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SWITZERLAND GLOBAL ENTERPRISE

May 2924, updated October 2025

PANAMA AS A FINANCIAL HUB

A DECADE OF PROGRESS: EVOLUTION INTO A TRANSPARENT HUB

Over the past ten years, Panama's financial landscape has undergone a remarkable transformation, transitioning from a jurisdiction known for its secrecy to one characterized by transparency laws and international cooperation to appeal to a reputable clientele. This shift has been driven by both external pressures and a strategic vision and desire to maintain Panama's regional significance. Panama's inherent advantages - strategic location, dollarized economy, robust infrastructure, and favorable business climate - solidify its position as a key player in Latin American finance.

EMBRACING TRANSPARENCY

Panama's journey towards transparency began with the recognition of the need to address concerns surrounding money laundering and tax evasion. In response, the country has designed and implemented a series of reforms, including joining the Financial Action Task Force (FATF) and establishing automatic exchange of information agreements with numerous jurisdictions or countries. These measures have significantly enhanced transparency within Panama's financial system and fostered greater collaboration and cooperation on the global stage.

SHIFTING FOCUS

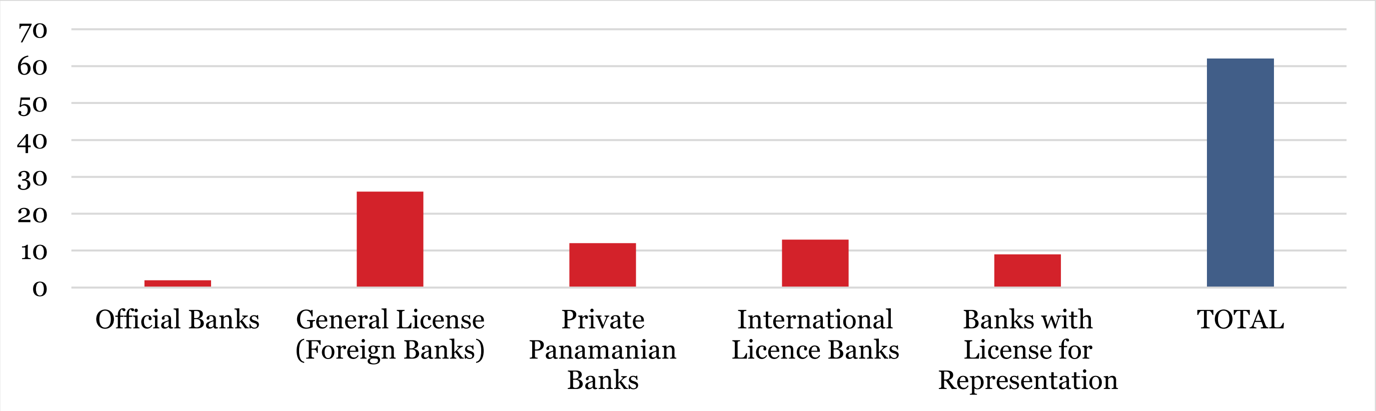
The evolution of Panama's financial sector has been accompanied by a shift in focus. While private banking and wealth management were once dominant, the emphasis has now expanded to encompass a broader range of services aimed at attracting reputable international clients. These include wealth management for high net-worth individuals, trade finance to support Panama's robust logistics sector, and the establishment of regional headquarters for multinational corporations.

Despite some high-profile departures, Panama remains a pivotal financial centre in the LATAM region for several reasons. Its strategic location as a gateway between North and South America, coupled with the Panama Canal, continues to facilitate international trade and financial transactions. Moreover, Panama's dollarized economy, stable political climate, and strong trade ties further bolster its appeal as a business destination for companies looking to expand into Latin America.

The Panamanian Banking Center boasts strong capital adequacy and liquidity and thrives with ratios exceeding regulatory requirements. The global capital adequacy ratio sits at a robust 15.9%, nearly double the minimum of 8%. Liquidity is equally impressive, reaching 59.6%, almost twice the legal requirement. (1)

Panama's domestic credit market exhibits a high concentration, with just 10 banks controlling a combined 83.2% share. Banco General, S.A. leads the pack with a commanding 17.52% portion, followed closely by Banistmo, S.A. (13.15%), Global Bank Corporation (10.13%), Banco Nacional de Panama (10.11%), and BAC International Bank Inc. (6.9%). Notably, these top five banks hold nearly 60% of the domestic credit portfolio. When it comes to their primary focus, mortgage lending reigns supreme, followed by activities in commerce and services. (2)

Graphic: Number of operating Banks in Panama



Source: Superintendencia de Bancos Panama. Centro Bancario Internacional Bancos Operativos, March 2024

INSURANCE AND REINSURANCE IN PANAMA - KEY FACTS

Panama has become an attractive hub for insurance and reinsurance investment, thanks to its modern regulatory framework, alignment with international standards, and openness to 100% foreign ownership. The sector is currently transforming, positioning Panama as a regional center for risk management.

Regulatory Authority: Supervision by Insurance and Reinsurance Superintendency of Panama, under the Ministry of Commerce and Industries. Responsible for licensing and registration of companies; monitoring financial solvency and market conduct; consumer protection oversight; and compliance with international treaties and standards.

Legal Framework: Insurance: Law No. 12 of 2012 and Agreement No. 01/2025 (replacing Agreement No. 04/2012). Reinsurance: Law No. 63 of September 19, 1996. Panama’s regulatory framework is aligned with IAIS and OECD standards, enhancing credibility in cross-border operations.

Market Snapshot Panama (2025) (6):
- ~45 licensed insurance companies, ~10 of these are foreign-owned or affiliated with international groups
- Main lines of insurance: life, health, property, liability, and specialty insurance
- Headquarters mainly in Panama Province, with regional branches in Chiriquí, Herrera, and Veraguas.

Market Structure: Highly concentrated, with top five companies controlling ~70% of sector´s premium volume: ASSA Compañía de Seguros, Internacional de Seguros, MAPFRE Panamá, Pan-American Life Insurance de Panamá (PALIG), and Seguros Suramericana (SURA). Other relevant players: General de Seguros, Aseguradora Ancón, and Mercantil Seguros (Óptima).

Foreign Investment: Panama’s insurance market offers fertile ground for foreign investment, with international ownership playing a crucial role in shaping its growth and competitiveness. The Open investment regime allows 100% foreign ownership and full profit repatriation. At least 10 companies are foreign-owned or part of international groups. Key international participants: MAPFRE Panamá (Spain), CHUBB Seguros Panamá (Swiss-American, incorporated in Zürich), BUPA Panamá (UK), Pan-American Life Insurance de Panamá (U.S.), and Sagicor Panamá (Caribbean).

Reinsurance: Mainly conducted by foreign reinsurers authorized under the countries' updated regulatory framework (Agreement No. 01/2025). Panama has few local reinsurers licensed. Instead, approval is granted to foreign reinsurers via Agreement No. 01/2025, requiring proof of solvency and compliance in the reinsurer's home jurisdiction.

MAINTAINING SIGNIFICANCE AS A REGIONAL HUB

Amidst these transformations, Panama remains a cornerstone of financial activity in Latin America. Here's why:

- **Strategic Location**: Panama's geographical advantage as a crossroads between North and South America, bolstered by the Panama Canal, streamlines international trade and financial interactions.
- **Robust Infrastructure**: Panama stands out for its advanced infrastructure, encompassing cutting-edge communication technologies and a refined banking system. This infrastructure facilitates seamless movement of both capital and information.
- **Favourable Business Climate**: Panama offers a business-friendly environment with competitive tax structures and efficient company registration processes. Business-Friendly Environment: Panama fosters a welcoming business climate, characterized by competitive tax frameworks and efficient company registration procedures, attracting entrepreneurs and investor alike.

MERCOSUR

Panama's commitment to regional collaboration has been further strengthened by its recent association with Mercosur. In December 2024, Panama officially became an Associated State of Mercosur, the first country outside South America to obtain this status. The move signals Mercosur's broader hemispheric vision and deepens Panama's regional integration

- While Panama is not a full member (like Brazil or Argentina), the association offers key advantages: preferential access to Mercosur's market of 300 million people, participation in trade agreements and economic cooperation (without voting rights or influence over internal decisions), and strategic collaboration across economic sectors.
- The status was formalized through the signing of **Economic Complementation Agreement No. 76** during the 65th Mercosur Summit in Montevideo, Uruguay, and ratified in Panama on October 13, 2025, through **Law 489**.
- This ratification consolidates Panama's economic alignment with Mercosur and reinforces its role as a gateway between South America and global markets. It also positions Panama not merely as a service economy but as a strategic hub for production, diplomacy, and modernization in Latin America.
- Together, these developments reinforce Panama's position as both a regional connector and a trustworthy financial hub in the Americas.

LOOKING AHEAD/ OPORTUNITES

The landscape of Panama's financial sector continues to evolve, offering opportunities for new entrants, particularly in wealth management, financial consulting, fintech, and insurance services for an international clientele. Traditionally, large banks dominated the market, offering private banking services.

Panama's international standing has further improved through additional milestones in global recognition. In October 2023, Panama was removed from the FATF grey list, reflecting its commitment to transparency and reform. In addition, Panama's removal from the European Union´s grey list of high-risk jurisdictions on July 9, 2025, significantly boosted its financial credibility, facilitated access to European markets, and increased investor confidence. Following the European Parliament's approval of Act C (2025) 3815, Panama no longer appears among jurisdictions identified as having strategic deficiencies in anti-money laundering, tax transparency, and counter-terrorist financing protocols.

This milestone marks a major financial and reputational achievement, culminating several years of legal and institutional reforms aimed at strengthening Panama's regulatory framework. The decision is expected to generate a positive impact across Panama's financial sector and broader economy, enhance international reputation, facilitate financial transactions, and reduce costs for cross-border operations involving EU counterparts. It also positions Panama as a more attractive and lower-risk destination for foreign direct investment.

FINTECH AND DIGITAL TRANSFORMATION

Panama is rapidly emerging as a hub for financial innovation in Latin America, presenting opportunities for companies offering business technology solutions (BTS) tailored to financial institutions in the region. Panama boasts a growing fintech industry fueled by high internet and mobile penetration, creating strong demand for tech solutions that streamline financial services and reach underserved populations.

A new study by the Inter-American Development Bank (IDB) highlights gaps in financial inclusion: only 46% of Panamanians own bank accounts, compared with 55% regionally, and only 69% of businesses use basic accounts. (3, 4) This creates an opportunity for the fintech sector to bridge the gap and achieve significant growth.

Initiatives to modernize payment systems and establish regulatory sandboxes, along with a new bill to regulate crypto assets and promote blockchain adoption, could attract investment and talent. The fintech ecosystem already shows strong growth in cryptocurrency and blockchain solutions, peer-to-peer payments (e.g., Aeon), digital wallets, business financing, consumer lending, and insurtech.

Digital payment transactions have grown by 29% annually over the last two years. Major players include Yappy (Banco General), Nequi (Banistmo), and Zinli (Banco Mercantil), alongside emerging entrants, transforming how Panamanians manage their finances. (5) These developments position Panama as a leading fintech hub in the region.

CONCLUSION

Panama's transformation into a transparent and reputable financial hub reflects its commitment to adapt to the changing global landscape. By embracing transparency and attracting reputable clients, Panama is well-positioned for continued success, drawing innovative players in wealth management, financial consulting, fintech, microlending, and insurance.

HOW S-GE CAN SUPPORT

If you have a groundbreaking financial product, service, or fintech solution, we can help you navigate expansion into Panama and the region. Our network connects you with the right business partners to launch your vision, giving you a valuable first-mover advantage.

Our Swiss team, partnered with the Swiss Panamanian Chamber of Commerce and the Swiss Embassy responsible for Panama, Costa Rica, El Salvador, and Nicaragua, provides the latest intelligence and local expertise. We offer tailored support for your Panamanian expansion, from comprehensive workshops and market analysis to navigating legal requirements. Support can range from full-service launch assistance to targeted legal guidance.

We look forward to hearing from you!

Complied by Swiss Panamanian Chamber of Commerce, Panama City, Panama, May 2024, updated October 2025

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