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statutory provisions to protect the financial centre and to suppress narcotics crime and money-laundering. Those provisions require banks as well as lawyers and trust companies to identify their clients ("Know your Client" rule) and so "to sift the chaff from the grain". In the year 2000, all-crime legislation has been enacted.

FEATURE Panama

Judicial assistance

Panama has signed some treaties on judicial assistance on criminal matters under Panamanian legal norms, excluding tax any issues. Foreign assistance applications in fiscal matters are not accepted even when typified as criminal abroad.

Diplomatic relations

Panama, as an independent country, maintains diplomatic and consular relations with practically all countries of the world. Although it is a signatory of the Hague Convention it may occasionally be useful to have documents legalized by a foreign mission in Panama. Also, it is reassuring to know that Panama's legislation develops in its own right, and is not prescribed by a "parent country".

Memberships

Panama is a member of: the United Nations (UNO); the Organization of American States (OAS); the Latin-American Economic Organisation (SELA); the Union of Banana Exporter Countries (UPEB); the Conference of Bloc-Free Nations; the International Bank for Reconstruction and Development (World Bank); the Inter-American Bank for Development (DB); the International Monetary Fund (IMF); and was a former member of the UN Security Council. The country also participates in all international maritime organizations, such as the IMO.

The Liechtenstein foundation

The Principality of Liechtenstein with its Continental European Roman law system was the first (1926) to evolve from its company law code (PGR) a private foundation, which found its widest application in the form of the family foundation. That institution was in time to become, alongside the common-law trust, one of the chief vehicles worldwide for settling the

succession to private assets. The institution was eventually adopted by Panama.

Foundation of public interest

Prior to the adoption of private foundations law by Panama in June 1995, the formation of foundations was subject to close legal restrictions and special government approval. The endowment capital had to be located in Panama, and only charitable, ecclesiastical and benevolent foundations were admissible, so there was no scope for foundations managing private assets.

The private foundation

In recent years, the demand for succession settlements has grown worldwide. That need is also the reason for the rapid spread of the common-law trust, even in Continental Europe. As Panama had already adopted a modern trust law in 1984, it decided also to provide alternatively a civil-law instrument for the same purpose. On 12 June 1995, Panama's Parliament passed the Act No. 25 on private foundations, thus permitting family and mixed foundations to be formed as legal entities. Thus the fiduciary facilities have now been supplemented by an offshore foundation for assets management, notably for the purpose of settling the succession to private assets.

In the next instalment of this study we will look at the essential features of the Panama foundation.

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