



FAP 2016

Fondo de Ahorro de Panamá

Pillar 1: Legal

Legal framework, objectives, and coordination with macroeconomic policies

Principle 1

1. The legal framework for the SWF should be sound and support its effective operation and the achievement of its stated objective(s).

1.1. The legal framework for the SWF should ensure legal soundness of the SWF and its transactions.

1.2. The key features of the SWF's legal basis and structure, as well as the legal relationship between the SWF and other state bodies, should be publicly disclosed.

Fondo de Ahorro de Panama ("FAP") legal framework is composed of the following:

- Law # 38 (5 June 2012)
- Law # 87 (4 December 2012)
- Executive Decree No. 1068 (6 September 2012)
- Investment Guidelines (2012, 2014, 2016)

Effective Panamanian laws are published in the National Gazette for public knowledge.

Principle 2

The policy purpose of the SWF should be clearly defined and publicly disclosed.

FAP's purpose is well defined through legal framework, that is publicly disclosed through the National Gazette, and can be downloaded in several public institutional websites such as: Asamblea Nacional de Diputados de Panama (Panama's National Assembly), FAP, Ministerio de Economia y Finanzas (Ministry of Economy and Finance of Panama)

Principle 3

3. Where the SWF's activities have significant direct domestic macroeconomic implications, those activities should be closely coordinated with the domestic fiscal and monetary authorities, so as to ensure consistency with the overall macroeconomic policies.

FAP legal framework has been done according to domestic macro-fiscal and monetary policies.

Principle 4

4. There should be clear and publicly disclosed policies, rules, procedures, or arrangements in relation to the SWF's general approach to funding, withdrawal, and spending operations.

4.1. The source of SWF funding should be publicly disclosed.

4.2. The general approach to withdrawals from the SWF and spending on behalf of the government should be publicly disclosed.

Funding, withdrawal and spending operations are clearly defined through FAP legal framework and policies.

Principle 5

5. The relevant statistical data pertaining to the SWF should be reported on a timely basis to the owner, or as otherwise required, for inclusion where appropriate in macroeconomic data sets.

FAP periodical reports have been clearly defined through legal framework and policies.

FAP reports can be accessed online at <http://www.fondoahorropanama.com/>

Pillar 2: Institutional

Institutional Framework and Governance Structure.

Principle 6

6. The governance framework for the SWF should be sound and establish a clear and effective division of roles and responsibilities in order to facilitate accountability and operational independence in the management of the SWF to pursue its objectives.

FAP governance framework is well-defined in its legal framework.

Principle 7

7. The owner should set the objectives of the SWF, appoint the members of its governing body(ies) in accordance with clearly defined procedures, and exercise oversight over the SWF's operations.

Governance framework mentioned (Board of Directors, Trustee, Settlor, Independent Supervisor Commission, independent external auditor and General Comptroller).

Principle 8

8. The governing body(ies) should act in the best interests of the SWF, and have a clear mandate and adequate authority and competency to carry out its functions.

FAP governance framework has been aligned to corporate governance best practices.

Principle 9

9. The operational management of the SWF should implement the SWF's strategies in an independent manner and in accordance with clearly defined responsibilities.

FAP governance framework has been aligned to corporate governance best practices.

Principle 10

10. The accountability framework for the SWF's operations should be clearly defined in the relevant legislation, charter, other constitutive documents, or management agreement.

FAP governance framework is well defined through its legal framework.

Principle 11

11. An annual report and accompanying financial statements on the SWF's operations and performance should be prepared in a timely fashion and in accordance with recognized international or national accounting standards in a consistent manner.

FAP periodical reports have been clearly defined through legal framework and policies.

Principle 12

12. The SWF's operations and financial statements should be audited annually in accordance with recognized international or national auditing standards in a consistent manner.

FAP financial statement are audited in accordance to IFRS by an international recognised audit firm.

Principle 13

13. Professional and ethical standards should be clearly defined and made known to the members of the SWF's governing body(ies), management, and staff.

FAP developed an induction program of Code of Ethics & Standards of Professional Conduct to all team members.

Principle 14

14. Dealing with third parties for the purpose of the SWF's operational management should be based on economic and financial grounds, and follow clear rules and procedures.

FAP rules and procedures have been defined through legal framework and policies. The organisation follows National Transparency rules.

FAP financial report are of public interest and can be accessed online.

Principle 15

15. SWF operations and activities in host countries should be conducted in compliance with all applicable regulatory and disclosure requirements of the countries in which they operate.

FAP operations and activities have been clearly defined through legal framework and policies. In this case, FAP works with financial markets that are part of the benchmarks of the portfolios.

Principle 16

16. The governance framework and objectives, as well as the manner in which the SWF's management is operationally independent from the owner, should be publicly disclosed.

FAP governance framework and objectives are well-defined in the fund's legal framework.

FAP governance framework has been aligned to corporate governance best practices.

Principle 17

17. Relevant financial information regarding the SWF should be publicly disclosed to demonstrate its economic and financial orientation, so as to contribute to stability in international financial markets and enhance trust in recipient countries.

FAP financial reports are publicly disclosed on its website and the annual report is published in newspapers for the people knowledge.

Pillar 3: Investment

Principle 18

18. The SWF's investment policy should be clear and consistent with its defined objectives, risk tolerance, and investment strategy, as set by the owner or the governing body(ies), and be based on sound portfolio management principles.

18.1. The investment policy should guide the SWF's financial risk exposures and the possible use of leverage.

18.2. The investment policy should address the extent to which internal and/or external investment managers are used, the range of their activities and authority, and the process by which they are selected and their performance monitored.

18.3. A description of the investment policy of the SWF should be publicly disclosed.

FAP's Investment Policy describes objectives, strategy and risk tolerance according to settlor approved guidelines.

However, The Board of Directors reviews FAP's Investment guidelines annual and propose updates to it, if needed.

The Investment policy can be found on the FAP's website.

Principle 19

19. The SWF's investment decisions should aim to maximize risk-adjusted financial returns in a manner consistent with its investment policy, and based on economic and financial grounds.

19.1. If investment decisions are subject to other than economic and financial considerations, these should be clearly set out in the investment policy and be publicly disclosed.

19.2. The management of an SWF's assets should be consistent with what is generally accepted as sound asset management principles.

Board of Directors reviews FAP Investment Plan annually. This process includes revising investment assumptions, the yield curve forecast and asset returns.

Principle 20

20. The SWF should not seek or take advantage of privileged information or inappropriate influence by the broader government in competing with private entities.

FAP has a Code of Ethics & Standards of Professional Conduct that focuses on the confidentiality of information and best practice for professional behaviour.

Principle 21

21. SWFs view shareholder ownership rights as a fundamental element of their equity investments' value. If an SWF chooses to exercise its ownership rights, it should do so in a manner that is consistent with its investment policy and protects the financial value of its investments. The SWF should publicly disclose its general approach to voting securities of listed entities, including the key factors guiding its exercise of ownership rights.

Law # 38 of June 2013, explains when the government can exercise its ownership rights over the fund.

This rule provides macro fiscal assurance to international financial institutions and credit-rating agencies.

Principle 22

22. The SWF should have a framework that identifies, assesses, and manages the risks of its operations.

22.1. The risk management framework should include reliable information and timely reporting systems, which should enable the adequate monitoring and management of relevant risks within acceptable parameters and levels, control and incentive mechanisms, codes of conduct, business continuity planning, and an independent audit function.

22.2. The general approach to the SWF's risk management framework should be publicly disclosed.

Principle 23

23. The assets and investment performance (absolute and relative to benchmarks, if any) of the SWF should be measured and reported to the owner according to clearly defined principles or standards.

FAP custody guidelines provide the rules to measure and report asset and investment performance.

Principle 24

24. A process of regular review of the implementation of the GAPP should be engaged in by or on behalf of the SWF.

The FAP team develops a review of the implementation process of the GAPP each year.