



FAP 2025

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.

LEGAL FRAMEWORK

LAWS (published by the National Assembly/Congress & the Executive Branch – President). Law 38 of June 5, 2012, modified through Law 51 of October 10, 2018 (“the Law”) – is the law that creates the FAP, enacted by the National Assembly of Panama.

The Law establishes that the governing bodies of the FAP are:

1. The National Assembly – legislative authority.
2. The Ministry of Economy and Finance (“MEF”) – Trustor (asset owner), representative of the Executive Branch of the Rep. of Panama.
3. The Board of Directors of the FAP – main decision-making body of the Fund.
4. The Secretariat – provides executive, technical, and financial leadership to the Board of Directors.
5. Banco Nacional de Panamá (“BNP” or “The Trustee”)
6. The Supervisory Commission – reviews the Board of Director's actions; represents the civil society; and
7. [The General Comptroller of Panama – internal auditor of the FAP.](#)

[EXECUTIVE DECREE \(published by the Executive Branch, through the MEF\)](#)

[Executive Decree No. 1068 of Sept. 6, 2012 \(“the Executive Decree”\) – that regulates The Law, published by the MEF.](#)

[Law 445 of October 28, 2024 suspends the effects of Article 3 Section 1 for the fiscal years of 2024-2026.](#)

INVESTMENT DIRECTIVES (published by the MEF)

[Investment Directives, issued by the MEF \(2012, 2014, 2016, and 2022\)](#), set forth the general investment guidelines to be followed by the Board of Directors of the FAP; allows for the Board to modify such Directives subject to approval from the MEF.

INTERNAL DIRECTIVES OF THE BOARD (published by the Board of Directors of the FAP)

The Agreement establishes the Internal Directives of the Board of Directors of the FAP which describe the composition, functions, and responsibilities of: The Chairman of the Board, Directors, the Trustee, MEF, and Secretariat.

INVESTMENT POLICIES & STANDARDS (published by the Board of Directors of the FAP)

Investment Policies and Standards:

[Annual Investment Plan & Strategic Asset Allocation](#)

BIDDING PROCESS AND CUSTODY DIRECTIVES (published by the Board of Directors of the FAP)

[The Bidding Process Directives, Agreement No. 11 of August 31, 2015](#), establishes the general guidelines for contracting banks, custodians, asset managers, consultants, or any other financial intermediary.

[Custody Services Directives, Agreement No. 16 of June 29, 2017](#), establishes the procedures that the custodian must follow.

Principle 2

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

The Fund was created by the Law, its main objectives being to:

1. Establish a long-term savings mechanism for the Panamanian State.
2. Establish a stabilization mechanism in case of a state of emergency (declared by the Cabinet's Council) and economic slowdowns.

The Law was approved and published by the National

Assembly of Panama, and can be publicly found on the FAP's website ([in Spanish version](#))

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.

The Law, Article 34, explains the annual laws of the General Budget of the Panamanian State and the budgetary executions will be subject to the present Law in such a way as to ensure a prudent fiscal policy and sustainable public debt. The absolute value of the deficit adjusted to the Public Non-Financial sector in relationship to the estimated annual nominal GDP shall be calculated on a cash basis and may not exceed 2.0% for the years 2019, 1.75% for the years 2020 – 2021, and 1.5% for the year 2022.

The Law, Article 35, explains and establishes when it is declared “state of emergency”, and when it is declared an “economic recession”, as well as withdrawal limits.

The disbursements from the Fund shall comply with:

Growth Rate for Real GDP Disbursement List

1.1% - 2.0%	-1.0% of nominal GDP
0.0% - 1.0%	-1.5% of Nominal GDP
Negative Growth	-2.0% of Nominal GDP

Disbursement limits are maximum limits, and the request for disbursement shall provide justification for the disbursement limit requested. It shall remain in effect for a maximum period of three consecutive years, as long as conclusive proof exists indicating that the real GDP growth rate remains below 2% motivating the disbursement.

Withdrawals from the FAP used to finance such disbursement shall comply with the limit established in the Law, Article 5.

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.

The Law, Article 3, explains the rules of funding. This article describes the sources of funding for the FAP, which are:

1) 50% of the contributions from the Panama Canal Authority ("ACP") under the following conditions: a) for the years 2018 and 2019, when all contributions of the ACP to the National Treasury exceed 2.5% of the Gross Domestic Product ("GDP") Nominal, and b) for the year 2020 onwards, when all contribution of the ACP to the National Treasury exceeds 2.25% of GDP.

2) Any inheritance, legacy and donations made to the FAP.

3) Any resources that by Law are destined to go to the FAP.

As of October 2024, Law 445 suspends funding from the Panama Canal for the fiscal years 2024-2026.

Law 51 of October 10, 2018 allows for the capitalization (reinvestment) of returns until the Fund’s net assets exceed 5% of the nominal GDP of the previous year; the cap has been lifted, allowing for indefinite reinvestments.

[Large pending contributions from 2020-2023 led the MEF to issue 4 sovereign promissory notes totaling over USD 1,270,000,000.00](#), authorized by the President of the Republic of Panama through [Cabinet Decree No. 29 of June 4, 2024](#)

Withdrawal:

Article 5 of the Law describes the withdrawal rules. FAP's resources will be used only for transfers to the Panamanian National Treasury, under the conditions established in Article 11 of Law 34 of 2008 and the rules in this article.

Withdrawals will be associated only in the following scenarios:

1. State of emergency declared by the Panamanian Cabinet Council, if the associated costs are equal to or greater than 0.5% of GDP.
2. Economic recession. This rule became effective in 2015.

*Withdrawals from the FAP mentioned in these two points will be conditioned such that the assets of the FAP will not be less than 2.0% of nominal GDP of the previous year.

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 reports, including performance of portfolios and assets, are published on a weekly, monthly, quarterly, and annual basis. Quarterly and yearly reports are published and available to the public. FAP reports and financial statements can be accessed through the [webpage](#).

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.

The Agreement of the Board of Directors of the FAP, based on the Law, Article 11, establishes the Internal Directives of the Board of Directors of the FAP describing the composition, functions, and responsibilities of: The Chairman of the Board, Directors of the Board, the "Trustee, MEF, and Secretariat. Please refer to Principle 1.

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.

The Law, Article 1 provides the objective and creation of the Fund.

The Law, Article 11, explains the composition of the Board of Directors. The Executive body will select and name the members of the Board of Directors of the FAP. The selection of the members of the Board of Directors will be subject to the ratification of the National Assembly of Panama.

The board of directors of the FAP is composed of seven (7) members. Each member is designated by the President for a period of seven (7) years. In addition, the designation of each member has to be ratified by the National Assembly. The Board of Directors elect from its members a president, who will act as its coordinator, and a vice president who will act as a president in the event of his absence or impediment.

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.

The Law establishes, through its articles, the mandates of every governing body(ies) who's role influences and involves the FAP.

Also, the Executive Decree, Investment Directives, FAP's Investment Policies and Standards (mentioned in answer 1) clearly define the mandate of the following governing bodies and their roles:

MEF:

Settlor and as representative of the Republic of Panama, owner of FAP assets, will issue the investment guidelines through ministerial resolution to provide the framework within which the Board of Directors will define the investment policy for FAP resources.

Board of Directors:

According to Law 38 (Art. 10) and Decree 1068 (Art. 12), the roles of the Board of directors are to: approve the annual investment plan; issue the custodian guidelines and bidding, propose amendment to the investment guidelines; approve report evaluation report of asset managers and custodians, prepare and approve an annual report for the Settlor, the Supervisory Commission, and the Economic & Finance Commission of the National Assembly, designate, remove, or modified the number of employees in the Secretariat, determine the salary of the employee in the Secretariat, evaluate and approve the annual Budget of the Secretariat.

Role of the Secretariat: provide overall management, investment strategy and technical support functions to the Board of directors for the exercise of its functions, and to define the regulatory framework of the FAP.

Banco Nacional de Panama is the Trustee of the Fund. The Trustee manages the assets of FAP in accordance with the terms and conditions established in FAP Contract, Law 38 of June 5, 2012, amended by Law 87 of December 4, 2012, and Decree No. 1068 of 6 September 2012 and its subsequent modifications.

Supervisory Commission: is composed of representatives of the following organizations: The Association of Certified Public Accountants of Panama; The Association of Economists of Panama; The Ecumenical Council of Panama; The National Council of Organized Workers; and The National Council of Private Enterprise.

The Supervisory Commission issues annually an Opinion Report to evaluate the Fund and its management model, corporate governance, financial results, and main strategic goals. In the Report, the Commission assesses that the management of the Fund complied with the application of prudent economic and financial reasoning in relation to the implementation of an investment strategy that is in accordance with the objectives defined in the FAP's Law and the guidelines established by the MEF.

The General Comptroller of the Republic of Panama: The Comptroller's Office oversees supervising, regulating, and controlling the movements of public funds. The Comptroller's Office acts as the internal auditor of the FAP.

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.

The MEF is the Trustor and owner of the assets of the FAP and is responsible for issuing the Investment Directives, a basis for Investment Policies. MEF also selects and names the members of the Board of Directors; The Governing body of the FAP is the Board of Directors, which establishes the Investment Policy & Standard in accordance with the Investment Directives handed down by the MEF. Such policy is used by the Board as the framework for managing the assets of the Fund.

The Secretariat of the FAP is the executive body that manages and operates the Fund. With the directions from the Board of Directors, they will instruct the trustee, asset managers, and custodians and investments, payments, withdrawals, liquidation of any portfolio, and any other topic related to the management and movement of assets of the Fund. They also provide technical support to the Board of Directors regarding financial analysis, creating of investment plans, bidding Directives, and management in the selection process for asset managers, custodians, auditors, consultants, and financial intermediaries; the Trustee of the assets of the Fund subscribe the contracts, on behalf of the Fund, with the asset managers, custodians, financial reporting, and external auditors.

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.

Please refer to answer 1.

FAP accountability framework rest on what is established in its legal framework as follows:

1. The Secretariat should prepare a monthly report that is presented to the MEF. This report includes an investment review and budget execution.
2. The Board of Directors must present to the MEF a quarterly report. This report must be sent at least 45 days after the quarter ends. Also, the report must be shared with the National Assembly and the Comptroller Office.
3. Financial Statements must be audited quarterly, annually, and when the board of director require.
4. The Board of directors must present the Annual Report of the FAP and its audited financial statement to the MEF at least on March 31. This report must be published in a newspaper in the Rep. of Panamá.
5. The Supervisory Commission issued annually an Opinion Report to evaluate the Fund and its management model, corporate governance, financial results, and main strategic goals. In the Report, the Commission assesses that the management of the Fund complied with the application of prudent economic and financial reasoning in relation to the implementation of an investment strategy that is in accordance with the objectives defined in the FAP's Law and the guidelines established by the MEF. This report must be presented least on June 30 of each year.
6. The MEF must present to the National Assembly the Annual Report, including the audited financial statements of the Fund. This presentation must be done at least on June 30 of each year.
7. The Secretariat should prepare the Annual Investment Plan to be approved by the Board of Directors. This Plan must be presented to the MEF and the Trustee.
8. The FAP must publish its approved annual budget on its [website](#) —annual reports can be found on the [financial page](#).

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 reports, including performance of portfolios and assets, are published on a weekly, monthly, quarterly and annual basis.

Audited financial statements are published on a quarterly basis by an international Big Four auditing firm. This can be found on our website: [Financiero — Panama Savings Fund](#)

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.

Financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and where appropriate as a supplemental matter, U.S. GAAP. Audited financial statements are published on a quarterly basis by an international recognized auditing firm. They can be accessed through our [website](#).

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.

The Agreement establishes the Internal Directives of the Board of Directors of the FAP which describes the composition, functions, and responsibilities of: The Chairman of the Board, Directors, the Trustee, MEF, and Secretariat.

In addition, through the [Executive Decree No. 246 of Sept. 15, 2004](#), the Uniform Code of Ethics of Public Servants who work in the entities of the Central Government is dictated.

[Investment Policy & Standards in section 6](#)

[Internal Directive of the Board](#)

[Decree 1068 \(Art. 30 & 31\)](#)

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.

The Law, Articles 26, 28, and 30, describes that the Secretariat of the FAP, instructed by the Board of Directors of the FAP, can select and contract asset management, custodian, and external auditing firms

The Law, Articles 27, and 29 describe the requirements of the firms mentioned in the previous paragraph, must comply in order to be selected and contracted by the FAP.

Asset Managers (Article 27): the firm(s) must have a credit risk rating, issued by at least two of the three international renown rating agencies (Fitch, Standard & Poor's, and Moody's) equal to or greater than

investment grade for the last 12 months.

Custodian (Article 29): the firm(s) must have a credit risk rating, issued by at least two of the three international renown rating agencies (Fitch, Standard & Poor's, and Moody's), equal to or greater than investment grade for the last 12 months.

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.

The Investment Policies and Standards assure that the contracted asset managers and custodians comply with all regulatory and legal frameworks in the countries in which they invest the assets of the FAP.

According to the National Law of Trustee, the Trustee has the responsibilities monitoring and review monthly the activities and operation in host countries conducted in compliance with all applicable regulatory and disclosure requirements of the countries in which they operate. The activities of the trustee are regulated by the National Banking Commission.

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.

According to the Internal Directives of The Board:

In the exercise of its functions, the Board of Directors will act with full independence from the MEF, in accordance with the best international practices for the management and administration of FAP assets.

By the Law and the Executive Decree, the investment decisions made by the Board of Directors will be based solely and strictly on economic and financial considerations, with a long-term profile, risk aversion and consistent with the best sovereign wealth fund management practices. The FAP Board of Directors will manage directly, at the expense and risk of the MEF and with absolute independence, the resources of the FAP, with the power to decide on their investment, disposal and other activities that correspond to the fulfillment of this function and subject to the objectives, guidelines and restrictions established in the [Law No. 38, the Executive Decree 1068](#) and the Investment Guidelines.

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.

Audited financial statements are published on a quarterly and annual basis by a recognized international auditing firm. They can be accessed through our [website](#).

Pillar 3: Investment

Investment and Risk Management Framework.

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.

The Law, Chapter IV, Article 7, describes the general Investments Directives of the FAP.

The Investment Directives establishes the investment policy of the FAP's assets and sets out risk tolerance limits through benchmarks and corresponding tracking error.

The FAP's Investment policies and standards establish the principles, parameters, and directives for the administration and management of the Fund, which at the same time, regulates the strategies in strict compliance of the Trustee, the custodian and the asset manager, as well as to follow the Santiago Principles.

In section 15 of the FAP's Investment Policies and Standards, risk management is based mainly on the use of tracking error for each portfolio managed, asset class, and corresponding benchmark. Other methods may be used, such as Montecarlo simulation, Sharpe ratio, Treynor ratio, information ratio, beta, convexity, etc.

A description of the FAP's updated investment policies and Directives can be found on our [website](#).

Below is the Allocation (maximum investment limits) by asset type of the FAP Strategic Portfolio for 2025/2026:

- Short-term assets (cash and equivalents): 10%
- Global Fixed Income (e.g., sovereign, corporate, mortgage, others): 34%
- Bonds of the Republic of Panama: 4%
- Inflation-Indexed Sovereign Bonds: 2%
- High Yield Bonds: 10%
- Global Equity (corporate shares): 25%
- Alternative Investments (e.g., private equity, infrastructure, others): 15%

More details can be found [here](#).

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.

The FAP's Investment Policies and Standards established by the Board of Directors, describes the principles, parameters, and Directives for the administration and management of the Fund, which at the same time regulates the strategies in strict compliance of the Trustee, the custodian and the asset manager. The Investment Policies and Standards are the base to prepare the Annual Investment Plan, which defines the strategy asset allocation according to the parameters and Directives of these policies.

The investments to be made should help keep a balanced risk/return profile of the Fund and to preserve its assets. The Investment Policies and Standards, Section 6, describe the ethical principles, which established the levels of professionalism to preserve the integrity of the Fund.

Investment Policies and Standards, Section 8, establishes the framework of management and ethics which align with international best practice.

The new allocation of investments in sovereign Panamanian fixed-income aligns with the FAP's economic and financial considerations — the fund's long-term investment goals of maximizing risk-adjusted returns. This has been detailed in the [2025 annual investment plan](#).

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.

Executive Decree No. 1068, Chapter VII, Article 31, explains the responsibilities of public servants. Public servants, directors, and any other personnel that has in their responsibility the decision, authorization, execution of any matter regulated by the Law and this Executive Decree, should be accountable for the decisions taken or executed actions and results obtained.

According to [Executive Decree 246, Article 18](#) - The public servant must keep confidentiality regarding facts or information about which he becomes aware by reason or on the exercise of his functions, without prejudice to the duties and responsibilities that correspond to him under the rules that regulate secrecy or confidentiality.

In addition, in [Law No. 38 \(Art. 8\)](#), the FAP cannot invest in companies in which the members of the board of directors, the Supervisory Commission, personnel of the Secretariat, board of directors/general manager of the National Bank of Panama (BNP), the president/vice president of the Rep. of Panamá, ministers or its family own the 10% or more of shares.

In [Law No. 38 \(Art. 13\)](#) The members of the Board of Directors will have the obligation to keep strict confidentiality and not use for their own benefit or that of others the information to which they will have access by reason of their participation in the Board of Directors, as well as to maintain confidentiality regarding the negotiations, operations, acts or contracts made.

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.

The Law, Article 21, states that the MEF, acting as Trustor and as representative of the Republic of Panama, owner of the assets of the FAP, will issue the investment Directives in which the Board of Directors will establish the Investment Policies and ensure that the Board of Directors is governed by the investment parameters of the FAP.

Investment Policies and Standards, Section 19, states the proxy voting services. When applicable, during the management of the assets of the FAP, the asset managers will have the duty to exercise proxy voting rights in representation of the FAP, it will do so considering the best interests of the Fund. For these matters, the asset managers will exercise such proxy voting rights based in guides and principles established by the entity that provides these services, including the principles and guides of the asset manager itself.

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.

The Law, Chapter IV, Article 7, describes the general Investments Directives of the FAP. The Investment Directives establishes the investment policy of the FAP's assets and sets forth risk tolerance

limits through benchmarks and corresponding tracking error.

The FAP's Investment policies and standards establish the principles, parameters, and directives for the administration and management of the Fund, which at the same time, regulates the strategies in strict compliance of the Trustee, the custodian, and the asset manager, as well as to follow the Santiago Principles.

In section 15 of the Investment Policies and Standards, risk management is based mainly on the use of tracking error for each portfolio managed, asset class, and corresponding benchmark. Other methods may be used, such as Montecarlo simulation, Sharpe ratio, Treynor ratio, information ratio, beta, convexity, etc.

Post-2022, the FAP has updated its risk-management framework to adapt to and assess higher-yield bonds and a turn towards equities and domestic sovereign credit.

A description of the investment policies and Directives can be found on our website at www.fondoahorropanama.com.

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.

Ministerial Resolution, Article 3.1, explains and describes the investment portfolios and their benchmarks — the asset classes that the FAP can invest in and to which benchmarks they are linked to.

Investment Policies and Standards, Section 11.1, explains that the average return and performance of the investments of the Fund can be measured applying different standard methodologies, including time-weighted rate of return or Value-weighted mean rate of return.

The performance of the asset classes should be measured in comparison with their benchmark. Benchmarks updated to the 2025/2026 Annual Investment Plan now reflect new allocations (namely domestic sovereign bonds and the expansion of equity exposure).

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 expects to review the implementation process of the GAPP on a yearly basis.