Pardini & Asociados
Attorneys • Abogados

PANAMA CRYPTO & BLOCKCHAIN

www.PardiniLaw.com

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Disclaimer

This booklet is made available by Pardini & Asociados for educational purposes only as well as to give you general information and a general understanding of the law, not to provide specific legal advice. This booklet should not be used as a substitute for competent legal advice.

If you have any specific questions about any legal matter, contact us.

1. About Pardini & Asociados

Pardini & Asociados is a premier Panama-based law firm with over 40+ years of experience in offshore legal structuring, specializing in cryptocurrency and blockchain solutions. Our trilingual (English, Spanish, French) team of crypto-native legal professionals combines deep expertise in global financial jurisdictions with a proven track record in Web3 projects. We have advised and incorporated numerous blockchain entities, positioning us as a trusted partner for crypto founders, DAOs, and digital asset firms worldwide.

40+ Years of Legal Expertise: Extensive experience across global financial jurisdictions.

100+ Web3 Projects: Successfully advised and incorporated blockchain entities.

Global Reach, Local Expertise: Based in Panama with a network spanning BVI, Cayman Islands, Nevis, Delaware, Belize, and St. Kitts.

Thought Leadership: Published extensively on crypto regulations, including articles like The Panama Crypto Foundation and Succession and Estate Planning in The Digital Age.

What can We Do For You?

P&A´s multidisciplinary cryptocurrency and blockchain team is uniquely positioned to advise on the legal and transactional issues involving cryptocurrency and digital tokens, as well as the blockchain.

Our cryptocurrency and blockchain lawyers advise clients on issues related to:

- Foundation or Company Set up in the best jurisdictions. One of our services is setting up **Corporations** and **Foundations** in jurisdictions such as **Panama, BVI, Delaware, Belize, Seychelles, St. Kitts & Nevis and Cayman Islands**.
- Set Up a DAO or NFT issuance entity.
- Legal Opinions.
- Maintain Legal Structures providing full services, nominees, etc.
- KYC & AML Compliance. Anti-money laundering compliance analysis and implementation.
- Security and Utility tokens, non-fungible tokens (NFTs).
- Decentralized finance (DeFi) networks, protocols and strategies.
- Smart contracts and Token governance structures.
- International Tax Structuring.
- IP.

Awards

Legal500 LATIN AMERICA

LEXOLOGY INDEX

GLOBAL 100 WINNER

Corporate INTL

IFLR1000

2. Our Crypto and Blockchain Services

Our multidisciplinary team provides comprehensive legal solutions tailored to the unique needs of cryptocurrency and blockchain projects.

Our services include:

- **Entity Formation:** Establishing companies, foundations, and special purpose vehicles (SPVs) in Panama, BVI, Cayman Islands, Nevis, Delaware, Seychelles, Belize, and St. Kitts & Nevis.
- **DAO and NFT Structures:** Setting up legal wrappers for decentralized autonomous organizations (DAOs) and non-fungible token (NFT) issuances.
- **Legal Opinions:** Providing expert legal opinions on token classifications, regulatory compliance, and jurisdictional considerations.
- **KYC/AML Compliance:** Implementing robust anti-money laundering and know-your-customer protocols.
- **Security and Utility Tokens:** Advising on token design, issuance, and compliance with global regulations.
- **Decentralized Finance (DeFi):** Structuring DeFi protocols and networks for legal compliance and operational efficiency.
- **Smart Contracts and Token Governance:** Drafting governance frameworks and smart contract agreements.
- **International Tax Structuring:** Optimizing tax strategies for crypto projects in tax-neutral jurisdictions.

3. Jurisdictional Expertise

We offer entity incorporation services in jurisdictions renowned for their flexibility, tax neutrality, and crypto-friendly frameworks:

- **Panama:** No specific crypto law, offering flexibility for blockchain projects. Ideal for foundations and companies with tax neutrality.
- **Cayman Islands:** Preferred for foundation companies with ownerless structures and clear crypto precedents.
- **BVI:** Lightweight regulatory framework, ideal for companies limited by guarantee (CLG) and financial contracts.
- **Nevis, Delaware, Belize, Seychelles, St. Kitts & Nevis:** Flexible corporate structures with robust privacy and asset protection.

How We Can Help You

- Aviation
- Antitrust, Trade & Competition
- Banking & Finance
- Commercial
- Corporate & Transactional
- Crypto & Blockchain
- Employment
- Energy
- Foreign Investments
- Hotels, Resorts & Casinos
- Immigration & Residence
- Infrastructure & Construction
- Insurance & Reinsurance
- IP
- Litigation & Dispute Resolution
- Maritime & Shipping
- Mining, Petroleum & Natural Resources
- Online Gaming
- Private Client
- Real Estate
- Succession & Estate Planning
- Telecommunications & Information Technology

4. Legal Wrappers for Blockchain Projects

We design tailored legal structures to support the unique needs of Web3 projects. Below are the primary entities we recommend:

Private Interest Foundation
- **Use Case:** Ideal for DAOs managing donations, grants, or treasuries while maintaining separation from founders.
- **Benefits:** No shareholders, customizable governance, tax neutrality, and strong asset protection.
- **Key Documents:** Charter, council appointment, internal governance rules, KYC/AML compliance.

Company Limited by Guarantee (CLG)
- **Use Case:** Facilitates partnerships, exchange listings, and banking access for DAOs and crypto projects.
- **Benefits:** No share capital, lightweight regulations, and support for decentralized operations.
- **Key Documents:** M&AA, resolutions, share register, KYC/AML compliance.

Special Purpose Vehicles (SPVs)
- **Use Case:** Used for specific transactions, such as token issuances or asset management, to limit liability.
- **Benefits:** Flexible, cost-effective, and tailored to project-specific needs.
- **Key Documents:** Memorandum & Articles of Association (M&AA), resolutions, KYC/AML compliance.

5. Establishment and Maintenance Costs

The costs for establishing and maintaining the above structures vary by jurisdiction and complexity. Below is an indicative overview:

- **Panama Foundation:** Setup includes charter drafting, council appointment, and KYC/AML compliance. Annual maintenance covers nominee services and compliance updates.
- **Cayman Foundation Company:** Setup involves M&AA drafting, resolutions, and supervisor appointment. Annual fees include director and compliance costs.
- **BVI CLG:** Setup includes M&AA, resolutions, and KYC/AML. Maintenance is lightweight, focusing on governance and compliance.
- **Independent Directors:** We can introduce experienced directors, with fees varying based on expertise and involvement, typically paid annually in advance.

For detailed costings, please contact us at **clientservices@padela.com**

— CLICK HERE —

6. Frequently Asked Questions

6.1. How are crypto assets defined in your jurisdiction?

Crypto assets are not explicitly defined in Panama's current laws and regulations. However, the proposed but unpassed Bill No. 697 of 2021 defined crypto assets as fungible or nonfungible digital annotations on a distributed ledger, verifiable through cryptography and transferable via digital signatures. This encompassed cryptocurrencies (e.g., Bitcoin, Ethereum) and tokens (e.g., NFTs). Although this bill was declared unconstitutional in 2023, crypto assets are generally treated as movable property under the Panamanian Civil Code, absent specific legislation.

6.2. What is the legal status of crypto assets in your jurisdiction?

Crypto assets are permissible in Panama but lack a defined legal status. They are not legal tender, as Panama uses the U.S. dollar and Balboa as official currencies. Under the constitutional principle that activities not expressly prohibited are allowed, crypto assets may be used for transactions with mutual consent and are treated as movable property under the Civil Code. They are not classified as securities or financial instruments by the Superintendency of Banks (SBP) or the Superintendency of the Securities Market (SMV).

6.3. Are crypto assets regulated in your jurisdiction?

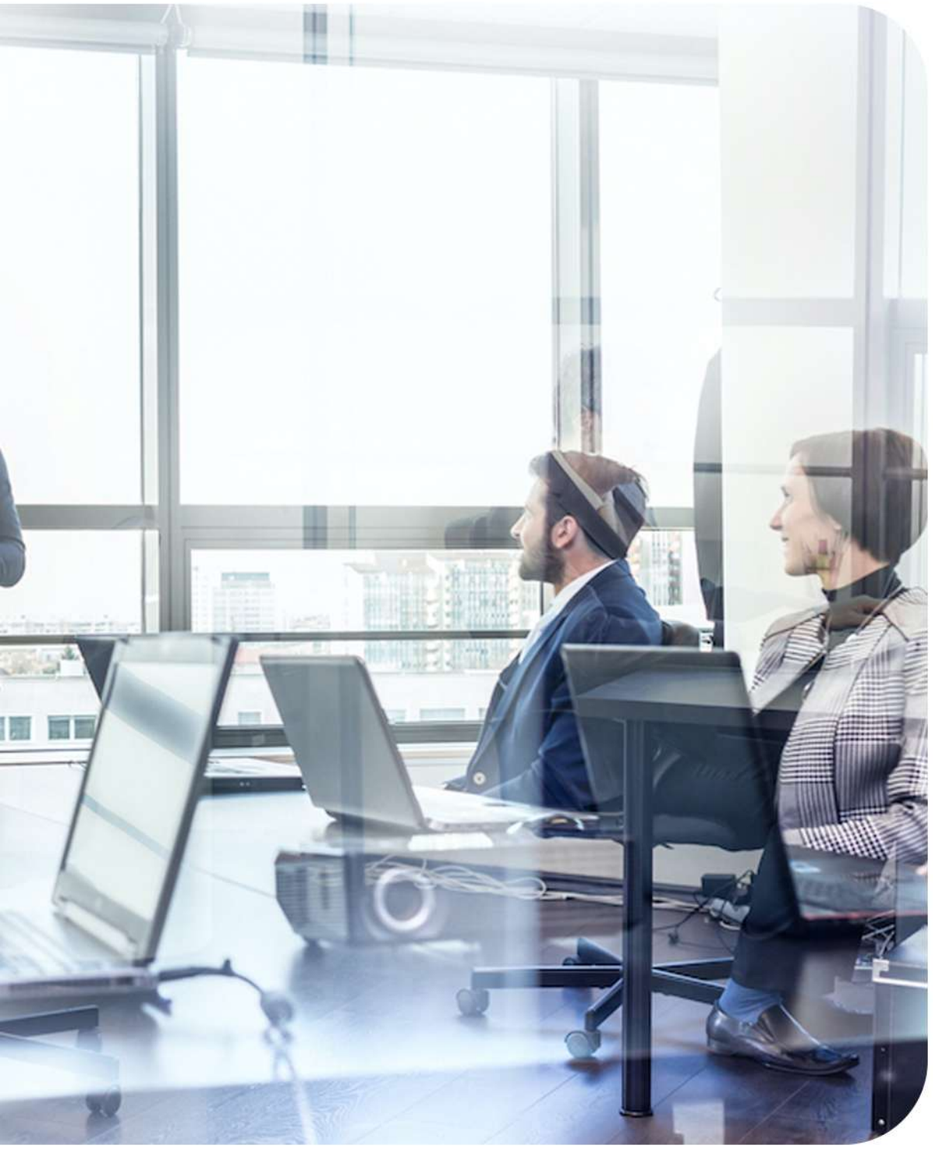
Crypto assets remain unregulated in Panama, except for anti-money laundering (AML) and counter-terrorism financing (CFT) obligations under Law 23 of 2015. The SBP and SMV have stated that cryptocurrencies fall outside their regulatory scope, requiring no licenses. Bill No. 697 of 2021, which aimed to regulate virtual assets, was vetoed and declared unconstitutional in 2023, leaving no specific regulatory framework in place.

6.4. Which authorities are responsible for the regulations and their enforcement in your jurisdiction?

No authority directly regulates crypto assets due to the absence of specific legislation. The SBP oversees financial institutions' AML/CFT compliance, while the Financial Analysis Unit (UAF) monitors suspicious transactions. The SMV regulates securities but does not classify cryptocurrencies as such.

6.5. Have specific anti-money laundering measures been introduced in relation to crypto asset activities in your jurisdiction?

Crypto-related businesses are subject to AML/CFT requirements under Law 23 of 2015. These entities must conduct customer due diligence, monitor transactions, and report suspicious activities. No crypto-specific AML regulations exist, and the veto of Bill No. 697 highlighted deficiencies in proposed AML measures.



6.6. How is the use of blockchain in the financial services sector regulated in your jurisdiction?

Blockchain use in financial services is unregulated in Panama. Proposed initiatives, such as Bill No. 697's suggestion to leverage blockchain for public registries, were not enacted. Blockchain activities are permitted under Panama's flexible constitutional framework but must comply with general AML/CFT laws.

6.7. How are crypto assets taxed in your jurisdiction?

Panama's territorial tax system taxes only locally sourced income. Foreign-sourced crypto income is tax-exempt. No specific crypto tax framework exists, and transactions are not subject to VAT.

6.8. Are crypto assets recognized as a type of property in your jurisdiction?

Crypto assets are not explicitly classified but may be treated as movable property under the Panamanian Civil Code, allowing ownership and transfer. The lack of specific legislation creates ambiguity in their legal classification.

6.9. How does your jurisdiction deal with the application of property laws to intangible assets and conflicts of laws with other jurisdictions?

Crypto assets, as potential movable property, are governed by the Civil Code. In cross-jurisdictional disputes, Panama applies territoriality principles.

6.10. Can smart contracts transferring ownership on a crypto asset be treated as legally binding in your jurisdiction?

Smart contracts may be legally binding under the Civil Code's private autonomy principle if they meet contract requirements (consent, lawful object, consideration). However, their enforceability remains untested due to the lack of specific legislation and judicial precedents.

6.11. Is it possible to take security over a crypto asset in your jurisdiction?

Crypto assets may be pledged as movable property under the Commercial Pledge Law, but enforcement is challenging due to their intangible nature and lack of regulatory clarity. No public cases demonstrate practical application.

6.12. What is the nature, need, and use of a legal wrapper for a crypto project, such as a DAO, in Panama?

Nature: A legal wrapper for a crypto project, such as a Decentralized Autonomous Organization (DAO), is a formal legal entity (e.g., a Panama Private Interest Foundation that encapsulates the DAO's operations to provide legal recognition, structure, and liability protection. DAOs, being decentralized and blockchain-based, lack inherent legal personality under Panamanian law, which does not recognize unincorporated entities as juridical persons.
Need: A legal wrapper is critical to bridge the gap between decentralized operations and Panama's legal system, ensuring compliance with AML/CFT requirements under Law 23 of 2015 and enabling interaction with traditional financial systems. It provides clarity on governance, liability, and dispute resolution, mitigating risks for participants and counterparties.
System: A Private Interest Foundation (PIF) can formalize a DAO's structure, offering legal certainty and asset protection while maintaining operational flexibility.

Use: A legal wrapper enables a DAO to:

- **Engage in Contracts:** Enter legally binding agreements with third parties, such as service providers or investors.
- **Comply with Regulations:** Meet AML/CFT obligations, including registration with the Financial Analysis Unit (UAF) and transaction reporting.
- **Protect Assets and Participants:** Shield DAO members from personal liability and safeguard assets from creditors, particularly through a PIF's robust asset protection features.
- **Facilitate Governance:** Define roles (e.g., Foundation Council or managers) to align decentralized decision-making with legal requirements.
- **Access Banking:** Enable banking relationships, which are often inaccessible to unincorporated DAOs due to regulatory scrutiny.

For example, a PIF can hold a DAO's crypto assets as a fiduciary, with beneficiaries designated to receive proceeds, aligning with Panama's privacy and tax advantages. Without a legal wrapper, a DAO risks being treated as an unregulated entity, exposing participants to legal and financial uncertainties.

6.13. What is the nature, need, and use of a Special Purpose Vehicle (SPV) for a crypto project, such as tokenization, in Panama?

Nature: A Special Purpose Vehicle (SPV) in Panama is a distinct legal entity, typically a corporation or LLC, established for a specific purpose, such as tokenizing assets (e.g., real estate, commodities, or intellectual property) on a blockchain. Under Panamanian law, an SPV operates as a standalone entity with limited liability, isolating risks associated with the tokenized project from other assets or entities.

Need: An SPV is essential for tokenization projects to provide legal clarity, regulatory compliance, and risk segregation. Tokenization involves converting asset rights into digital tokens, which may raise questions about ownership, transferability, and compliance with AML/CFT laws. An SPV ensures that the tokenized assets are legally held, managed, and transferred within a recognized framework, reducing exposure to disputes or regulatory scrutiny.

Use: An SPV serves the following purposes in tokenization projects:

- **Asset Isolation:** Holds the underlying asset (e.g., real estate) separate from other business activities, protecting it from creditors or unrelated liabilities.
  Regulatory Compliance: Facilitates adherence to AML/CFT requirements by registering with the UAF and implementing due diligence for token holders.
- **Ownership Clarity:** Establishes legal ownership of the underlying asset, ensuring tokenized rights are enforceable under the Panamanian Civil Code.
- **Investor Confidence:** Provides a transparent structure for investors, enhancing trust in the tokenization project's legitimacy.
- **Tax Efficiency:** Leverages Panama's territorial tax system, exempting foreign-sourced income from tokenized assets held offshore.

For instance, an SPV could tokenize a Panamanian property, issuing tokens to investors while holding the property title, ensuring legal enforceability and compliance with local laws. Without an SPV, tokenization risks ambiguity in ownership and regulatory non-compliance.

6.14. How does a Panama Private Interest Foundation function as a legal structure?

The Panama Private Interest Foundation (PIF), governed by Law 25 of 1995, is a versatile legal entity designed primarily for asset protection, estate planning, and wealth management. Distinct from a trust, a PIF possesses legal personality, enabling it to own assets and enter contracts independently. It is managed by a Foundation Council, which executes the founder's objectives as outlined in the Foundation Charter and private by-laws, without shareholders. Beneficiaries, designated privately, receive benefits from the foundation's assets or activities.

A PIF is prohibited from engaging in habitual commercial activities but may hold and manage diverse assets, including real estate, investments, and crypto assets, and perform incidental commercial acts related to these assets. Its key features include robust asset protection against creditors, confidentiality of beneficiaries, and exemption from taxes on foreign-sourced income, making it an attractive vehicle for structuring crypto projects or holding digital assets.

8.15. What documents are required to establish a Panama Private Interest Foundation?

To establish a PIF under Law 25 of 1995, the following documents are required:

- **Foundation Charter:** A public document filed with the Panama Public Registry, detailing the foundation's name, purpose, initial assets, Foundation Council, registered agent, and domicile.
- **Identification of the Founder:** Copies of government-issued identification (e.g., passport) for the founder(s), which may be an individual or entity.
- **Foundation Council Information:** Details and identification documents for Council members, who may be individuals or entities, Panamanian or foreign.
- **Registered Agent:** A Panamanian lawyer or law firm authorized to act as the resident agent.
  Private Regulations or By-Laws: A confidential document specifying beneficiaries, asset distribution rules, and operational procedures, not filed publicly.
- **Protector Document (Optional):** If a Protector is appointed to oversee the Foundation Council, their details and powers are documented privately.

All public documents must be notarized and registered with the Panama Public Registry. Additional requirements, such as anti-money laundering compliance forms, may be imposed by the registered agent or service provider to ensure adherence to Law 23 of 2015.

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