

Company Stock Registration In Favor Of Minors



The purpose of this article is to determine if it is possible to transfer or assign the ownership of registered shares in favor of a minor is indeed legal or not in Panama. Thus, we will provide a brief review of the current Panamanian legislation that regulates this matter.

We should start pointing out the fact that Panama recognizes private property. Determined at a Constitutional level, it is comprehended on the following principle "Private property acquired in accordance with the Law by legal or natural persons is recognized". Our Constitution highlights the principle that a person is only liable for breaching a previously existing law. This means that a person can perform any possible action as long as there is not a law that directly forbids him to execute it.

Having said that, we must determine if it is legal for a minor to exercise ownership over assets located in Panama, and especially to acquire and own shares issued by a Panamanian company, and in order to do so, we must identify if a law expressly forbids it.

The Panamanian Civil Code establishes that minors as well as handicapped persons can privately and individually own assets, but they need the assistance of their guardians to exercise the rights attached to their title of owners. Thus, we can determine that the ownership of property by minors is in fact considered legal, independently of the restrictions attached to the exercise of their rights as owners which are restricted to them by law and subrogated in favor of their guardians until they legally become adults before Panamanian law.

Once determined that a minor can privately and independently own assets, we must specifically search within the Panama Corporation Law in order to determine if there are restrictions on the ownership of shares by minors.

After a deeper analysis, we were able to determine that there is no legal provision that explicitly limits the capacity of a minor to own shares on a Panamanian company. Considering this fact, we can state that it is indeed legal for a minor to own shares and for a company to register shares under the minor's name. But we still must remember that this right is subject to the restrictions previously described by the Panamanian Civil Code, which means that the rights as shareholder will not be exercisable by the minor without the intervention of his legal guardian.

After having reviewed the current legislation, out of the general scope all the way to the specialized legislation that regulates the subject, we concluded that minors are indeed legally entitled to acquire and own of shares of corporations (unless the articles of incorporation of that company forbids it). However, the exercise of their rights as share holders will be subrogated in favor of their custodian or legal representatives, until they reach the legal age.

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