

PANAMA'S STOCK MARKET AND SECURITIES SUPERINTENDENCE ADDRESSES CROWDFUNDING

On March 19, 2018, the official Gazette of Panama published the Opinion 001-2018 issued by the Superintendence of Banks (SMV for its acronym in Spanish), by means of which the SMV details regulatory and administrative stance regarding crowdfunding. Crowdfunding consists, mainly, in perceiving small amounts of money from a large number of individuals or entities, to raise funds, generally through online platforms and/or Internet.

Different international organizations have defined, regulated and analyzed the risks of crowdfunding. According to these international regulations, there are the following types:

- **Loan:** direct alternative to a bank loan, with the difference that, instead of borrowing from a single source, companies can borrow directly from several individuals who are willing to lend.
- **Investment:** sale of a participation in your business to a number of investors in consideration of an investment.
- **Reward:** donations of individuals to a project or business, which will not receive financial reward, but a good or service at a later stage.
- **Donation:** individuals donate without expecting a reward.

The SMV has concluded, and therefore accepts as an administrative position, that crowdfunding of investment should be subject to its scope of regulation and supervision, since through digital platforms, companies offers to the public shares or participations in consideration of the contributions made by investors.

It is important to mention that digital platforms and/or the internet are currently mass media, so offering shares or participations through this means reaches an undetermined amount of public, which undeniably makes crowdfunding a public offering of securities.

The SMV also recognizes that the Panamanian Securities Market Law allows certain offers, sales or transactions to be exempted from the public offer requirement, including crowdfunding offers, after the due analysis of the SMV, who must issue a Resolution in this regard. Consequently, as long as no exception is made, investment crowdfunding carried out in or from the Republic of Panama is subject to the regulations of public offers of securities pursuant to Title V of the Securities Market Law of Panama.

For more information, do not hesitate to contact us.



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