

Confusion regarding the Legal Representative in a Panamanian Corporation

Legal representatives and power of attorneys are natural or legal persons to whom specific mandates have been given to act on behalf of another person. However, both figures have significant differences that affect their range of action and responsibility.

In Panama, the administration of a Panamanian corporation is carried out by its Board of Directors, except when the articles of incorporation of that specific company establish otherwise or expressly deal with issues that, by law, are reserved for the decision-making of the shareholders.

The board of directors of a corporation can delegate powers of attorney to others through the issuance of special or general powers. In the absence of such powers, the Board of Directors is responsible for carrying out the functions of administration or directly authorizing others to represent them to perform specific acts via a corporate resolution (which can take place via a meeting or via unanimous written consent), whether signing a contract or opening bank accounts, among others.

It should be noted that the Panamanian Corporation Law contemplates the figure of the Legal Representative of the Panamanian Company but does not define its function clearly. This being so, although the articles of incorporation of a Panamanian corporation typically set forth that the president of the company exercises the legal representation of the company unless the arti-



cles of incorporation expressly define the functions and powers of said legal representation, such person is not authorized to bind the company or to act on its behalf.

There is much confusion as to the legal representative's powers. While it is common to see counterparties requiring that the legal representative sign a particular document or contract, the role of the legal representative of a Panamanian corporation, by law, is minimal. Under a provision contained in the Judicial Code of Panama, it is established that the legal representative of a company may be notified of a process involving the company, which in turn may grant powers on behalf of the company to a third party to attend such process. However, the legal representative is only empowered to perform acts of disposition or enter into contracts that legally bind the company if he has the express authorization from the board of directors to do so or the articles of incorporation expressly confer specific powers to the legal representative.