

MINISTRY OF ECONOMY AND FINANCE
GAMBLING CONTROL BOARD
Resolution No. 065 Panama, October 25, 2002.
THE GENERAL ASSEMBLY OF THE GAMBLING CONTROL BOARD
IN EXERCISE OF ITS LEGAL POWERS,
WHEREAS:

That pursuant to the provisions of Articles 2 and 5 of Decree Law No. 2 of February 10, 1998, the Gambling Control Board is in charge, in the name and on behalf of the State, of the exploitation, control, authorization, supervision and investigation of the Games of Chance and Wagering Activities, performed in the territory of the Republic of Panama, or abroad, by electronic means or other distance communication games;

That according to the provisions of Articles 2 and 6 of Decree Law No. 2 of February 10, 1998, the Gambling Control Board shall exploit the Games of Chance and Wagering Activities, directly or through third parties;

That the laws in force regulate the Games of Chance and Wagering Activities performed in the territory of the country, in premises engaged in the exploitation of said activities, without considering those performed by electronic means or other distance communication games.

That Decree Law No. 2 of February 10, 1998, provides the legal basis for the development of the exploitation of Games of Chance and Wagering Activities by electronic means or other distance communication games, indicating in Articles 5 and 24 respectively, the following:

"...Games of Chance and Wagering Activities performed abroad, by electronic means or other distance communication games shall also be supervised and regulated."

"...Expressly excluded are the wagers performed through distance communication electronic means, such as those performed via the internet, when it is impossible to fully identify the source of the money used in wagering or the identity of the persons involved. This type of wager is expressly prohibited."

That the laws in force anticipate the development of the Game of Chance and Wagering activities by electronic means or other distance communication games, provided the source of money or the identity of the persons involved can be completely identified, it being necessary the ruling of said provisions in order to make possible its application, establish its scope and facilitate the development of this sector of the gambling industry in the Republic of Panama.

That pursuant to the provisions of paragraph 9, Article 12 of Decree Law No. 2 of February 10, 1998, the General Assembly of the Gambling Control Board is empowered

to issue, annul, amend, supplement and update the Regulations related to the operation of Games of Chance and Wagering Activities;

That due to the foregoing;

IT IS RESOLVED:

FIRST: To approve the Regulations for the Operation of Games of Chance and Wagering Activities performed through Electronic Communication Gambling Systems, which reads as follows:

**TITLE I
GENERAL PROVISIONS
CHAPTER I
PURPOSE, SCOPE OF APPLICATION, INTERPRETATION,
PROHIBITION AND DEFINITIONS**

Article 1. Purpose.

The purpose of these Regulations is to regulate the hiring, operation and exploitation of Games of Chance and Wagering Activities performed through Systems for Electronic Communication Games. For all those general matters not included in these Regulations, Decree Law No. 2 of February 10, 1998, Resolution No. 92 of December 12, 1997 and any other regulation in force applicable to the subject issued by the Gambling Control Board shall be supplementally applied.

Article 2. Scope of Application.

Games of Chance and Wagering Activities performed through Systems for Electronic Communication Games operating in or from the Republic of Panama shall be subject to the provisions of these Regulations. It is understood as activities to be performed pursuant to these Regulations, casinos and wagering agencies of sports events, via the internet or by international calls.

The Director shall determine, in every particular case, by means of a justified Resolution, if certain game or wagering activity shall be considered subject to the provisions of these Regulations.

The following activities and/or games are expressly excluded from the scope of application of these Regulations:

1. The Game System and Horse Wagering ruled by Agreement No. 106-A and Resolution No. 060 of July 30, 1999 and by the other regulations related to this activity.
2. The Telephone Wagering Systems of the Sports Event Wagering Agencies ruled by Resolution No. 077 of August 4, 1999.
3. The Telematic Games of Mass Textual Audio regulated by Resolution No. 082 of August 19, 1999.

4. The Commercial Promotions, Raffles or Tombolas regulated by Resolution No. 059 of July 30, 1999, using for its development telecommunication equipments, systems or equipment.

Article 3. Interpretation.

No provision contained in these Regulations shall be construed in a manner so as to cause conflict with the Laws of the Republic of Panama. If any provision of these Regulations is declared illegal, void or unconstitutional, it shall not be deemed to invalidate any of the other provisions of these Regulations.

Article 4. Prohibition.

A natural person or corporation not authorized by the Gambling Control Board to operate Systems for Electronic Communication Games shall not advertise nor perform Games of Chance or Wagering Activities through Systems for Electronic Communication Games.

Article 5. Definitions.

For the purposes of these Regulations, the following terms shall have the meanings hereinafter mentioned:

Administrator/Operator: Natural or juridical person holding an Agreement issued by the Gambling Control Board to operate and administrate a System for Electronic Communication Games.

Electronic Wager: The wager performed through a System for Electronic Communication Games authorized to operate in Panama.

Consent Certificate: Certificate containing the official approval issued by the Director, to allow a registered company to be a shareholder of the corporation requesting the Agreement or to whom the Agreement has been issued.

Competence Certificate: Certificate which includes the credentials issued by the Director, authorizing a natural or juridical person to participate in the activities of the Administrator/Operator.

Gambler's Account: An account in the name of the gambler, to which the Administrator/Operator can debit or credit the amounts wagered or won by the gambler.

Agreement: The agreement entered into between the Administrator/Operator and the State, indicating the terms and conditions of the Authorization granted by the Gambling Control Board to a person to administrate and operate one or various Systems for Electronic Communication Games.

Key Money: Amount of money that every natural or juridical person shall pay in order to be granted an Agreement, pursuant to the provisions of these Regulations.

Trust Employee: A person that:

- Performs or holds a Management position or carries out management duties in relation to the operations performed by the Operator/Administrator.
- Holds a control position and significantly influences the operations and other activities performed through the Systems for Electronic Communication Games.
- Performs or holds an office that according to the Manual for Internal Control Procedure, approved by the Administrator/Operator, must be appointed to a Trust Employee.
- Holds certain position as or performs certain duties for an Administrator/Operator of the Systems for Electronic Communication Games and who according to the criteria of the Director, shall be considered and is appointed as a Trust Employee.
- Not being an employee of the Administrator/Operator, is associated or related to him in such a way that the Director has appointed him as trust employee.

Equipment and Applications: It exclusively refers to the equipment and applications constituting specialized technology to be used in the industry of Games of Chance and Wagering Activities through Systems for Electronic Communication Games.

Gambler: Every natural person registered as a gambler, according to the requirements established by the Administrator/Operator of the Systems for Electronic Communication Games.

Gambling License: License issued by the Gambling Control Board pursuant to an agreement, whereby a natural or juridical person is authorized to manage and operate a System for Electronic Communication Games.

Business Program: A document that the applicant of an Administration and Operation Agreement must submit to the consideration and approval of the Gambling Control Board. It shall include:

- a) A general description on the development of the business operation, emphasizing on the steps for the development thereof, if possible.
- b) Indication of the components of the System for Electronic Communication Games.
- c) Indication of the goods and services in addition to those aforementioned, required for the development of the activity.
- d) The amount of the investment to be performed in order to carry out the business and the financing source of the proposed operation.
- e) The amount of employees for its operations.
- f) The economic forecasts in relation to the estimated income and expenses of the activity.
- g) Any other information required by the Director.

Special Bonus on Fixed Amounts: Bonus requiring the conjunction of conditions or special circumstances, whose amount corresponds to a fixed sum or value.

Incentive Promotional Prize or Courtesy Prize: Prize offered by the Administrator/Operator transitorily or temporarily to promote its activities, not included in the prizes of the different types of games or wagers it operates.

Special Services Supplier: The natural or juridical person supplying services or performing duties, in the name of the Administrator/Operator that are part of the Systems for Electronic Communication Games.

System for Electronic Communication Games: Refers to the group of equipments and applications whereby the games and wagerings from or to the location of the gambler, are transmitted, offered, captured, processed, received, paid and promoted, including the computing systems used to provide and control the activity; the communication interface that connects the systems to the Internet and the communication interface that connects the systems with other equipments.

This term includes, without limitation, the following systems, services and equipments related to the operation:

- The operation systems of every game and wager being operated.
- Gamblers' Registration System.
- Administration of gambler's funds.
- Internet Site.
- Development tools and Testing of the System for Electronic Communication Games.

Expressly excluded from this definition are the equipments external to the System used by financial entities participating in the transfer of funds between the gambler and the administrator/operator; as well as the suppliers of the Internet service.

Article 6. Authorization.

The Games of Chance and Wagering Activities performed through Systems for Electronic Communication Games operating in or from the Republic of Panama, shall be regulated, supervised and authorized the Gambling Control Board. It is understood that Games of Chance and Wagering Activities through Systems for Electronic Communication Games in or from the Republic of Panama are being performed, when the System or most of its components are located and/or operated in the Republic of Panama. The Director shall determine the degree of services and operations to be managed and operated from Panama in order that the System for Electronic Communication Games be considered as located or operated in the country.

Article 7. Evaluation of the Applicant.

In order that a natural or juridical person operate a System for Electronic Communication Games in or from the Republic of Panama, it must enter into an Administration/Operation Contract with the Gambling Control Board.

With every Contract, the Gambling Control Board shall issue the corresponding Gambling Licenses, allowing the Administrator/Operator to operate the System or Systems for Electronic Communication Games.

The System for Electronic Communication Games shall be subject in full to the regulations of the Gambling Control Board, without prejudice that part of its components operate outside the Republic of Panama. Said condition shall be set forth in the Agreement subscribed with said Administrator/Operator.

Article 8. Obligation to Comply with the Laws in Force.

The Administrator/Operator accepting the execution or renewal of an Agreement, is subject to the fulfillment of the laws and rules in force of the Gambling Control Board, as well as those amendments published from time to time. The Administrator/Operator shall be responsible to keep himself informed on the contents of all the legal provisions and rules in force in relation to games.

Unawareness thereof shall not constitute grounds for non-fulfillment.

Article 9. Prohibitions.

The Systems for Electronic Communication Games operating in or from Panama, shall not be used by the persons residing in the country. The following events shall not allow wagers:

1. Sports events at an amateur level in the Republic of Panama.
2. Events performed abroad Panama, with the participation of public or private institutions located in Panama.
3. Elections for a public office, within or outside Panama.
4. Any other event implicating a professional team having its headquarters in Panama, irrespective of the place where it shall be held.
5. Any other event at the discretion of the Director or the Gambling Control Board.

Any event played in Panama and implicating a professional team, for which the Directors of the governing league, request that no wagering be permitted, shall request authorization to the Gambling Control Board within a term not less than thirty (90)(sic) days before the beginning of the event.

TITLE II CONTRACTS, COMPETENCE CERTIFICATES, CONSENT CERTIFICATES AND WORK CREDENTIALS CHAPTER I REQUEST FOR AGREEMENT

Article 10. Requirements to Request an Agreement for the Management and Operation of Systems for Electronic Communication Games.

Every person requesting the execution of an Agreement shall perform the following:

- a. Comply with the pertinent Laws and Regulations on the matter;
- b. Have a Legal Representative in the Republic of Panama;
- c. Satisfactorily approve the investigation on integrity and history and pay the corresponding costs. Expenses incurred on this subject shall not be reimbursed;
- d. In relation to corporations, it must be duly constituted and organized in Panama or registered as a foreign corporation in the Public Registry of Panama;
- e. Have the necessary experience and knowledge for the development of the proposed operation.
- f. To submit a Business Program together with a feasibility study from a consulting firm not belonging to the company evidencing the feasibility of the projected business. The Applicant and the Director must agree on the consulting firm submitting the feasibility study.
- g. To submit satisfactory evidence that the applicant has financial availability to pay his obligations, to completely undertake and develop the proposed operation and to furnish the working capital detailed in the Business Program to be submitted;
- h. To prove that the System for Electronic Communication Games have the capacity to convincingly identify or credit the identity of the gamblers and/or the source of the money.
- i. To submit the application in a form approved by the Director
- j. In relation to corporations, the articles of incorporation of the corporation must include the following:
 1. The Clause in relation to corporate purposes shall include the following text: "To manage and operate systems for electronic communication games pursuant to the legislation adopted by the Gambling Control Board of the Republic of Panama."
 2. In relation to shares, the articles of incorporation shall include a text substantially stating the following:

"The Corporation shall issue no share or security, unless said issuance is made pursuant to the provisions adopted by the Gambling Control Board. Issuance of any share or security infringing the provisions of the Gambling Control Board shall be invalid and said shares or securities shall be considered as not issued and outstanding until: (1) the Corporation is no longer subject to the jurisdiction of the Gambling Control Board; or (2) the Gambling Control Board by resolution validates said issuance."

"Any share or security issued by the Corporation nor any interest, encumbrance or share shall be transferred, except pursuant to the provisions adopted by the Gambling Control Board. Any transfer infringing the provisions of the Gambling Control Board shall not be valid until: (1) the Corporation is no longer subject to the jurisdiction of the Gambling Control Board; or (2) the Gambling Control Board by resolution validates said transfer."

"If at any moment, the Gambling Control Board determines that a Shareholder or holder of a security of the Corporation is not fit to own said securities, then until said securities are property of persons the Gambling Control Board considers fit: (1) the Corporation shall not be required nor authorized to pay any dividend or interest in relation to said securities; (2) the holder of said securities shall have no voting right in any matter as holder of the securities, and said securities shall not be included, to such effect, in the securities of the Corporation with a right to vote; (3) the Corporation shall pay no compensation, in any way to the holder of said securities."

- k. Comply with the provisions of Article 12 of this Regulation.

Article 11. Information and Documentation to be submitted.

The request for Agreement must include the following information together with the documentation hereinafter described:

- a. Name of the applicant.
- b. Supplier of the software or hardware of the System for Electronic Communication games to be used, specifying all terms and conditions regulating its relations with said suppliers and to submit a copy of the agreement or contract subscribed for such purpose.
- c. Name of all persons, directly or indirectly involved in the proposed operation and nature of such interest.
- d. Complete and detailed information on the personal data of the applicant and its reliable employees, indicating the criminal history, commercial activities, financial and mercantile matters, including at least a ten (10) year period previous to the date of submittance of this application, pursuant to the forms submitted by the Director to such effect. In relation to corporations, the information required must be also submitted for all
 - l. directors, officers, legal representatives, shareholders of ten percent (10%) or more of the shares of the corporation and any other person deemed convenient by the Director.
- e. Details of the Business Program.
- f. In relation to corporations, submit a certificate issued by the Public Registry certifying its existence, duration, date of constitution, legal representative, directors and officers.
- g. Submit authenticated copy of documents certifying the constitution of the corporation or authenticated copy of documents certifying the identity of the natural person, as is the case.
- h. To describe the financial structure of the corporation, including a list of all outstanding shares, and a list of the related rights.
- i. To submit certification issued by the Corporate Secretary indicating the names of every shareholder of the corporation.

- j. To submit certification by the Corporate Secretary or the applicant, as is the case, indicating all outstanding loans, mortgages, trusts, encumbrances and obligations and any other liability incurred.
- k. To enclose a certification issued by the Corporate Secretary or the applicant, indicating the names of the persons employed, whose benefits, wages or fees correspond to the ten (10) highest amounts of the payroll, whether or not reliable directors, officials, officers or employees.
- l. To describe the procedures used by the applicant to grant bonds and profit-sharing.
- m. To specify and submit a photocopy of the agreements (or contracts) or sub-agreements executed or to be executed in relation to the operation proposal of the game or other activity requiring a license.
- n. To submit a general profit and loss statement certified by an authorized public accountant for at least three fiscal years prior to the date of application. In case the applicant does not have three (3) years of operations, the statement must include the complete period of operation.
- o. To submit a copy of the income-tax returns for the last three (3) years. In case the applicant has not operated a complete fiscal period, an estimated income-tax return.
- p. To submit a Manual on Internal Control Procedures to be used, prepared according to the minimum standards on internal control procedures adopted in this Regulation.
- q. To submit documentation evidencing the experience of the organization and/or personnel in the development of the operation, including, without limitation, experience and knowledge in the administration of information systems.
- r. To enclose any other information or documentation that the Director shall consider necessary and convenient to guaranty the public health, security, morale, good image, order and general welfare of the inhabitants of the Republic of Panama and of the gambling industry.

Once the application is submitted and during the investigation procedure, no change shall be made to the information submitted by the applicant in relation to the System for Electronic Communication Games to be used, nor to the financial aspect, shareholding and Board of Directors of the applicant. In case a change is necessary, the applicant shall withdraw the documentation submitted, and after correction, shall submit it again.

After the Director considers the application duly documented and supported, he shall order an investigation, the expenses thereof being completely borne by the applicant.

Article 12. Criteria on the Execution of Agreements, Competence Certificates, Consent Certificates and Registration in the Supplier's Registry.

The applicant of an Agreement, a Competence or Consent Certificate shall submit and evidence, in every case and pursuant to the procedures established, the necessary evidences, qualifications and competence. The Gambling Control Board shall rely on

the following criteria to decide on the execution of Agreements, Certificates and registrations in the Supplier's Registry.

- a. To duly certify the honesty, integrity, competence and experience of the applicant.
- b. To evidence that the activities and records of the applicant are not a threat to the public interest of the Republic of Panama, nor they infringe the law applicable to games of chance and wagering activities, and that his participation in the gambling industry of the country does not represent danger in introducing or increasing illegal practices in the administration or management of gambling, and that he is not engaged in unlawful commercial or financial handling.
- c. That the financing proposed for the complete operation be proper and from legal and acceptable sources.
- d. That the capacity of the system for electronic communication games to convincingly identify or credit the identity of the gamblers and/or the source of the money used by them, be evidenced.

It is prohibited to issue Agreements or Competence Certificates to any employee of the Gambling Control Board or any other person working for any State institution, when in virtue of the duties of said office he is contributing to the Gambling Control Board, in exercise of his powers controlling the games and activities of chance and wagering.

This restriction is specifically applied, without limitation, to officials of the Public Ministry, the Judicial Body, the Ministry of Economy and Finance, the Agency of the Administration, the General Comptrollership of the Republic and the Legislative Assembly.

CHAPTER II PROCEDURE FOR APPLICATION

Article 13. Duty to Investigate:

The Director, or any person appointed by him, shall investigate the background, integrity, honesty, qualifications, competence, experience and financial solvency of every applicant, before an Agreement, Competence Certificate or Consent Certificate is issued.

In order to comply with the provisions of this article, the cooperation of the competent state organisms shall be requested or private agencies offering the services required shall be contracted.

Article 14. Cost of Investigation.

Unless otherwise provided in these Regulations, all rights and costs incurred in the investigations performed due to this application, shall be completely borne by the applicant.

The Director shall estimate the amount of the fees and costs of investigation and shall require from the applicant the payment thereof. The Director shall require the

applicant to pay an advance deposit, as a condition to start or continue the investigation.

As long as the applicant has not completely paid the fees and costs of the investigation, the Gambling Control Board shall not adopt any final decision on the petition. The Director shall recommend that a petition be rejected, if the applicant does not cancel all the fees and costs of the investigation. After its completion, the Director shall provide the applicant a detailed report, per item, of the fees and costs incurred in the investigation.

In case a deposit has been made to cover the fees and costs of the investigation, once these have been canceled, the Director shall reimburse the applicant any balance resulting from the investigation.

Article 15. Notification of Applicants.

The Director shall notify any Person whose name appears in the application, to appear and testify before him or his agents. The testimonies shall include any matter considered important by the Director or his agents.

Nonappearance and/or lack of full testimony at the time and place designated, unless a written excuse justifying absence for said notification is submitted, shall be considered grounds to reject the application filed.

Article 16. Withdrawal of an Application.

As long as the Director has not issued his recommendation to the General Assembly of the Gambling Control Board, the applicant may request in writing the withdrawal of the application, and the Director shall authorize or reject the withdrawal request.

In case the withdrawal request is authorized, the applicant shall not apply for another Agreement or submit any other application, unless a year has elapsed, as of the date of notice of the Resolution authorizing the withdrawal.

CHAPTER III EXECUTION OF AGREEMENTS AND GAMBLING LICENSES Article 17. Recommendation of the Director

Once the investigation has concluded and the procedures performed by virtue of an application for an Agreement, the Director shall recommend the General Assembly of the Gambling Control Board its approval or rejection. If the Director considers that the application must be rejected, his recommendation shall contain the grounds for said rejection. Said recommendation shall be of public knowledge and in no event shall be secret.

Article 18. Inadequate Systems for Electronic Communication Games.

The Director shall recommend that an application be rejected if the Systems for Electronic Communication Games are inadequate. The Director shall accept and process an amendment to the application which shall correct the inadequacy of the system.

The General Assembly of the Gambling Control Board shall deny an application for an Agreement if it considers the System for Electronic Communication Games to be used to offer, capture, register, process and pay the games and/or wagers is inconvenient, due to the particular qualities of its owners, of the persons involved in its use and handling or the persons having access thereto, or because the proposed system does not comply with the conditions required by these Regulations.

Article 19. Agreements authorized by the Director.

The General Assembly of the Gambling Control Board delegates in the Director the power to issue authorizations to execute Administration/Operation Agreements in those cases where a juridical person requesting an agreement to administrate and operate systems for electronic communication games certifies that 100% of its shares are property of another Administrator/Operator holding a license issued by the Gambling Control Board for the administration and operation of a System for Electronic Communication Games.

Article 20. Key Money.

Natural or juridical persons to whom an Agreement is granted for the Operation and Administration of Systems for Electronic Communication Games, shall pay the State as key money the amount of ten thousand Dollars (US\$10,000.00) for each license issued due to the contract.

Article 21. Annuity and Taxation System.

Every Administrator/Operator of the Systems for Electronic Communication Games shall pay the Gambling Control Board an annuity of Twenty Thousand Dollars (US\$20,000.00) for every Gambling license issued in his name. Pursuant to these Regulations, wagering shall not be made from Panama. The income from the Operation of Systems for Electronic Communication Games shall constitute income from foreign source, therefore except for payments corresponding to the Gambling Control Board, it shall not be subject to payment of income tax, tax on dividends and profit participation.

Article 22. Gambling Licenses.

Every Administration/Operation Agreement shall include the issuance of one or more Gambling Licenses. A Gambling License shall be issued for every Internet site that the Administrator/Operator has for the development of games of chance or wagering activity. The license shall specify the name of the Administrator/Operator, and the Internet site for the System for Electronic Communication Games.

Every Gambling License shall be issued by the President of the General Assembly of the Gambling Control Board and shall be valid for the term of the Agreement, up to a maximum of seven (7) years, provided that the Administrator/Operator has paid his annuity to date and complies with the legal provisions in force.

Article 23. Changes in the System for Electronic Communication Games.

To amend the System for Electronic Communication Games used by the Administrator/Operator or to carry out any change in the method or means used to offer, capture, register, process and pay the plays and/or wagering, the Administrator/Operator shall submit to the Director a program describing the proposed amendments. The Director shall approve or reject the program. Said proposed change or amendment shall not be executed until a resolution for its approval has been issued.

The sports wagering agencies authorized for wagering via internet or by international calls shall notify the Gambling Control Board of any change before its execution, the same to be applied upon notice of the Director. In any case, the Director by resolution shall order the suspension of the amendment or its correction.

**CHAPTER IV
COMPETENCE CERTIFICATE AND CONSENT CERTIFICATE**

Article 24. Obligation to Request a Competence Certificate

Every officer, director and trust employee of the Administrator/ Operator, or any person in the opinion of the Director, having a significant relation with its operations, shall request the Director the issuance of a competence certificate.

Likewise, every person owning or controlling ten per cent (10%) or more of the shares of the Administrator/Operator shall be required to file a request for a competence certificate when deemed convenient by the Administrator/Operator. Further, those persons owning at least ten per cent (10%) of the shares of the Administrator/Operator, when deemed convenient by the Director, shall also request the issuance of a Competence Certificate.

Article 25. Request for Issuance of Competence Certificate for certain Beneficiaries.

Any natural or juridical person receiving payments computed on the Gross or Net Income of an Administrator/Operator, and not owning a patrimonial value issued by the Administrator/Operator, shall be required by the Director to request a Competence Certificate.

Article 26. Request for Issuance of Competence Certificate for Persons dealing with Corporations.

Taking into consideration the public interest, the Director shall require that any or all lenders, debtors, subscribers, agents or other persons dealing with or significantly related to an Administrator/Operator, request a Competence Certificate. If the person or persons to whom such request is made, do not comply with said petition within thirty

(30) days following receipt of notice of the Director, it shall be considered that submittance of said application has been nomitted and order the Administrator/Operator to suspend the dealing or relation.

Article 27. Prohibition.

The Gambling Control Board shall not grant Competence Certificates to persons under eighteen (18) years old, nor to persons condemned for felonies, crimes against the property, authorities or public health.

Article 28. Obligation to Request a Consent Certificate.

Every company who intends to become a shareholder of a corporation requesting or to whom it has been granted an Administration/Operation Agreement shall request a Consent Certificate.

Article 29. Documents Necessary for the Application.

The application for the Competence or Consent Certificate shall be addressed to the Director. Said application shall be filed together with the following:

- A note of the Administrator/Operator indicating the relation or bond existing between the company and the applicant.
- The investigation form, duly completed, which can be obtained from the Gambling Control Board.
- Any other additional information required by the Director in order to decide on the application submitted.

Once the application for a Competence or Consent Certification has been submitted, the Director shall request all information deemed convenient and the applicant shall be compelled to furnish the same as complete as possible, for performing an investigation, on background, integrity, competence, financial, situation, etc.,

Article 30. Evaluation of the Application.

After an application for issuance of a Competence or Consent Certificate has been made, the qualifications or competence of the applicant shall be investigated and according to the result of the investigation performed, the Director shall give his decision, approving, conditioning, limiting, rejecting or restricting the application or requiring from the applicant to make certain adjustments deemed necessary.

In case the application for Competence or Consent Certificate is rejected, the applicant shall discontinue the relation with the Administrator/Operator. Likewise, the Director shall order the Administrator/Operator to discontinue the relation with the person or corporation to whom the certificate was denied.

Article 31. Criteria to grant a Competence Certificate.

Among the criteria that the Director shall consider to issue a Competence Certificate are:

- The capacity and competence of the applicant to perform functions or operations with the Administrator/Operator.
- The financial situation and financial background of the applicant.
- The personal history and professional profile of the applicant.

For the purposes of granting a Consent Certificate, the same criteria mentioned in Article 12 of these Regulations shall apply, except the indicated in paragraphs "c" and "d".

Article 32. Notice of Discharge.

Any Administrator/Operator discharging an official, director, officer or trust employee, shall notify immediately in writing said matter to the Director.

Article 33. New Appointment.

If the Administrator/Operator appoints another person to replace the person discharged pursuant to the provisions of the foregoing paragraph, he shall immediately notify the Director of the new appointment, and the new person appointed shall file before the Director an application for a Competence Certificate, within thirty (30) calendar days following the appointment. During the period of investigation, the new officer, director or trust employee hired by the Administrator/Operator shall exercise the office.

Article 34. Obligation to Discontinue the Labor Relation.

If a Certificate of Competence is denied, discontinued or revoked to a person, the Administrator/Operator shall immediately discontinue the labor relation with said person.

CHAPTER V WORK CREDENTIALS

Article 35. Obligation to Request a Work Credential

Every person employed by an Administrator/Operator shall have a valid Work Credential, issued by the Director.

Article 36. Requirements to Request a Work Credential.

The Work Credential shall be requested in writing to the Director, providing a criminal record of the applicant, his fingerprints in digital printing cards and two photographs, satisfactory to the Director and taken, at least, three (3) months before the date of submittance of the application.

Work Credentials shall not be issued to persons condemned for felonies, crimes against the property, authorities or public health.

Article 37. Obligation to Carry a Work Credential.

While on duty, every employee of the gambling industry shall carry in a visible place, his Work Credential and provide the same for inspection of the Gambling Control Board.

Article 38. Verification of Work Credential.

Before employing a person, the Administrator/Operator shall insure that he has a valid work credential, issued by the Director pursuant to this Chapter, and his work registrations must show the same.

Article 39. Denial of Work Credential

Any person to whom a work credential has been denied or whose Work Credential has been revoked, can use the refutation provided for in Article 99 of Decree Law No. 2 of February 10, 1998.

**TITLE III
HIRING OF THE ADMINISTRATOR/OPERATOR
CHAPTER I
SUPPLIER OF SPECIAL SERVICES**

Article 40. Proposal of the Supplier of Special Services

When the Administrator/Operator requires the assistance of a Supplier of Special Services he shall submit to the consideration of the Director the Agreement regulating the relations between him and the Administrator/Operator. The Director shall approve or reject the Agreement.

The Supplier of Special Services shall be registered in the Suppliers' Registry. On the other hand, the Supplier of Special Services shall register before the Director, although rendering services to Administrators/Operators authorized in other jurisdictions.

In every case, the Director upon authorization of the registry, shall require the Supplier of Special Services to include in his activities, in whole or in part, the provisions of these regulations in relation to Administrators/Operators.

Article 41. Devices of Games used.

The devices of games and ancillary equipment operated by the Supplier of Special Services shall follow the operational standards and rules established by the Gambling Control Board.

**CHAPTER II
OTHER HIRING OF THE ADMINISTRATOR/OPERATOR**

Article 42. Approval of Hiring.

Every agreement, covenant or relation between the Administrator/Operator and a natural or juridical person, in which the latter receives as remuneration or payment, a direct or indirect participation on amounts the Administrator/Operator receives, shall be submitted to the Director for his approval or rejection, before being implemented.

Article 43. Conditions for the Approval of the Agreement.

The Director shall approve the agreement, covenant or contract provided it is adequate and does not affect in a negative manner the reputation and excellent development of the operations of the Administrator/Operator and the gambling industry in the Republic of Panama.

TITLE IV OPERATION OF THE ADMINISTRATOR/OPERATOR CHAPTER I Registry of Gamblers

Article 44. Obligation of Registration before Gambling.

No Administrator/Operator shall allow a person to participate, as a gambler, in a game or wagering by means of the Systems of Electronic Communication Games, unless the person is duly registered as a gambler with the Administrator/Operator pursuant to the provisions of Article 24, Decree Law No. 2 of February 10, 1998.

Article 45. Procedures for Registration of Gamblers

In order that a person be registered as a gambler with an Administrator/Operator, he should do the following:

1. Send a registration application in the forms approved by the Director. In said application, he must specify the following information:
 - Full Name
 - Permanent Address
 - Nationality
 - Age
 - Sex
 - Profession or Occupation
 - E-mail address
2. File the evidence the Director determines to verify:
 - The identity of the person
 - The domicile of the person
 - Evidence of legal age (more than 18 years)

Article 46. Registration of the Gambler with the Administrator/Operator:

An Administrator/Operator of Systems for Electronic Communication Games shall not register a person as a gambler unless:

1. The identity and the age of the person have been verified according to the procedure established in the Manual on Internal Control Procedures.
2. The domicile of the person has been verified according to the procedure established in the Manual on Internal Control Procedures.

CHAPTER II Accounts of the Gambler

Article 47. Obligation to Open an Account with the Administrator/Operator.

As soon as the Administrator/Operator has registered a person as a gambler, he must open an account in the name of the gambler, named Account of the Gambler.

Article 48. Verification of the Gambler

The Administrator/Operator shall provide the gambler verification means of his identity such as: user's name, a unique identification number or a password, before the gambler is allowed to begin gambling and/or before the gambler can make request a withdrawal from his account.

Article 49. Handling of the Account of the Gambler.

The Administrator/Operator shall not affect or use the account of the Gambler, except in the following cases:

- To debit the account for a wagering made by the gambler for an amount the gambler wants to wager during the game he is participating or will participate
- To debit the account for the amounts to be authorized to be debited pursuant to the provisions of the Gambling Control Board.
- To send the gambler amounts in the Account of the Gambler upon his request.

Article 50. Charges to the Account of the Gamblers.

The Administrator/Operator shall make debits against the Accounts of the Gambler due to:

- Charges, costs or expenses incurred by the Administrator/Operator for transactions or operations made on the account.
- Services rendered by the Administrator/Operator to the gambler, upon his request.

The Administrator/Operator shall make debits only if the gambler has authorized to do so in writing.

The Administrator/Operator shall not charge the gambler for opening the account or for keeping it open.

Article 51. Transfer of Funds to the Gambler.

Upon request of the gambler, the Administrator/Operator shall immediately transfer to the gambler the funds in the Account of the Gambler.

Article 52. Statement of Account of the Gambler.

The Administrator/Operator shall submit to the gambler an electronic access line to his statement of account including information to allow the gambler to reconcile the statement of account with his own records.

Article 53. Privacy of Information.

The Administrator/Operator shall not disclose to any natural or juridical person information he has from the registration and opening of the account of the gambler or any other information related with transactions or statement of account.

Provided the provisions of the foregoing paragraph, said information shall be disclosed when required by the law or by written consent of the gambler.

Article 54. Prohibition of Credit.

The Administrator/Operator or the Supplier of Special Services shall not, under any circumstances, give credit to the gamblers or act as agents or intermediaries in order that third parties give credit to the gamblers.

Article 55. Inactive Accounts.

When an account has no movements or transactions of any kind for a year or more, the Administrator/Operator shall remit any amount remaining to the gambler. In case the money cannot be remitted to the gambler, it shall be transferred to a special account, handled by the Administrator/Operator, subject to the provisions of inactive accounts in force in the banking sector.

CHAPTER III LIMIT ON THE AMOUNT OF THE Wager

Article 56. Fixing the Limit on the Amount of the Wager

Upon written request addressed to the Administrator/Operator, a gambler can establish a limit to the amount being wagered. The limit can be established in relation to a specific game; or in relation to all the games or wagering activities offered for a certain period or under any criteria established by the gambler. When the limit established is zero (0), this is equivalent to a self-exclusion of the game or the activity, according to the limitation established.

The limit established shall be revoked by written request to of the Administrator/Operator.

Article 57. Acceptance of the application.

The Administrator/Operator shall accept the limit application or the revocation made by the gambler, as soon as being notified.

The Administrator/Operator shall not accept wagers made by a gambler surpassing the limit established by the latter.

CHAPTER IV PAYMENT OF PRIZES

Article 58. Obligation of Immediate Payment

If a gambler wins a prize for participating in a System for Electronic Communication Games, the Administrator/Operator shall pay the same to the Account of the Gambler immediately at the end of the event.

Article 59. Claim of Prizes.

The gambler shall claim prizes, before the Administrator/Operator within thirty (30) days after the end of the game or the wagering activity. When the claim is filed, the Administrator/Operator shall solve the claim filed in a period of ten (10) days. If the gambler is not satisfied with the decision of the Administrator/Operator, he shall have ten (10) business days to request the Director to review the decision adopted by the Administrator/Operator. The Administrator/Operator and the gambler shall submit the Director all the facts of the controversy in order for its resolution.

The Administrator/Operator shall submit a hyperlink with the Gambling Control Board in order that the gambler can electronically file his claim.

Article 60. Claim before the Director.

If the Administrator/Operator does not answer the claim filed by the gambler, within 10 business days, the latter, without a decision, shall file his claim before the Director within a term of 10 business days, as of the expiration of the term granted to the Administrator/Operator to resolve the claim.

Article 61. Performance of the Director.

The Director shall adopt a decision within thirty (30) days after receipt of the claim from the gambler. Unfulfillment by the Administrator/Operator of the decision of the Director shall be considered an inconvenient operation method.

CHAPTER V ELIMINATION OF GAMES

Article 62. Elimination of a Game.

If a game or wagering method has difficulties in its operation due to human errors or software/hardware problems, the Administrator/Operator shall immediately notify the situation to the Director and shall not continue operating the game or wagering method until the problem is solved.

Article 63. Procedure.

After investigating the circumstances of the operation problems of the game or wagering method, the Director, according to the case, shall order the Administrator/Operator the refund of the amounts wagered by the gamblers and/or payment of the prizes won. Likewise, the Director shall give the Administrator/Operator any other order considered convenient.

Article 64. Power to Hold Prizes.

The Administrator/Operator shall hold the payment of a prize if there are reasons to consider that the result of the game or wager are affected by illegal activities or by inadequate operation of the System for Electronic Communication Games not imputable to the Administrator/Operator.

In this case, the Administrator/Operator shall immediately notify the Director and the game shall not continue.

The Director, upon investigating the circumstances, shall order the Administrator/Operator, by means of Resolution, to pay the prize, refund the amounts wagered or perform anything that the Director considers appropriate to the circumstances.

Article 65. Supervision of the System for Electronic Communication Games.

Every Administrator/Operator shall appoint one or more Trust Employees with complete authorization to supervise, direct and be responsible for the operation of the Systems for Electronic Communication Games.

Not later than January 15 and July 15 of every year, every Administrator/Operator shall send the Director a report on the employees at his charge. Every report shall identify every Trust Employee and every person that is or has been, from the registration of the previous report, actively involved in the administration or supervision of the System for Electronic Communication Games.

Article 66. Permitted Activities.

The System for Electronic Communication Games shall be exclusively used for the purposes and activities authorized in the Administration and Operation Agreement and in the regulations of the Gambling Control Board and for any other purpose.

Article 67. Prohibited Access.

The Administrator/Operator shall accept no wagers from persons under eighteen (18) years of age, although emancipated.

It is expressly prohibited to participate in games and activities offered by the Systems for Electronic Communication Games in or from the offices or premises of an Administrator/Operator.

**CHAPTER VI
OPENING OF ACCOUNTS IN FINANCIAL INSTITUTIONS**

Article 68. Accounts of the Administrator/Operator.

The Administrator/Operator shall have as minimum the following banking accounts in a bank or banks in the jurisdiction of Panama:

1. An escrow account accruing interests, to be managed only with the permission of the Director. This account is kept with the purpose of paying the Accounts of the Gambler if the Administrator/Operator is no longer in business. The Director shall fix a formula to determine the amount to be kept in escrow, in no case being less than 100 times the maximum wager per game in the System for Electronic Communication Games.
2. A reserve account for an amount that has been approved by the Director for the payment of the wagers. The Director shall fix a formula to determine the amount, in no case being less than 100 times the maximum wager per game in the System for Electronic Communication Games.

The Administrator/Operator shall not use said banking accounts approved by the Director for any other purpose. The Administrator/Operator shall calculate daily the amounts required pursuant to the formula, at the end of the business day. If the reserve account or the escrow account at any time are less than the amount approved, the Administrator/Operator shall immediately consolidate the difference. If the Administrator/Operator does not consolidate it for any reason, he must notify in writing the Director. The Director shall suspend the game, or take any disciplinary action deemed convenient. The omission to notify the Director of the consolidation of said accounts constitutes an inconvenient operational method.

CHAPTER VI ADVERTISING

Article 69. Advertising.

Only the Systems for Electronic Communication Games duly authorized by the Gambling Control Board shall be published.

If the Director considers that the advertising is inappropriate, he may order its discontinuance or amendment. The Director shall notify the Administrator/Operator in writing and the Administrator/Operator shall immediately comply the order of the Director.

The omission to conduct the advertising and public relation activities with decency, dignity, good taste, honesty and without being offensive or against the good image, shall be considered an inconvenient operational method.

CHAPTER VIII COMPLAINTS AND CONTROVERSIES WITH THE CLIENTS

Article 70. Complaints of the Clients.

Every Administrator/Operator of the Systems for Electronic Communication Games shall provide his Internet site with a hyperlink to the Gambling Control Board. The

clients shall submit their complaints or submit any other difference before the Gambling Control Board.

In case of controversy between a client and an Administrator/Operator or between a client and a Supplier of Special Services and the client addresses his complaint to the Director, the latter shall investigate the facts and render his decision in writing to the parties within 30 days after the complaint.

Unfulfillment of the decision of the Director is an inconvenient operational method.

CHAPTER IX EMPLOYEES OF THE GAMBLING INDUSTRY

Article 71. Revenue Reports and Dismissal of Employees.

For the purposes of issuing the respective work credentials and the effective supervision and control of the persons working in the gambling industry in Panama, within a term of thirty (30) days, as of the date the person begins working as an employee of the gambling industry, the Administrator/Operator shall submit to the Director a report on the Labor Condition, indicating the name, personal identification number, office and date on which said employee started working.

Further, within thirty (30) days following the date the person is no longer employed by an Administrator/Operator, he shall send the Director a report of the Labor Condition, indicating the name, personal identification number, office held, date of dismissal and reason for dismissal from employment with the Administrator/Operator.

The reports on Labor Condition shall be presented using the forms the Gambling Control Board provides for said purpose to every Administrator/Operator.

In relation to the periodical reports on employees, Article 53 of Resolution No. 92 of December 12, 1997 shall apply.

CHAPTER X EMERGENCY ORDERS OF THE DIRECTOR

Article 72. Purpose of the Emergency Orders

The Director shall issue an emergency order to suspend, rescind, revoke, limit or condition an Agreement, Competence Certificate, Consent Certificate or Supplier's Registry or to require the Administrator/Operator not to give access to the game to a person, or refraining from carrying out any kind of payment to a shareholder, director, officer or trust employee.

Article 73. Basis of the Emergency Orders.

The emergency orders shall be issued by a justified resolution, describing the facts motivating the decision adopted and shall only be given in the event any of the following circumstances occurs:

- a. If an Administrator/Operator has not complied with his obligation to report his income and/or pay the participation corresponding to the State pursuant to the provisions in these Regulations.
- b. If an Administrator/Operator or employee of the gambling industry has cheated in any game.
- c. When the issuance of an emergency order is necessary to preserve peace, public order, health, safety, moral, order and welfare of the population and the gambling industry of the Republic of Panama.
- d. If an Administrator/Operator is subject to a precautionary measure or execution.
- e. If there exists the bankruptcy or insolvency of the Administrator/Operator.
- f. If the Administrator/operator, in case of a natural person or his legal representative, in case of a corporation, or the natural person registered in the Suppliers' Registry or the legal representative of the corporation registered in the Suppliers' Registry, or the person in whose name a Competence Certificate or Consent Certificate has been issued, is declared penally responsible for felonies, crimes against the property, authorities or public health.
- g. If in the case of a Registered Supplier, when he manufactures, sells, distributes, assembles, repairs, modifies, programs or leases equipment or applications not complying with the standards of the Gambling Control Board; or when he or any employee has programmed, altered or handled in any way a system for electronic communication games with the intention of cheating, changing the normal criteria of games of chance or create in the game the tendency to lose or win.

Article 74. Effects of the Emergency Orders.

The emergency order shall be immediately effective after its corresponding notice, and the person against whom the emergency order was issued shall have the rights prescribed in Chapter XIII, Resolution No. 92 of December 12, 1997.

TITLE V TECHNICAL STANDARDS CHAPTER I GENERAL PRINCIPLES

Article 75. Objectives of the Standards.

The operation of the Systems for Electronic Communication Games shall be developed strictly complying with the technical standards established in these regulations and by resolution of the Director. The objective of the technical standards is to guarantee that the System for Electronic Communication Games is safe, reliable and the games and wagers are clear and transparent.

Article 76. Guaranteed aspects.

The technical standards shall guarantee, among others, the following aspects of the System for Electronic Communication Games:

- a. The games of the system to be strictly at random.
- b. Reliance in the system.
- c. Safety of the system.
- d. The administration of information and the generation of reports to the Gambling Control Board.

The Director, upon prescribing the technical standards, shall include other aspects not included in this article which considers necessary to be regulated.

Article 77. Random in the games of the System.

The System for Electronic Communication Games shall use a selection system at random to determine the result of every play in the game. The selection system at random shall be based in a random selector of numeric values (RNG) which cannot be predicted, must be uniformly distributed on a rank and shall be statistically independent in order to guarantee the results of random games.

Article 78. Reliance in the System.

The System for Electronic Communication Games shall not be out of service, except for exceptional reasons. Standards shall be established to measure and guarantee reliance in the System in relation to equipments, operation systems and applications.

Article 79. Safety of the System.

The System for Electronic Communication Games shall be designed and shall operate in a manner prohibiting access of third parties to the information of the gamblers, the funds wagered, the random selector of numeric values or any other area of the System. Periodic application procedures shall be established to examine the vulnerability of the System to external influence.

Article 80. Generation of Reports.

The Systems for Electronic Communication Games shall handle information and generate exact reports on the transactions made, the purity and reliability of the games, the operations in general and the events to be reported, at the discretion of the Director.

CHAPTER II INTERNET SITE

Article 81. Requirements for an Internet Site or Website.

Every Administrator/Operator of a System for Electronic Communication Games shall have an internet site or website for every casino or wagering agency on line, showing in the main page the following:

- 1) Complete name and address of the administrator/operator.

- 2) Number and date of issuance of the license by the Gambling Control Board of the Republic of Panama.
- 3) An affidavit indicating that the Systems for Electronic Communication Games are regulated by the Gambling Control Board of the Republic of Panama.
- 4) Hyperlinks to the Internet site or Website of the Gambling Control Board.
- 5) One or more hyperlinks to one page or pages including:
 - a. a summary of the registration process
 - b. a text indicating that minors under 18 years of age are prohibited to register or participate in electronic wagers.
- 6) A warning by the Administrator/Operator addressed to the gambler indicating that according to certain legislations it is prohibited to make and receive wagers through Systems for Electronic Communication Games.

TITLE VI
INTERNAL CONTROL PROCEDURES
CHAPTER I
MANUAL ON INTERNAL CONTROL PROCEDURES OF THE
ADMINISTRATORS/OPERATORS

Article 82. Manual on Internal Control Procedures.

Every Administrator/Operator shall submit to the approval of the Director a Manual on Internal Control Procedures prepared according to the minimal technical standards and specifications established in these regulations and established by the Director.

The Manual on Internal Control Procedures shall reasonably guarantee the following aspects of the System for Electronic Communication Games:

- a. The games generated by the System are reliable and safe being based at random.
- b. The System is reliable, guaranteeing a minimum probability of being out of service.
- c. The System is safe, not being vulnerable to the access of third parties or external influences.
- d. The System registers, holds, handles the information generated in its operation, being capable of generating the reports deemed convenient by the Gambling Control Board.
- e. Physical and virtual access to the equipment and computer systems of the Systems for Electronic Communication Games is duly organized and protected, guaranteeing at all times the security of the system.
- f. Procedure to comply with the financial transaction reports and suspicious activities required by the laws for the Prevention of the Money Laundering Crime.
- g. Learning and Training programs for the personnel. It shall include a special program for the application of standards for preventing money laundering.
- h. Procedure for the attention and solution of complaints from the gamblers.

Article 83. The Director shall prescribe the safety specifications to elaborate the internal control in order to organize and regulate physical and virtual access to the equipment

and computer system of the System for Electronic Communication Games, as well as for the administration, verification, supervision and registration of physical and digital information generated in the transactions made during the operation of the system for electronic communication games. The Director shall determine the information that is essential to be registered, verified, reported and supervised.

Article 84. Approval of the Manual on Internal Control Procedure.

Provided the Director considers that the Manual on Internal Control Procedure submitted to his consideration complies with the Standards provided for in these Regulations and other resolutions that the Director or the General Assembly has issued on the matter, he shall approve its application by means of an Impelled Resolution.

Once the Manual on Internal Control Procedures of an Administrator/Operator has been approved, he shall fully comply with the provisions of said Manual.

Non compliance thereof shall be considered an inconvenient operational method and shall be sanctioned by the Gambling Control Board.

Article 85. Report on Compliance of the Manual.

Every Administrator/Operator shall insure that an auditor or an independent system auditor issues two (2) copies of a written report, evaluating if the Administrator/Operator has effectively and conveniently complied with the procedures contained in his Manual.

The Auditor or Independent System Auditor shall refer to every event, circumstance or procedure discovered or calling his attention, when considering that it does not comply with the minimum standards provided for in these Regulations or the Manual adopted by the Administrator/Operator.

At least ninety (90) calendar days after the end of the fiscal year, the Administrator/Operator shall submit to the consideration of the Director a copy of the report of the auditor or any correspondence directly related to his internal control procedures.

The report of the Auditor or Independent System Auditor shall be accompanied by an affidavit of the Administrator/Operator indicating his considerations on every non-compliance item stated by the Auditor, and also indicating the adopted corrective measures.

Article 86. Amendment to the Manual on Internal Control Procedures.

In case an Administrator/Operator intends to amend the contents of his Manual on Internal Control Procedures, he shall submit the changes to the consideration and approval of the Director and shall not implement the same without first having the resolution of approval of the proposed amendments signed by the Director. In case the Director considers necessary to modify or add the Manual on Internal Control Procedures of an Administrator/Operator, he shall inform it in writing, having a term of thirty (30) days as of the date of receipt of the corresponding notice to make the

changes, amendments or additions required and to submit them to the consideration and approval of the Director.

Article 87. Minimum Standards for the Attention of the Client.

The Administrator/Operator shall have available telephone lines to offer immediate attention to the clients, twenty-four hours a day, seven days a week.

The telephone number shall be visibly published in the System for Electronic Communication Games.

Article 88. Minimum Standards for Internal Control of Statistics.

- a. The Administrator/Operator shall have registries to include the percentages of prizes won, games and wagers made, and the percentages of winners in relation to the amount of games made per day, current month and current year.
- b. The management personnel, independent from the operations, shall review the statistical information once a month and shall investigate any major or unusual fluctuation.
- c. Investigations made shall be documented.

**TITLE VI
REGISTRATION AND PROVISION OF INFORMATION
CHAPTER I
PROPERTY REGISTRY**

Article 89. Property Registry.

Every Administrator/Operator shall have at the disposal of the Director or his agents the following documents belonging to the corporation:

In case of a corporation:

1. Authenticated copy of the Articles of Incorporation and any amendment thereto.
2. A copy of the by-laws of the corporation and any amendment thereto.
3. An authenticated copy of the commercial license.
4. A list of all the present and previous officers and directors of the corporation.
5. Minutes of all Stockholders' Meetings.
6. Minutes of all Board of Directors' Meetings.
7. A list of all shareholders of the corporation, including their names, addresses, amount of shares owned, the date or dates the shares were acquired.
8. A Share Certificate Book.
9. A registry of all transfers of the capital stock of the corporation.
10. A registry of the amounts paid to the corporation for the issuance of shares and other contributions to capital. In case of a Limited Liability Corporation:
 - a. Authenticated copy of the Articles of Incorporation and Memorandum of Association of the corporation.

- b. A list of the partners, including their names, addresses, percentage of interest owned by each, amount and date of contributions to the capital of every partner, date the participation was acquired and the salaries paid by the corporation.
- c. A registry of all withdrawals of capital or assets of the corporation.

Article 90. Other Records.

Every Administrator/Operator shall have at the disposal of the Director or any of his agents the following records:

1. A list of the Suppliers of Special Services hired by the Administrator/Operator.
2. A list of the persons considered as trust employees.
3. A list of the games and types of wagers authorized.
4. A list of the registered gamblers and the information of their respective accounts.
5. A list of the limit of wagers of the gamblers.
6. A registry of every agreement that the Administrator/Operator has signed with the suppliers of goods and services with a value per month equal or greater than Two thousand Dollars (US\$2,000.00) or whose total value is greater than B/.24,000.00 (legal currency of the Republic of Panama) in any period of 12 months.
7. A registry of all those unusual or less frequent agreements whose value is greater than Ten thousand dollars (US\$10,000.00).

Article 91. Withholding of Registries.

When the Director or any of his agents so requires, the Administrators/Operators shall furnish any or all the registries and/or documents mentioned in this Chapter.

Unless otherwise provided by the Director, every Administrator/Operator shall keep the registries established in this Chapter, at least five (5) years after its issuance. Unfulfillment of this requirement shall be considered an inconvenient operational method.

CHAPTER II OBLIGATION OF PROVIDING INFORMATION

Article 92. Information to be Obligatorily provided

Every Administrator/Operator shall quarterly report to the Director the complete name and address of every person, including the lending agencies, having right to profit participation of the games, whether as owner, assignor, lessor or otherwise, or to whom any interest or profit participation has been pledged or mortgaged, as guaranty of a debt or guaranty deposit for carrying out or executing any act or agreement.

Article 93. Access to Information, Submittance of Registries, Reports and Inspections.

No Applicant, Registered Supplier, Administrator/Operator or person hired or employed shall deny to provide the following:

- To submit and/or render the registries, information and/or documents requested by the Director or by any member or agent of the Gambling Control Board duly authorized.
- To allow free access to the System of Electronic Communication Games in general or any other communication means used.
- To allow free access to any other operational area. Denial, or interference or trying to interfere with any action performed pursuant to the provisions of this article by the Director or a member or agent of the Gambling Control Board shall be considered an inconvenient operational method.

The personnel of the Gambling Control Board, appointed by the Ministry of Economy and Finance, shall prepare reports and perform inspections to the Administrators/Operators, which are authorized unless otherwise provided, according to the provisions of Article 10, Law 97 of 1998.

Article 94. Summons of the Administrator/Operator.

The Director shall summon any Administrator/Operator or his employees, to appear and testify before him or his agents, in relation to any matter.

Any testimony rendered under these circumstances shall be used by the Director as evidence in any proceeding or matter that he or the Gambling Control Board is carrying out or pretends to carry out.

In case of non appearance or testimony on the date and place appointed, unless a valid excuse has been submitted, the proceeding of the case shall continue accordingly, taking into consideration the elements of trial available.

TITLE VII PREVENTION OF MONEY LAUNDERING CRIME CHAPTER I TYPE OF TRANSACTIONS

Article 95. Forbidden Transactions

No transaction or operation with a client shall be carried out unless he has been registered and has open an account with the Administrator/Operator as established in these Regulations.

Article 96. Report of Transactions

No Administrator/Operator shall accept, receive, pay or transfer to a client more than Ten thousand Dollars (US\$10,000.00) in any transaction, except if the following procedures exist:

- a. If it concerns a gambler duly registered and having an account opened with the Administrator/Operator.
- b. Use of the forms issued by the Director in these cases, indicating the following information:
 - 1) Date of transaction
 - 2) Amount of the transaction
 - 3) Name of the Client
 - 4) Permanent domicile of the client
 - 5) Passport number or Personal Identification Certificate of the client
 - 6) or other identification number
 - 7) Method used to verify the identity and domicile of the client
 - 8) Signatures of the persons in charge of the transaction and registering the information in the name of the Administrator/Operator.

Article 97. Multiple Transactions.

The Administrator/Operator shall prevent and take reasonable measures to prevent noncompliance of the provisions of this chapter due to multiple transactions in a period of seven (7) days performed by a gambler or a gambler with an accomplice or agent. The Administrators/Operators shall make the necessary efforts to prevent noncompliance of the requirements of report and registry of this Title by using a series of transactions destined to accomplish, indirectly, what could not be accomplished directly.

In order to comply with the purposes of the registration procedures described in this Chapter, every Administrator/Operator shall keep a registry of every transaction in a period of seven (7) days, between the Administrator/Operator and a gambler, in order to determine if said transactions as a whole form one of the transactions mentioned in Article 79, Resolution No. 92 of December 12, 1997, in which case it shall be reported.

Article 98. Suspicious Transactions

Suspicious transactions are all those transactions where the behavior of the gambler is suspicious in virtue of particular aspects thereof or the circumstances of the transaction, without taking into account the amount thereof.

The Administrator/Operator shall have a personnel qualified to follow up behavior, habits and practices of the gamblers in order to clearly establish the need to register and report a suspicious transaction irrespective its amount.

The Director shall issue resolutions in relation to the policy to be adopted in this matter and a guide of transactions which should be treated as suspicious transactions.

CHAPTER II TRANSACTION REPORTS

Article 99. Obligation to Submit Transaction Reports

Every Administrator/Operator making any transaction mentioned in the foregoing articles shall inform the Director and the Financial Analysis Unit of said transaction and shall send a copy of the corresponding registry to the Director, fifteen (15) days following the date of the transaction. In the case of the Financial Analysis Unit, the reports shall be submitted the first five (5) days of every month.

In addition to the foregoing, the Administrator/Operator shall be obliged to cooperate with the Financial Analysis Unit in the exercise of its competence and submit, upon its request or by its own initiative, any additional information on his hands, in order to prevent money laundering so that the Financial Analysis Unit can examine and analyze said information.

The Administrators/Operators shall retain the registries required in this Title during a term of seven (7) years, except if the Director orders that the same be preserved for longer periods.

Article 100. Obligation of Providing Additional Information

Every information submitted to the Financial Analysis Unit by the Gambling Control Board or the Administrators/Operators, in virtue of these Regulations or in fulfillment of the legislation related to prevention and punishment of Money Laundering, shall not violate the trade secret nor the restrictions on disclosure of information derived from the confidentiality imposed by contractual way or any other regulatory provision.

Article 101. Reliance on the Information Submitted to the Authorities.

The Administrator/Operator shall refrain from disclosing to gamblers and third parties, that information has been transmitted to the Financial Analysis Unit or the Gambling Control Board, subject to the provisions of this Title and the respective laws, or that any suspicious transaction or operation is being examined due to its relation with money laundering.

CHAPTER III CONTRAVENTIONS TO THIS TITLE

Article 102. Compliance of the Standards for Prevention of Money Laundering.

The Gambling Control Board, as a competent entity for the exploitation, supervision, control and inspection of the games of chance and wagering activities, shall be in charge for its compliance by the Administrators/Operators of the standards established in Law 42 of October 2, 2000 or in force in relation to prevention of Money Laundering.

Article 103. Sanction for Contravention of this Title.

Noncompliance of the provisions established in Title VIII of these Regulations or Law No. 42 of October 2, 2000 or the legislation in force in the matter of prevention of Money

Laundering, shall be sanctioned with a fine of Five Thousand Dollars (U\$5,000.00) to One million dollars (US\$1,000,000.00).

TITLE VIII
TRANSFER OF PROPERTY, LOANS, INVESTMENTS
CHAPTER I
TRANSFER AND ENCUMBRANCES OF SHARES, SECURITIES OR INTERESTS

Article 104. Transfer of Interests or Shares between the Administrators/Operators.

When a natural or juridical person, owner of an interest or share of an Administrator/Operator, pretends to transfer a part of his interests or shares to another person, being also owner of an interest or share of said Administrator/Operator, both parties shall inform the Director in writing of the proposed transfer, indicating the names and addresses of the parties, the scope of the interests to be transferred and the corresponding payment.

Further, the proposed assignee shall submit the Director a sworn affidavit, indicating the source of the funds to be used for the purchase of said interest. The Director shall require additional information deemed necessary, shall carry out the corresponding investigations and shall report the results to the General Assembly of the Gambling Control Board for its approval or rejection of the proposed transfer.

In case the General Assembly of the Gambling Control Board approves the transfer, the same shall be carried out according to the terms of transfer submitted to the consideration of the Director. The parties shall immediately notify the Gambling Control Board when the transfer of interest or the share has been carried out.

Article 105. Transfer of Interests, Securities or Shares to Third Parties.

Except the provisions in case of emergency situations, no natural or juridical person, owner of any interest, security or share of an Administrator/Operator, shall transfer the same to any person not owning at the time any share, security or interest of said Administrator/Operator without the authorization of the Gambling Control Board, the following rules being applicable:

- a. The application shall be accompanied by a document evidencing the agreement made with the assigner to transfer the interest, security or share requested. Authorization of the assignee shall constitute his approval to the transfer.
- b. The Director shall require any additional information deemed necessary, shall carry out the corresponding investigations and shall report the results to the General Assembly of the Gambling Control Board for its approval or rejection of the proposed transfer.
- c. No transfer shall be effective until the proposed assignees have petitioned and obtained approval from the Gambling Control Board and all permits, competence certificates and registries required by the provisions of these Regulations. The

parties shall immediately notify the Gambling Control Board when the transfer of interest or share has been carried out.

Article 106. Encumbrances on Interests, Securities or Shares of the Administrator/Operator.

Any natural or juridical person, owner of an interest, security or share of an Administrator/Operator shall not create an encumbrance thereon, without the authorization of the General Assembly of the Gambling Control Board, the following rules being applicable:

- a. The application of approval for execution of an encumbrance on any interest or share of the Administrator/Operator shall be in writing to the Director, explaining all the facts related to the transaction, the nature, terms and conditions of the encumbrance together with copies of the documents evidencing the transaction.
- b. The application shall include a certificate issued by the corporate secretary, in case of a corporation, or sworn affidavit by the Administrator/Operator before a Certified Notary Public, in case of a natural person, indicating that the documents, securities and/or share certificates evidencing the transaction are held in the territory of the Republic of Panama.
- c. The Director shall require the submittance of any other information, declaration or document deemed necessary.
- d. The authorization for the execution of an encumbrance on the interest, security or share of an Administrator/Operator, shall not be considered an authorization to execute the encumbered interest, security or share, without the previous authorization of the Gambling Control Board to proceed with the corresponding execution.

Article 107. Duties of Corporations and Agents.

The Administrator/Operator, officer or director thereof, shall not allow nor permit that any share certificate, security or other interest be registered in its books or registries in the name of any person, agent, trustee or any other person not being genuine and legal owner of said share, security or interest, without the corresponding previous authorization.

Article 108. Required Guaranty Deposit.

Except as provided in this Chapter in relation to emergency situations, any money or other security being part of any lending for the transfer or acquisition of any interest, security or share of an Administrator/Operator shall not be paid, received or used until all requirements established to such effect by the Gambling Control Board have been fulfilled. However, any amount of money or other valuables shall be deposited as guaranty, awaiting authorization of the transaction. Any loan, mortgage or other transaction between the parties or other persons, shall be considered as an intent to avoid the provisions of these Regulations, and as such a contravention thereof.

Article 109. Prohibition to Participate in Operations.

Except as provided in relation to emergency orders and the second paragraph of this article, any natural or juridical person pretending to acquire an interest, security or share of an Administrator/Operator shall not be an employee or in any other way, shall carry out operations in a system for electronic communication games, as long as his application of agreement or authorization to acquire said interest is pending approval.

An employee facing the aforementioned situation shall continue working for the Administrator/Operator until said application is resolved, provided he has been employed for more than six consecutive months before submitting the corresponding application; that upon submittance of the application, he requires authorization to continue working until a decision is adopted.

Article 110. Securities of the Administrator/Operator.

All securities issued by an Administrator/Operator shall evidence, on both sides, a text expressing the following:

"The sale, assignment, transfer, mortgage or other disposition of this security shall not be valid unless previously approved by the Gambling Control Board of the Republic of Panama. If at any time, the Gambling Control Board does not consider the owner of this security as fit to participate in the gambling industry in Panama, he shall dispose of said security.

The Gambling Control Board shall limit the rights inherent to said security in relation to the following:

- a. To pay or receive any dividend or interest.
- b. To exercise the voting rights, directly or by any trustee or person appointed.
- c. To receive any remuneration from the Corporation, for services rendered or for any other cause."

TITLE IX SUPPLIER' REGISTRY CHAPTER I SUPPLIERS' REGISTRY

Article 111. Additional Information for Suppliers of Special Services.

If the Director considers that the Supplier of Special Services for one or more Administrators/Operators influences the Systems for Electronic Communication Games, a license shall be required. Therefore, the Director shall demand the Supplier of Special Services to request a Competence Certificate.

Upon obtainment of said license, the Supplier of Special Services shall be subject to all regulations of license and report of the Gambling Control Board.

Article 112. Cost of Registration.

The Registration in the Supplier' Registry shall have a cost of One Thousand Dollars (US\$1,000.00).

Article 113. Information and Documents to be Submitted.

The application for registration in the Supplier's Registry shall include:

- a) Complete information of applicant's name and domicile.
- b) Detailed description of the equipments and/or applications.
- c) In case of juridical persons, authenticated copy of the articles of incorporation, certificate issued by the corresponding registration authority evidencing its existence, duration, legal representation, directors and officers.
- d) In case of juridical persons, information on the date and place of constitution of the company and the names and domiciles of all its directors, officers and legal representative.
- e) Documents evidencing that the applicant is duly authorized to manufacture, design, develop, manage, supervise, program, assembly, repair, modify, sell, lease or distribute the equipment and/or applications.
- f) Declaration signed by the applicant, evidencing that the equipments and applications owned fully comply with the parameters required by the law and regulations pertinent to the gambling industry in Panama, and that he has knowledge that due to any violation to the legislation or regulation in force shall remove him from the Supplier's Registry.
- g) Any other information or document required by the Director.

Every unofficial document submitted by the applicant shall be duly authenticated by a Certified Notary Public. In relation to documents from abroad, they must be authenticated or apostilled by the pertinent consular and diplomatic authorities.

In relation to Suppliers of Special Services, the information mentioned in paragraphs, c, d, f, g, h, i, j, k, n, o, p and r of Article 11 of these Regulations shall also be required.

Article 114. Duty to Investigate.

The Director, or any person designated by him, shall investigate when considered necessary, the background, integrity, honesty, qualifications, competence, experience and financial solvency of the Supplier of Special Services before his approval.

In order to comply with the provisions of this article, the cooperation of competent state organisms shall be requested or private agencies shall be hired to render the services required.

Article 115. Denial, Revocation or Suspension of Registration in the Supplier's Registry.

The Director shall deny an application for registration, revoke or suspend a registration in the Supplier's Registry upon occurrence of any of the following events:

- a) The System of Electronic Communication Games does not meet the minimum standard of these regulations.

- b) The supplier or distributor of the equipments and applications are not within the parameters established in the rules of the Gambling Control Board.
- c) By means of the system of electronic communication games, the actions mentioned in Article 121 of these Regulations have taken place.

Article 116. Effects of the Denial, Revocation or Suspension of Registration in the Supplier's Registry.

In case of denial of an application of registration, or a verified registration being revoked or suspended, the following shall occur:

- a. The use of equipment or applications manufactured, assembled, leased, repaired, amended, programmed, traded, sold or distributed to said Supplier shall not be authorized.
- b. Special services rendered by said suppliers shall not be authorized, nor the services previously hired shall be allowed.
- c. Any previous authorization for the use of equipment and applications manufactured, assembled, leased, repaired, amended, programmed, sold or distributed by said Supplier shall be subject to revocation.
- d. No new equipment or application shall be distributed, sold, leased, transferred or traded by said Supplier to be used in Panama.
- e. Any association or agreement between said Supplier or Supplier of Special Services and any other Supplier shall be terminated, except unless otherwise provided by the Director.

**TITLE X
SUPERVISION OF THE GAMBLING CONTROL BOARD
CHAPTER I
POWERS**

Article 117. Powers

The provisions of Title XII, Resolution No. 92 of December 12, 1997 shall regulate, as applicable, the powers of the Gambling Control Board to exercise the supervision of the Administrators/Operators.

**TITLE XI
UNFULFILLMENT
CHAPTER I
ANNULMENT, SUSPENSION, RESOLUTION OR REVOCATION OF THE
AGREEMENT COMPETENCE CERTIFICATE OR WORK CREDENTIALS**

Article 118. Criminal penalties on Holders of Competence Certificates, Work Credentials or Registration in the Supplier's Registry.

The Gambling Control Board shall revoke or suspend a Competence Certificate or Work Credentials when the holder:

- Has been condemned for a crime against the property, authorities or public health.
- Has infringed the legislation in force in relation to games of chance and wagering activities;
- Is no longer competent, is not capable and has no reputation to have a Competence Certificate or Work Credentials;
- Has obtained a Competence Certificate or Work Credentials with false information or through any other inappropriate means.

The decision shall be adopted by means of resolution, admitting against it any reconsideration or remedy of appeal.

Article 119. Criminal penalties to the Administrator/Operator or a Registered Supplier.

The Gambling Control Board shall resolve or suspend an Agreement or revoke the registration of a Supplier, when the Administrator/Operator or the Registered Supplier, as is the case, has been condemned for felonies, crimes against the property, authorities or public health.

The decision shall be adopted by means of resolution, admitting against it any reconsideration.

Article 120. Transfer of Operations.

In case the operation or property of a system of distance communication games is transferred to a creditor not qualified to manage or operate a system for electronic communication games, the Administrator/Operator shall notify immediately the Director of the situation. The Gambling Control Board shall rescind the respective Agreement and appoint a supervisor pursuant to the provisions of these Regulations, to insure the continuance of the operation of the game.

Article 121. Fraud.

Any person who by any means or mechanism, alters, distorts, determines or affects the result of a wager or game; places, reduces, increases or cancels a wager or game, after knowing the results of the game or event subject to wager; claims, collects, receives or intends to claim, collect or receive a prize without making a wager or game, or after having made one, its prize is less than the prize collected or received; handles in any manner a game or device or related equipment with the intention of deceiving, swindling or defrauding; or in any other way cheats the public, imposes undue conditions, affects or alters the selection of normal criteria of luck and chance determining the results of the game or disposing the probabilities of winning or losing, is infringing these regulations.

Article 122. Inconvenient Operational Methods.

Further to other methods considered by the Director, the following acts or omissions shall be considered inconvenient operational methods and shall be subject to penalties and/or administrative annulment of the respective Administration/Operation Agreement:

- a. If discretion and sound mind are not exercised in order to prevent incidents that could have a negative effect on the reputation of Panama and be in detriment of the development of the gambling industry.
- b. If advertising and public relations activities are performed in detriment of the decency, dignity, good sense, honesty or if they are offensive.
- c. If it has attended, promoted, employed or associated, whether socially or commercially, with dishonorable persons or having criminal records; or to employ, directly or by means of a contract, or any other means, any firm or individual, that due to its unethical operational methods, may be liable for causing harm to the reputation of the Republic of Panama and the gambling industry.
- d. If any person who has been denied a Competence Certificate or who has refused to apply for the same, when required by the Director or the Gambling Control Board is hired as a trust employee.
- e. e) If for any gambling operation it has been hired any person declared guilty by a court for a crime against the property, authorities or public health; a person who has incurred in the provisions of Article 140, Resolution No. 92 of December 12, 1997, as Administrator/Operator, employee of the gambling industry or gambler; as well as an employee of the Administrator/Operator being responsible for the resolution or suspension of the Agreement subscribed between the State and said Administrator/Operator.
- f. If it has incurred in the provisions of Article 140, Resolution No. 92.
- g. If the game operations are not carried out pursuant to standards of custom, honesty, integrity, legality and decency, so as to affect the reputation of the Republic of Panama in detriment of the gambling industry.
- h. If credit has been extended to a client.
- i. If a Director or a member of the Gambling Control Board has been denied, limited or prevented from making inspections, having access to documents, information, the System for Electronic Communication Games, using of software, object code, source code or any other means used for the development of the activities of the Administrator/Operator.
- j. If the registrations required in these regulations have not been maintained during the period established thereto.
- k. If the Manual on Internal Control Procedures approved by the Director has not been complied with.
- l. If the laws and rules applicable to its operations have not been complied with.

CHAPTER II MONETARY SANCTIONS

Article 123. Penalties.

Infringements to the standards contained in these Regulations shall be sanctioned with a fine not less than ONE THOUSAND DOLLARS (US\$1,000.00) nor greater than FIFTY THOUSAND DOLLARS (US\$50,000.00), imposed by the Director.

Article 124. Recurrence.

Notwithstanding the provisions of the foregoing article, in case of recurrence, the amount of the fine shall be twice the amount of the first fine imposed.

Article 125. Summary Jurisdiction

Every sanction imposed due to infringement of the standards contained in these Regulations, shall be paid within a term of forty-eight (48) hours following the date of the Resolution. If not paid within said term and until the Gambling Control Board does not establish the court, a copy of the respective resolution shall be sent to the General Director of Revenues of the Ministry of Economy and Finance, for its corresponding collection by summary jurisdiction.

SECOND: This Resolution shall be in force as of its publication in the Official Gazette.

BE IT PUBLISHED AND NOTIFIED.

(Sgd.) NORBERTO DELGADO DURAN, Ministry of Economy and Finance -
President

(Sgd.) ALVIN WEEDEN GAMBOA, General Comptroller of the Republic
Principal Member

(Sgd.) MANUEL DE LA HOZ, Legislative Assembly - Principal Member

(Sgd.) HERBERT YOUNG RODRIGUEZ, Executive Secretary