

Responsibilities of a Board Member

One of the most common questions we receive from our foreign clients is about the responsibilities of a board member in a Panamanian corporation. To address this, we have broken down the key points straightforwardly and precisely.

Functions of the Board of Directors

Under the Corporations Law (Law 32 of 1927) and the Commercial Code, the Board of Directors has several key functions:

- **Direction and Administration:** The board manages the corporation's business activities.
- **Collegiate Decisions:** Board decisions are made by majority vote, and individual directors cannot act independently without express authorization.
- **Policies and Guidelines:** The board establishes general policies and delegates their implementation to executives, such as the General Manager.
- **Committees and Delegation:** The board can create committees and delegate functions to manage the corporation effectively.

Civil Liability

Generally, board members are not personally liable for the corporation's actions unless explicitly stated by law. Liability may be demanded by the entity itself, shareholders, or creditors in specific situations, such as:

- The adequacy of capital payments.
- The actual distribution of dividends.
- Proper management of accounting records.
- Execution or improper performance of their mandate.
- Violation of laws, corporate agreements, bylaws, or resolutions of the General Assembly.



Criminal Liability

The Penal Code also outlines responsibilities for directors in cases where crimes are committed during their tenure. For example, the improper withholding of social security contributions can lead to prison sentences.

Conclusion

In summary, while directors are generally not personally liable for the corporation's obligations, there are specific situations where they may be held accountable. Directors must understand these responsibilities to avoid legal issues.

At Alcogal, we are available to assist and answer any questions you may have regarding the responsibilities of a board member.