up to 2018, it might well be that certain market participants will adopt internal guidelines preventing the use of bearer shares earlier. Then there could be consequences if the statutes of a corporation will allow for the issuance of both types of shares.

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