

Public Power – Legislative Branch

LAW 643 OF 2001

(January 16)

By which the gaming rules are established.

The Colombian Congress

DECREES:

CHAPTER I

General Aspects

Article 1. Definition. The monopoly which is dealt in the present law is defined as the exclusive faculty of the State to exploit, organize, manage, operate, control, regulate all the gaming modalities and to establish the conditions in which particulars can operate them, a faculty which must always be exercised as an activity which must respect the public and social interest with the purpose of using their utilities for health services including their benefit costs and also for investigation.

Article 2. Entitlement. The departments, the Capital District and the cities are the owners of the profits of all the games of chance except the monies destined to investigation in areas of health belonging to the nation.

The profit monopoly of the games of chance will be exercised in agreement to what is ordained in the present law. The exploitation, organization and management of all kinds of games of chance is subject to this law and its regulation, issued by the National Government, which is compulsory in all of the territory, under which the activity of the operator is carried out, no matter the order or level of government to which the agency or managing entity it belongs to. The supervision will be exercised through the Health National Office.

Paragraph. As to the games of chance, the special districts will be governed by the regulations foreseen for cities and will have the same rights.

Article 3. Principles governing the exploitation, organization, management, operation, supervision and control of games of chance. The management of games of chance will be done in compliance with the following principles:

- a) Prevailing social purpose. Every game of chance must efficiently contribute to the purpose of health public service, and its fringe benefits and pension obligations;
- b) Transparency. The monopolistic means will be geared to guarantee that the operation of the games of chance is exempt of fraud, vices or interventions tending to alter the possibility of winning or subtracting it from chance;
- c) Economical rationality in the operation. The gaming operation will be carried by the competent state entities or by legally authorized people or organized societies such as specialized companies, with the economical and administrative efficiency which guarantee the profitability and productivity to carry out the public and social finality of the monopoly;
- d) Connection of income to health services. All activity which is done by exercising the monopoly must take into account that the health services are financed with it and this is the reason for the monopoly. Within the concept of Health Services the financing of these is included, it pension

liabilities, and other expenses connected to the investigation in health areas. The monies obtained by the department, Bogotá Capital District and the cities as a product of the monopoly of games of chance must be directly transferred to the health services in the manner established in the present law and used for serving the population or for the affiliation of said population to the compensated regime.

Article 4. Forbidden games and non authorized practices. Only games of chance may be exploited in the conditions established in the law and in compliance with its regulation. The competent authority will decide the immediate interruption and closing and liquidation of establishments and companies which exploit them outside of them with no prejudice of the admissible penal, police and administrative sanctions and to charge the exploitation rights and taxes caused.

The following practices are forbidden in all of the national territory:

- a) The circulation or sale of games of chance whose offer reduces the uncertain character of the game or its risks;
- b) To offer or sale games of chance to minors and people who suffer from mental illnesses who have been declared judicially interdict;
- c) The circulation or sale of games of chance whose prices consist or involve directly or indirectly goods or services which violate the fundamental rights of people or attempt against good customs;
- c) The circulation or sale of games of chance which affect the health of the players;
- e) The circulation or sale of games of chance whose prize consist or involves goods or services that the authorities must supply in compliance with their legal functions;
- f) The circulation, sale or operation of games of chance when these are related or involved with activities, assets or illegal or forbidden services, and
- g) The circulation, sale or operation of games of chance that are not authorized by the competent authority, do not comply with the rules of the game or the authorized limits.

Police authorities or the competent control entity must definitely suspend the non authorized games of chance and forbidden practices. They must equally inform the competent authority when the patrimonial detriment of the State should occur, or the loss of public resources or crimes.

Article 5. Definition of games of chance. For the effects of the present law, games of chance are those in which, in compliance with predetermined rules established by the law and the regulations, a person, acting as a player, makes a bet or pays another person acting as an operator who offers a prize of money which he will get if he wins, for the right of participating in a game. The result is not an unforeseen one because it is determined by luck or chance.

Games of luck and chance are those in which you can participate directly without directly paying for doing so, and which offer as a price an asset or service, which will be obtained if you one wins or if one meets the conditions required to win.

Excluded from thi slaw are the games of luck and chance which are traditional, familiar and school games, which are not the object of profitability for the players or third parties, and pastime competitions or recreational ones; also excluded are the promotional raffles which game operators, businessmen or industrials do to promote their sales, raffles to finance the fire departments, promotional games for departmental beneficences and other raffles which capitalization corporations do and which can only be done directly by these entities.

In any case the promotional prizes must be delivered in a lapse no greater than thirty (30) calendar days.

Sports games and those of strength, ability or skills which are applied by their own regulation and the pertinent police regulations. Bets which are crossed in respect of the same are submitted to the dispositions of this law and its regulations.

Paragraph. The game of chance contract between the better and the game operator is an adhesion one, of random nature, duly regulated, whose object involves the expectation of winning or losing, depending of an occurrence or not of an uncertain fact.

For permanent bets, the documents of the game must be presented to the operator in order to collect it, within the two (2) months after the date of the raffle; if they are not paid, a judicial action is admissible though a verbal process of minor and greater quantity, indicated in the first chapter of Title XXIII of the Civil Procedural Code. The game document has an expiration date of six (6) months.

CHAPTER II

Operation modalities in the games of chance, setting and destination of exploitation rights.

Article 6. Direct operation. Direct operation is that which the departments and the Capital District do though the industrial and commercial companies, corporations of mixed economy and societies of public capital established in the present law for such means. In this case, the profit of the monopoly is constituted by:

- a) A percentage of the net profit of each game, which must be deposited in a special account defined for such a purpose, which it is transferred to the corresponding health sector in the terms defined by this law.
- b) The surplus obtain in exercise of the operation of the different games, which cannot be inferior to those established as the minimum criteria of efficiency in the frame of the present law. If the minimum financial results are not achieved, the seventh paragraph of Article 336 of the Political Chart must be applied.
- c) In the case of lotteries, the profit will be twelve (12%) percent of the net income of each game, with no prejudice of the surplus contemplated in the above literal.

Article 7. Operation though third parties. The operation though third parties is that which juridical people do, in virtue of the authorization, though concession contracts or contracts in terms of Law 80 of 1993, performed with territorial entities, State industrial or commercial companies, territorial companies or public capital firms authorized for the exploitation of the monopoly or any person able in virtue of the authorization awarded in the terms of the present law, according to the case.

The profits of the monopoly are constituted by the rights of exploitation which must be paid to the operator for the operation of each game.

The terms established in the concession contracts for the operation of games of chance cannot be less than three (3) years nor exceed five (5) years.

The concession of games of chance will be contracted following the general rules of public contracting with the independence of the juridical nature of the contracting organism.

Article 8. Exploitation rights. In those cases in which the games of chance are operated though third parties, through concession contracts or by authorization, the office or authorized entity for the administration of the respective game of the profit monopoly of games of chance will receive as a title to the right of exploitation, a percentage of the net income for each game, except in those consecrated in the present law.

The anticipated exploitation rights or those caused by the operation of third parties must be deposited directly in a special account for this means, and must be wired directly to the health services or the entity acting as such, to the corresponding Passive Pension Fund of the Health Sector within the first ten (10) working days of the month following its collection.

Article 9. Recognition and fixing administration expenses. In the case of direct operation modality, the maximum permissible administration and operation expenses will be those established in the regulation; those will be recognized to the managing entities of the rental monopoly of games of chance for each modality of game which is directly exploited. For such effect the criteria of efficiency established in the present law will be observed.

With no prejudice to the rights of exploitation, when the game is operated through third parties, these will recognize the entity managing the monopoly, as management expenses, a percentage not over one (1%) percent of exploitation rights.

Article 10. Special inabilities to contract or to obtain authorization. With no prejudice to the inabilities or incompatibility foreseen in the General Contracting Statute of Public Administration, the following are not qualified to perform concession contracts for games of chance and obtain authorizations to exploit them or operate them:

1. Natural or artificial persons who have been sanctioned by tax evasion, through an administrative act or judicial sentences, executed according to the case. This disqualification will be for five (5) years, counting from the following three (3) months after the administrative act or judicial sentences is executed, but it will cease immediately when the person pays the amounts owed.

2. Natural and artificial persons who are debtors of obligations related with transferences, rights of exploitation or fines, originated in contracts or authorizations or permissions for the exploitation or of operation of games of chances in any level of the State. This disqualification will be for five (5) years counting after the execution of the administrative act, but it will cease immediately when the person pays the amounts owed.

CHAPTER III

Lottery Regime

Article 11. Traditional lottery. It is a modality of game of chance which takes place in a periodical manner by a legal authorized entity, which emits and puts into circulation divided or undivided cards with a numerical combination and other characters compromising to pay a cash prize previously established in the corresponding plan to the card holder or its fraction whose combination or approximation coincide in its order with that obtained in a public draw done by the entity.

Article 12. Exploitation of the lotteries. It corresponds to the departments and the Capital District as the profit arbitrator of traditional lotteries. For such effects, the regulation will distinguish between ordinary and extraordinary draws based in the number of draws and in the plan of prizes to be distributed, always procuring the efficiency of the same and the guarantees of the bettor.

Each department, or the Capital District, cannot exploit more than one traditional lottery of bills, directly, through third parties or in an associated way.

The exploitation rights corresponding to the operator of each game can not be destined to cover the functioning costs, and it must be delivered to the corresponding Health Fund the first ten(10) working days before the month following the lottery

Paragraph 1. The Colombian Red Cross may continue exploiting its traditional lottery. The exploitation, operation and other aspects of the same will be ruled by the dispositions established in the present law, in the legal regulations and international treaties referred to the organization and functioning of the Colombian Red Cross National Society.

Paragraph 2. The cities which are exploiting a lottery with ordinary and extraordinary draws when this law was issued, may maintain the exploitation in the same terms in which they were authorized. The other aspects will be governed by the dispositions established in the present law, except the operation which will be regulated by the National Government.

Article 13. Chart of ordinary draws of the lotteries. The circulation of the traditional lotteries is free in all of the national territory, but ordinary laws will be done in compliance to the annual chart established by the National Government.

Paragraph. The chart of ordinary draws will begin to be applied six (6) months after the present law comes into effect. While the chart is being issued, the existing lotteries will continue doing its draws with the same periodicity in which they have been doing it.

Article 14. Administration of lotteries. Traditional lotteries or card lottery will be administered by industrial and commercial or state companies—departmental or Capital District—or by Departmental Public Capital Societies (SCPD) created by the association of several departments and/or the Capital District. The participation in these societies will be authorized by the Departmental Assembly or the District Council, by the initiative of the Governor or the Mayor, according to the case. These companies and societies will have a legal status, administrative autonomy and independent patrimony, whose corporate purpose will be the management and/or operation of the traditional lottery or bingo and other games of its competence, contemplated in this law.

Previous to the decree of the respective assembly which disposes it or the respective agreement in the case of the Capital District, the departments or the Capital District may freely retire and request the payment of their contributions in the societies of departmental public capital to directly exploit the monopoly or be a part of another society.

Article 15. Associated exploitation. Every Departmental Public Capital Society (SCPD) will have the right to exploit directly or indirectly one conventional lottery game or the traditional card lottery.

Paragraph 1. The departments and District Capital may exploit a traditional lottery directly or in an associate manner. No department can have a participation for the exploitation of a lottery in more than one Departmental Public Capital Society (SCPD).

Article 16. Modalities of operation of the lotteries. The lotteries may be exploited through the operation modalities established in the present law. In consequence, the territorial entity may operate the traditional lottery directly or through an association or through third parties.

Article 17. Relation between the emission and the sale of lotteries. The regulation issued by the National Government will determine the relation it must keep with the sold tickets. The fulfillment of this relation will be one of the efficient criteria which must be considered for the application of Article 336 of the Political Chart.

Article 18. Lottery prize plan. The prize plan of the traditional lotteries will be approved by the management organ of the industrial and commercial State company, the department or district order of the lottery management, or by the Board of Directors of the Departmental Public Capital Society (SCPD) which have been constituted for the exploitation of the same, considering the criteria determined by the National Government, through the regulation.

Article 19. Extraordinary lottery draws. The departments, the Capital District, the National Red Cross Society, and the cities authorized by this law have the faculty to annually make an extraordinary raffle of the traditional lottery. For this effect, it may associate among themselves, by the Industrial and Commercial companies which manage lotteries or the Departmental Public Capital Society which have been constituted for the exploitation of the same. The National Government will see the corresponding chart.

Article 20. From January 1, 2001, the lottery game will take place through a hydropneumatic system of ballots or other system which corresponds to the technical progress which guarantees the security and transparency of the draws. The draws will be declared of national public interest and will be transmitted live and directly by the national and/ or regional public channels.

CHAPTER IV

Gaming Regulations

Article 21. Permanent bets or chance. This is a modality of games of chance in which the player, in an official form, in a manual or systematized form, indicates the value of his bet and chooses a number of no more than four (4) digits, so that if his number coincides according to the predetermined rules, with the result of the lottery prize or the authorized game for such effect, he wins cash money in compliance with a pre defined plan of prizes authorized by the National Government through the regulating decree.

Article 22. Exploitation of the permanent bets or games of chance. These correspond to the departments and the Capital District, as rental arbitrators of the permanent bets or games of chance. The exploitation may be done directly through the Departmental Public Capital Society (SCPD) which are authorized and ordered to be created in the present law.

Only the permanent bets or games of chance can be operated through third parties selected through public bidding and for a term of five (5) years.

Private operators of this modality of games must have a minimum technical patrimony, grant warranties and meet the other requirements that for such effect are determined by the regulation issued by the National Government.

Paragraph. For the effects of the present law, the returns from the permanent betting games in Bogotá and Cundinamarca will continue being distributed in seventy percent (70%) percent for the Health Finance Fund in Bogotá and thirty percent (30%) for the Cundinamarca Department Health Fund, discounting the administrative expenses of the exploitation.

Article 23. Exploitation rights. The concessionaries of the permanent or games of chance will pay 12 percent (12%) of their monthly net income to the entity which grants the exploitation right.

At the moment of presenting the declaration of the exploitation rights, an advance payment of exploitation rights will be made for the following periods, an amount equivalent to seventy five percent (75%) of the exploitation rights which are declared.

In the case of new concessions, the first advanced payment will be done based in the expected net income, in compliance with the marketing study made for such effect and presented in the new bidding previous the performance of the concession contract.

If it is about concessionaries who had already operated the game, the advanced payment done when the law came into force, it will be done based in the simple average of the net income of the concessionary of the twelve (12) former months; in any case, the advance payment cannot be inferior to the average paid as royalties in the last twelve (12) months.

Paragraph: The difference between the total value of the liquidated rights in the period and the advanced payment in the period before will constitute the balance of the exploitation rights to be paid for the respective period.

In the event that the total value of the exploitation rights of the period is less than the liquidated advanced payment for the same, the recognition of compensation against future exploitation rights will proceed.

Article 24. Plan of Prizes. The National Government will set the structure of the plan of prizes of the permanent bets or chance which will rule in all the country and will point out the minimum profitability of this game in the case of regional differences. The concession contracts with operators who do not meet the minimum profitability must terminate unilaterally with no right to indemnification or compensation.

Until the Government issues the plan of prizes, the three (3) number lottery which is in effect for the publication date of the law. For the four number lottery the price will be four thousand five hundred pesos (\$4,500) for each peso bet.

Article 25. Only one form for permanent bets or chance. The permanent bets or chance will operate in all of the national territory with an only form printed on security paper, with a consecutive number and a security code issued by the companies managing the rent monopoly, in compliance with the format established by the National Government. The operators can only purchase the forms from these companies.

The betting games or chance can only be operated through third parties chosen through public bidding and for a term of five (5) years..

Article 26. Registering the bets. The permanent betting entrepreneurs must daily keep a manual or magnetic register, duly paged for the bets accounting, and the values will be in agreement with those noted in the forms or the systems register. The journal must be updated and available in a permanent manner in the event that the control and vigilance entities require them.

CHAPTER V

Regimes for departmental, municipal and Capital District raffles.

Article 27. Raffles. This is a game of chance in which, on a predetermined date, prizes are raffled among those who purchase or own one or several tickets, issued in a continued form and sold on the market at a set price by a previously authorized operator.

Permanent raffles are prohibited.

Article 28. Exploitation of raffles. The exploitation and the rental arbitration of raffles correspond to the cities, department, Capital District of Bogotá and the Health Territorial Company (ETESA).

The cities or the District Capital will exploit the raffles when they are held there.

When raffles are being operated in two or more cities in the same department or a city and the District Capital, the exploitation corresponds to the department, through the Society of Departmental Public Capital (SCPD).

When the raffle is being operated in two or more departments, or a department and the District Capital, the exploitation corresponds to ETESA.

Article 29. Modality for operating the raffles. The rental monopoly over raffles can only be operated with the operation modality through the authorization of third parties.

Article 30. Exploitation rights. Raffles generate exploitation rights which are the equivalent to fourteen percent (14%) of the net income. At the moment of the authorization, the person requesting the raffle must accredit payment of the exploitation rights corresponding to one hundred percent (100%) of the tickets issued. Once the raffle is held, payment of the exploitation rights will be adjusted according to the number of tickets sold.

CHAPTER VI.

Exploitation, organization and management of other games.

Article 31. Promotional games. These are games of chance organized and operated for advertising jeans o promotion of goods or services, establishments, companies or entities in which a prize to the pubis is offered without having to make any payment in order to play the game.

Promotional games generate in favor of the administration entity of the monopoly exploitation rights equivalent to fourteen percent (14%) of the total value of the plan of prizes.

The mentioned rights must be paid by the artificial or juridical person in charge of the game at the moment on which it is authorized.

All promotional prizes must be awarded to the public.

The Territorial Health Company (ETESA) originated in the association of the departments and the District Capital, will exploit promotional games in the national territory and will authorize them. Promotional games at a department and city level will be exploited and authorized by the Department Public Capital Society (SCPD).

Article 32. Localized games these are games of chance such as bingos, video bingos, spheredomes, slot machines, and operators of casinos and the like, that operate with equipment or gaming elements, in business establishments, where players go in order make bets. Gaming establishments are those where the operation of different types of games are combined with other kinds of commercial activities or services.

The exploitation of localized games corresponds to the Health Territorial Company, ETESA. The rights will be of the cities and the District Capital and they will be distributed monthly during the first ten (10) days of each month.

Resources from localized games in cities with less than one hundred thousand (100,000) inhabitants will be destined to the cities generating the same, and those generated in the rest of the cities will be distributed fifty percent (50%) according to the jurisdiction where the rights or taxes where generated and the other fifty percent (50%) in compliance with the distribution criteria of the participation of the Nation's current income.

Localized gaming who intend to get an authorization from the Heath Territorial Company, ETESA, must first have the favorable concept of the mayor where the game will operate.

Article 33. Operation modalities of localized games. The rental monopoly of localized games will be operated through third parties, previous authorization and the subscription of concession contracts.

The National Government, through the regulation, will prepare and approve a model of contractual minute known as "Concession Contract for the operation of games of chance localized through third parties," applicable to the contracts performed between the dependency or the entity administering the monopoly and the concessionaire. This minute will contain the object and other essential agreements according to the present law, and the dispositions about state contracting which will be applied to the concession contract.

Article 34. Exploitation rights. The authorized distributors or operators for the operation of localized games will pay exploitation rights at the following monthly fees:

Description of the game. Fee

1. Slot machines % of a current minimum monthly salary.

Slot machines 0 - \$500 50%

Progressive interconnected 45%

2. Casino games. One minimum monthly salary.

Casino games (Black Jack, Poker, Baccarat, Craps, North American Baccarat, Roulette) 4

3. Other different games (esferódromos, etc)

4. Bingo rooms. Current minimum monthly salary.

For cities with less than 100,000 inhabitants, cards up to 250 pesos fee per chair 1.0

For cities with less than 100,000 inhabitants, cards of more than 250 pesos fee per chair 1.5

No bingo will pay a fee less than the established for one hundred (100) chairs in the cities with less than one hundred inhabitants.

For cities of more than 100,000 inhabitants, cards up to 250 pesos fee per chair 1.0

Cards of more than 250 up to 500 fee per chair 1.5

Cards for more than 500 peso fee per chair 3.0

Interconnected simultaneous chairs. Add one minimum daily wage in each of the above items

No bingo will pay a fee less than the established one for two hundred (200 chairs).

5. Other localized games. 15% of the net income.

Article 35. Location of localized games. The operation of the gaming modalities defined in the present law as localized games will be allowed in business establishments located in areas apt for the development of commercial activities.

Article 36. Betting in sports events, cock fights, dog racing and the like. These are modalities of games of chance in which the players' bets are linked to the results of sports events, cock fights, dog racing and the like, such as the winner or the combination or pre-established approximations. The player who wins will get a percentage of the global amount of the bets or another pre-established prize.

The amount of the exploitation rights will be determined in the regulation issued by the National Government, through the Gaming National Council.

Article 37. Horse racing. National horse racing bets will pay two percent (2%) of its net income for exploitation fee.

Horse racing betting on foreign races will pay fifteen percent (15%) fee of their net income for exploitation rights.

In the case that the national horse racing operator exploits horse racing betting on foreign racing he will pay five percent (5%) as exploitation fee for the net income.

Paragraph 1. Horse racing prizes distributed among the public will not be less than sixty percent (60%) of the net income.

Paragraph 2. Exploitation rights derived from horse racing are property of the city of the Capital District, according to its location.

Article 38. Novelty games. These are any other modality of games of chance different from the national lotteries, permanent bets and the other games referred to in the present law. Novelty games are, among others, the pre-printed lotto, instant lottery, on line lotto in any of its modalities

and the other massive games which take place through electronic means, Internet and any other modality in real time that does not require the presence of the better.

Article 39. State Owned Commercial and Industrial Company. The State-Owned Industrial and Commercial Company is created, called the Health Territorial Company, Etesa, with government permit, with administrative autonomy and independent capital, linked to the Health Ministry, whose object is the exploitation as a rental arbitrator of the games defined in this law as new games, who are assigned to it and the others whose exploitation are not attribute to any other entity.

The seat of its businesses will be the city of Bogotá, D.C., but it can do its activities in all of the national territory.

The capital of the company will be totally constituted with assets and public funds, the products of these, rights, rates or retributions perceived by the functions or services, its profits and special destination contributions in the cases authorized by the Constitution.

The patrimony of the Health Territorial Company, Etesa, will be integrated by the assets which are currently property of Ecosalud S.A., a corporation whose liquidation is ordered in the present law, discounting the value of the corporate shares which are property of the partner entities.

The management and administration of the Health Territorial Company, Etesa, will be in charge of a Board of Directors and a President.

The Board of Directors will be made up by the Health Ministry, who will preside it, or the Vice-Minister of Health, as his delegate, four (4) representatives of the mayor appointed by the Colombian Federation of Cities and two (2) representatives of the Governors, appointed by the National Governors' Conference.

The representatives of the territorial entities will be appointed for two (2) year periods counting from the date on which they take charge and they cannot coincide simultaneously in the Board of Directors with representatives who belong to the same territorial entity.

The president of the Health Territorial Company will be an agent of the President of the Republic, who can appoint him and remove him freely.

Paragraph A. From the date on which the present law is enacted the liquidation of Ecosalud S.A. is ordered. For this they will have a maximum term of six (6) months. In the structure of the new company and in compliance with the need of the personnel plant, the current workers of the plant will be hired to work in the Colombian Health Resource Company, Ecosalud.

Article 40. distribution of resources. The distribution of income obtained form the Health Territorial Company, Etesa, for the exploitation of the new games referred to in Article 39 of the present law will take place each semesters with cuts on June 30 and December 31 If each year in the following manner:

Eighty percent (80%) for the cities and the District Capital of Bogotá. Twenty percent (20%) for the departments.

Fifty percent (50%) of each assignment will be distributed according with the jurisdiction where the rights were generated and the other fifty percent (50%) according with the distribution criteria of the participation of current income in the case of the cities and of fiscal situation in the case of the departments.

CHAPTER VII

Declaration of exploitation rights.

Article 41. Liquidation, declaration and payment of exploitation rights. With no prejudice of the advanced payment, the dealers and those authorized to operate games of chance will have the obligation of liquidating, declaring and paying exploitation rights monthly before the competent entity for the administration of the respective monopoly game or the department, district or municipal authority, accordingly.

The declaration and payment must be done during the first two (10) working days of the following month.

The declaration will be presented in the forms determined by the regulation which is issued by the National Government.

CHAPTER VIII

Transferences To the health sector.

Article 42. Destination of the income of the monopoly to the health sector. The resources obtained by the departments the District Capital and the cities as the product of the monopoly of the games of chance will be destined to contract with the State social companies or public or private entities to offer health services to the population who have these services or to join the subsidy regime.

Paragraph 1. The resources obtained, by the exploitation of the monopoly of games of chance different from the lotto, the pre-printed lottery and instant lottery will be distributed in the following manner:

- a) Eighty percent (80%) for the offer and demand of the health services, for each territorial entity;
- b) Seven percent (7%) for the Health Investigation Fund;
- c) Five percent (5) for the contributed subsidy regime for the third age;
- d) Four percent (4%) for joining the subsidy regime to the handicapped, or for those with visual limitations and mental health.
- e) Four percent (4%) for joining the subsidy regime in health for the population less than 18 years of age who are not beneficiaries of contributive regimes.

Resources destined to the Investigation Health Fund will be assigned to the projects through the Health Ministry and Colciencias for each department and the Capital District.

Paragraph 2. The above resources will be destined to the offer and demand of the health services. They will be contracted in proportion of the demand of the health services; in compliance with the regulation issued by the National Government, through a Decree from the Health Ministry.

Paragraph 3. The resources of instant lottery, pre-printed lottery and on line lotto will be destined, in the first place, to the territorial pension liabilities of the health sector which have been doing in compliance with Law 60 of 1993, in a shared manner. Once the resources guaranteed for the payment of pensions of the territorial health sector is done, they will be destined to financing the health services established in the above paragraph.

CHAPTER IX.

Audit, control and sanctions in relation with the exploitation rights.

Article 43. Auditing faculties over exploitation rights. The companies, corporations or public entities, administrators of the game of chance monopoly have ample auditing faculties in to insure the effective compliance of the obligations in charge of the distributors or those authorized to operate games of chance. For this effects then may:

- a) Verify the exactness of the liquidations of exploitation rights presented by the dealers or authorized parties:
- b) Carry out the investigations deemed convenient to establish the occurrence of the facts of omissions caused by the evasion of exploitation rights.
- c) Quote or require the dealers or authorized persons to send reports or answer questions.
- d) Require that the authorized dealers or third parties to present documents which register their operations. All of them are obliged to have accounting books.
- e) Order the exhibition and partial exam of the books, vouchers and documents, both of the dealer or authorized party and third parties all of them legally obliged to have accounting books.
- f) Do all the necessary diligence for the correct supervision and timely liquidation and payment of exploitation rights.

Article 44. Sanctions for the evasion of exploitation rights. With no prejudice of the penal sanctions which are admissible and the administrative sanctions imposed by other competent authorities, and responsibility, public entities, administrative of monopoly may impose the following sanctions:

- a) When public entities administrating the monopoly detect people operating games of chance without being dealers or authorized, they will proffer, with no prejudice of the definite suspension of the game, the liquidation for the exploitation rights which are not declared and will imposed a sanction equivalent to two hundred per cent (200%) of the exploitation rights caused from the date on which the operation initiated. Furthermore, they can close their establishments and must inform this to the competent penal authority. The people accused of illegal operation of games of chance may be suspended while the respective investigation takes place and they may not act as such during the next five (5) years following the sanction on behalf of the State, if once the corresponding investigation takes place, and it is admissible.
- b) When public entities administrating games of chance monopoly detect that the dealers or authorized persons omit or include information in its private liquidation of exploitation rights which originate from the payment of a inferior value by concept of the same, they will profer the liquidation of the revision and will impose a sanction on the same for inexactness equivalent to one hundred and sixty percent (160%) of the difference between the balance to be paid determined by the administration and the one declared by the dealer or authorized party;
- c) When administrating public entities of the monopoly of games of chance, detect mathematical errors in the declaration of exploitation of rights presented by the distributors or authorized parties, and when such errors have originated a less value to be paid for said rights, they will correct them by liquidating the correction. In this case, a sanction will be applied equivalent to thirty percent (30%) of the grater value determined to be paid.

The administration may proffer liquidations and impose the corresponding sanctions for the activities of the last five (5) years.

The sanctions referred to in the present article will be imposed with no prejudice to the collection of fines or indemnifications contemplated in the pecuniary penal clause performed in the concession contracts, when admissible and with no prejudice to the total payment of the exploitation rights owed.

Article 45. Functions of the National Health Department. Besides those which appeared in the different regulations about their creation and function, the following functions correspond to the National Government through the National Health Department:

- a) Oversee the compliance of the present law and the regulation of the different modalities of games of chance, and keeping the solvency margin;
- b) Oversee the compliance of the regulations related with all types or kinds of games of chance which might be sold in Colombia, and the regime of rights to the applicable exploitation of the same, rights which may not be less than those established for similar national games;
- c) Carry the statistics and gather information related with the exploitation of the monopoly of games of chance;
- d) Intervene or take possession of the administrating or operating companies of games of chance when their function may give rise to commit fraud to the public and in the events pointed out by the regulation to preserve the monopoly;
- e) The rest which are assigned by the regulations.

Paragraph 1. The Industry and Commerce Department will exercise to oversee and control over the compliance of the regulation of promotional games referred to in Article 30 of the present law, and the compliance of the dispositions of consumer protection in the development of the same. For this effect it will count with the faculties assigned in the Consumer Protection Statute and the jurisdictional assigned in Law 446 of 1998.

Article 46. the National Gaming Council. Create the National Gaming Council which will be integrated by the following members:

- The Health Minister or his delegate, who will preside over it.
- The Minister of Public Treasury or his delegate
- A representative of the National Governors Federation
- A representative of the Colombian Federations in the Cities
- A representative of the workers' union organization for Public Health appointed by the legal representative of such organizations.
- A representative of the medial and paramedical associations appointed by the legal representatives of such associations.

When the council decides, the following people may attend as a guest:

The National Health Superintendent.

The Executive Director of the Colombian Lottery Association, Fedelco.

The President of the Colombian Gaming Federation Feceazar.

The President of Fecolijuegos or his delegate.

A member of the National Association of Lottery D Andelote.

Public or particular servers invited by the Council, to better illustrate the topics of their competence.

The National Gaming Council will be ascribed to the Health Ministry.

The technical department will be exercised by an officer of the Health Ministry appointed by the Ministry of that branch.

The Health Ministry will guarantee the necessary logistic help for the adequate function of the National Gaming Council.

Article 47. Functions of the National Gaming Council. Besides those pointed out in the different regulations of the present law, the National Gaming Council has the following functions:

1. Approve and issue the regulations and their modifications in the different gaming modalities.
2. Determine the percentages of the profits that the public gaming companies may use as capitalization reserve and point out the general criteria for the use of the same. Also, to determine the resources to be used by such companies as technical reserves for the payment of prizes.
3. Authorize the types or modalities of foreign games of chance that may be sold in Colombia, and the regime of exploitation rights applicable to the same, right that may not be less than those established for similar national games.
4. Prepare the regulations of the law of the proper region and submit them to the consideration of the President of the Republic.
5. Issue concepts with general and abstract character of the application and interpretation of the regulations which rule the monopolized gaming activity.
6. Make their own regulations.
7. The others assigned by the law.

CHAPTER X

Tributary regime

Article 48. Taxes on foreign lotteries and on lottery prizes. The sale of foreign lotteries in the jurisdiction of the departments and the Capital District generates in favor of them and in charge of the lottery companies or authorized operators a ten percent (10%) tax over the nominal value of each bill or fraction of it sold in any one of the respective jurisdictions.

The winners of lottery prizes will pay the departments or the District Capital, depending on the case, a seventeen percent (17%) tax over the nominal value of the prize, value which will be withheld by the responsible lottery or authorized operator when paying the prize.

Within the first ten (10) days of every month, the lotteries or operators of the same will declare before the corresponding authorities the tax corresponding to the bills or fractions of lotteries, sole in the jurisdiction of each department or the Capital District, generated in the month immediately before, and the tax on lottery prizes paid during the same period, and will pay the resources to the respective Sectional and Health District Funds.

A proof of payment must be enclosed to the declaration.

Sales tax of foreign lottery tickets and on lottery prizes must be declared by the respective lotteries.

The above taxes must be exclusively destined to the department health services or those of the Capital District.

Paragraph. Income from foreign lotteries of the department of Cundinamarca and the Capital District of Bogotá will be distributed between the department and the Capital District in compliance with the following criteria:

1. Fifty percent (50) according to the population with unsatisfied basic needs, located in the territory of the department and the District, certified by the National Planning Department for the year immediately before by the two territorial entities.
2. Fifty percent (50%) in direct proportion to the capacity installed of hospital beds for attention in levels 2, 3 and 4 of the public network of hospitals in Bogota and Cundinamarca, certified by the Health Ministry.

Based on the indicated data, the department and the Capital District must perform a participation agreement, indicating which percentage of the income corresponds to each territorial entity.

Said agreement must be performed within the first two (2) months every four (4) years. If a participation agreement between the department of Cundinamarca and the District is not performed once this term is due this participation agreement will not be performed between the department of Cundinamarca and the District, the National Government will set the distribution percentages by decrees for that year and until the agreement is not formalized.

The sale of lottery tickets in Cundinamarca and lotteries in Bogotá will be exempt of tax for foreign lotteries dealt in this article when said sale is executed within the jurisdiction of the department of Cundinamarca and the Capital District.

For the effect of foreign tax the national lottery of the Colombian Red Cross has its main office in Bogotá D.C., Capital of Cundinamarca. The collection of taxes on prizes to winners will continue being invested exclusively in health services which the national society of the Colombian Red Cross offers through the sectional offices it has in each department and in the Capital District.

Article 49. Prohibition of taxing monopoly. The games of chance referred to in the present law may not be taxed by the departments, district or cities with tax, rates or contributions, fiscal or parafiscal different than those consecrated in the present law. The direct exploitation or through parties for games of chance dealt in the present law do not constitute a generator of value added tax VAT.

The games of chance whose exploitation rights have not been established in these laws, with cause exploitation rights equivalent at least to seventeen percent (17%) of the net income.

CHAPTER XI

Relative dispositions of the efficiency of the profitable monopoly of the games of chance.

Article 50. Criteria and efficiency. Industrial and commercial companies, administrating and operating public capital corporations, and gaming operators (SCPD and Etesa) and particular persons who operate said games will be evaluated based in the management and efficiency indicators established by the National Government through the Health Ministry, considering the following criteria:

- Income.
- Profitability.
- Management and operation expenses, and
- Effective transference to health services.

When a State owned industrial and commercial company or a Departmental Public Capital Society (SCPD), whose object is the exploitation of any gaming modality, presents losses for three (3) consecutive years, it has the right to presume that it is not viable and must be liquidated or sell the state participation in it, with no prejudice to the intervention to which the National Health Department may submit it, after the evaluation of management and efficiency by the National Gaming Council.

Article 51. Competence for establishing management and efficiency indicators. The indicators that must be kept as a base to grade the management, efficiency and profitability of the industrial and commercial companies of the administrator of public capital corporations and gaming operators (SCPD and Etesa) or private gaming administrators or operators will be defined by the National Government through the Health Ministry according to the criteria established in the present law. Furthermore, the Government, through the Health Ministry, will establish the events or situations in which such entities, public or private corporations must be submitted to performance plans to recover its financial and institutional viability or must be definitely liquidated and the operation of the respective games put in the direction of third parties. Equally, the National Government through the Health Ministry will establish the terms and conditions in which the corporation exploiting the monopoly may recuperate its capacity for making the direct operation of the respective activity.

Article 52. Competence for the efficiency qualification. The National Gaming Council is in charge of annually grading the management and efficiency of the industrial and commercial companies, the administrator of public capital corporations and gaming operators (SCPD and Etesa), gaming administrators or operators.

An unsatisfactory operation for the management, efficiency or profitability of the industrial and commercial companies, administrator of public capital corporations and gaming operators (SCPD and Etesa) will be admissible to submitting the company to a performance plan to recuperate its financial and institutional viability, or, the peremptory recommendation for the liquidation of the same, in compliance to the criteria set in the regulation. In the event of an unsatisfactory qualification for particulars, the non indemnity legitimate cause for unilateral termination of the concession contracts or the revocation of the operation authorization.

Article 53. Inspection, vigilance and control competence. The inspection, vigilance and collection control and application the resources of the gaming monopoly corresponds to the National Health Department. These activities will be performed in compliance with the regulations which appear in the present law and the regulations and proceedings which appear in the dispositions which regulate the structure and functions of said entity. The above with no prejudice of the police control functions which is the competence of department, district and city authorities.

Natural and artificial people, public and private that in any way or manner manage, operate or exploit the monopoly mentioned in the present law, will be in the obligation to render in a timely way the information they require. The incompliance of this obligation will be sanctioned by the National Health Department with up to the suspension of the authorization, permission or faculty to manage, operate or exploit the monopoly with no prejudice of the admissible penal, fiscal, disciplinary responsibilities.

Article 54. Fiscal control. The resources of the monopoly are public and are subject to fiscal control, which will be exercised by the control organ that oversees the administration of the monopoly in compliance with the special regulations about this matter.

Article 55. Sellers' registration. Establish the National Public Register of the natural and artificial people who act as sellers of Games of Chance and who must inscribe in the Chambers of Commerce of the place and when these do not exist, by delegation of the Chamber of Commerce, the inscription will be made in the City may of the locality, who must report the corresponding registration diligence.

It will be necessary that the people who intervene in the act or agreement contract between seller and entrepreneur be duly registered. The regulations established by the Gaming National Council will point out the faults and sanctions for the omission of the requisite.

CHAPTER XII

Social security of independent sellers of lotteries and permanent bets.

Article 56. Parafiscal contribution for the social security of professionalized independent sellers of lotteries and/or permanent bets. Create a parafiscal contribution in charge of professionalized independent sellers of lotteries and/or permanent bets, equivalent to one percent (1%) of the public price of the tickets or lottery fractions or the value contributed in each ticket or bets in permanent bets. The contribution will be discounted from the income to which these sellers have a right to and will be collected by the lotteries and paid within the first ten (10) days of the following month in the way determined by the regulation issued for this effect by the National Gaming Council.

The contribution will be administered in the way established in the administration contract performed between the National Government and the legally constituted organization to represent the beneficiaries. The administration contract will be in force three (3) years which can be extended and must be submitted to the legal current Constitutional regulations to administer and oversee of parafiscal public resources.

Article 37. Lottery and Permanent Bets Sellers Fund . Create the Fund for Lottery and Permanent Bet Sellers "Fondoazar" whose object will be to finance the social security of independent, professionalized lottery and bet sellers.

This Lottery and Permanent Bets Sellers Fund will be constituted with contributions corresponding to the parafiscal contribution referred to in the above article.

The Lottery and Permanent Bets Sellers Fund will be administered by its beneficiaries through organizations constituted by them, in the way which appears on the regulation.

The resources of this fund will be destined exclusively to cover the part which corresponds to the seller by their affiliation to the Social Security System; any surplus will be destined to enlarge the POS of this population.

Article 58. The lotteries having extraordinary prizes will continue exploiting the same extraordinary prizes in compliance with the legal dispositions.

CHAPTER XII

Full force and effect and derogatory.

Article 59. Transitory. The Health National Department may intervene and take immediate possessions of the lotteries while the social clauses are to customize the administrative expenses of said society and to adjust them to the terms of the present law.

Article 60. Exclusivity and prevalence of the proper regime. The dispositions of the proper regime which contain this law regulate the monopolistic activity generally and integrally and prevail the specific field of its regulation, over the other laws, with no prejudice of the application of the current tributary regime.

Contracts performed before the expedition of this law must be adjusted in the compliance of the same, without modifying the term initially contracted. At the end of the execution term, the new operator will be chosen according to what is established in article 22.

Authorized localized games which are not functioning will not require the previous favorable concept of the mayor to continue operating.

Nevertheless, they must adjust to what is disposed by this law, without modifying the term initially contracted. At the end of the execution period, the new operator will be chosen in compliance to Article 23.

Article 61. Term and derogations. The present law is in affect on its publication date and derogates all the other dispositions which are contrary to it.

The President of the Senate of the Republic,

Mario Uribe Escobar.

The Secretary of the Honorable Senate of the Republic,

Manuel Enríquez Rosero.

The Honorary President of the House of Representatives,

Basilio Villamizar Trujillo.

The Secretary General of the Honorable House of Representatives,

Angelino Lizcano Rivera.

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ANDRES PASTRANA ARANGO

The Ministry of Treasury and Public Credit,

Juan Manuel Santos Calderón.

The Vice Minister of Health, in charge of the functions of the Office of the Health Minister

Mauricio Bustamante García.