CUATRECASAS

Doing business in Colombia

2025 Edition

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These guidelines present some key issues for foreign investors interested in investing in Colombia. They include legal issues that may require advice.

They must not be considered a thorough analysis of Colombian law or interpreted as legal advice from Cuatrecasas.

They were drafted based on the information available on January 1, 2025.

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Contenido


SAN PEDRO

Introduction

This guide provides an overview of key legal aspects for foreign investors interested in investing in Colombia. It is not intended to be comprehensive but rather to address practical issues that will help investors considering an investment project in Colombia. The guide addresses strategic aspects in different areas for business development in Colombia.

Cuatrecasas is a law firm that advises on all areas of business law through a multidisciplinary, diverse and highly qualified team of more than 1,300 lawyers from 29 nationalities.

We have a network of 25 offices in 12 countries and a strong presence in Spain and Portugal, with offices in the main cities, and in Latin America, where we have over 20 years of experience and a team of 300 professionals operating from our offices in Chile, Colombia, Mexico and Peru. We have a sectoral approach to all types of business, with extensive knowledge and experience in the most sophisticated advice, covering ongoing and transactional matters.

We focus on servicing clients, incorporating ESG criteria and combining collective knowledge with innovation and state-of-the-art technology. We foster a culture of innovation applied to the legal practice that combines training, processes and technical resources to offer greater efficiency.

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Glossary

ANM	National Hydrocarbons Agency (“*Agencia Nacional de Hidrocarburos*”)
ANH	National Mining Agency (“*Agencia Nacional de Minería*”)
CDLI	International Logistics Distribution Center (“*Centros de Distribución Logística Internacional*“)
COP	Peso colombiano
DANE	National Administrative Department of Statistics (“*Departamento Administrativo Nacional de Estadística*”)
DIAN	National Directorate of Taxes and Customs (“*Dirección de Impuestos y Aduanas Nacionales*”)
DTA	Agreement to avoid double taxation
E&P Contract	Exploration and production contract
E&P	Exploration and production
FDI	Foreign Direct Investment
FTZ	Free Trade Zone
GDP	Gross Domestic Product
OCDE	Organization for Economic Co-operation and Development
PND	Colombian National Development Plan 2022-2026 (“*Plan Nacional de Desarollo 2022-2026*”)
POT	Land-use plan (“*Plan de Ordenamiento Territorial*”)
RNBD	National Database Registry (“*Registro Nacional de Bases de Datos*”)
RNVE	National Registry of Securities and Issuers (“*Registro Nacional de Valores y Emisores*”)
RUB	Ultimate Beneficiary Owner Registry (“*Registro Único de Beneficiario*”)

S.A.	Joint-stock company (“*Sociedad por acciones*”)
S.A.S.	Simplified joint-stock company (“*Sociedad por acciones simplificada*”)
SE	Foreign company branch (“*Succursal de sociedad extranjera*”)
SIC	Superintendence of Industry and Commerce (“*Superintendencia de Industria y Comercio*”)
SINAP	National System of Protected Areas (“*Sistema Nacional de Áreas Protegidas*”)
SMMW	Statutory Monthly Minimum Wage
SRL.	Limited company (“*Sociedad limitada*”)
TEA Agreement	Technical Evaluation Agreement
TVU	Tax Value Unit (“*Unidad de Valor Tributario*”)
UPME	Mining and Energy Planning Unit (“*Unidad de Planeamiento Minero-Energética*”)
TVUWIPO	World Intellectual Property Organization

Annual indicators

	UNIT	**COP 2025**
TAX VALUE UNIT	1 UVT	49,799
STATUTORY MONTHLY MINIMUM WAGE	1 SMMLV	1,423,500

1

A look at the Colombian case

Investment is expected to continue recovering in 2025.

The year 2024 showed positive economic results, with an optimistic outlook for 2025. Colombia's GDP grew by 2% year-on-year in the third quarter[1], indicating economic recovery and improved quality of life compared to 2023. Investment is expected to continue recovering in 2025 as financial conditions ease. The OECD estimates GDP growth of 2.7% for 2025 and 2.9% for 2026.

Global inflation began to moderate in 2024. In the United States, inflation closed at 2.9%, while in Europe it decreased to 2.4%. In Colombia, inflation closed at 5.2% in 2024 and is estimated to decrease to 3.6% in 2025 and 3.1% in 2026. (BBVA Research. Colombia Economic Outlook. December 2024).[2]

Using it as the main intervention mechanism to control the money supply, in 2024 the Central Bank lowered interest rates to 9.5%. A further reduction to 6.5% is expected in 2025.

Foreign direct investment ("**FDI**") was mainly focused on the mining-energy sector. Relevant transactions by foreign investors were also completed in the infrastructure, energy, and digital services sectors.

Colombia's fiscal deficit in 2024 reached 5.6% of GDP, with a projected reduction to 5.1% in 2025. Public debt will remain high: 60% of GDP in 2024 and projected to rise to 61.6% in 2026 (BBVA Research. Colombia Situation. December 2024).

The current account deficit is projected at 2.4% of GDP for 2024, rising to 3.2% in 2025 and 3.5% in 2026. Service exports hit a new record high in 2024, while imports surged significantly due to the recovery in domestic demand. By the end of 2024, the Colombian peso ("**COP**") was valued at $4,409 per dollar, with a slight appreciation to $4,345 expected in 2025 and $4,230 in 2026.

For those looking to do business in Colombia, understanding the relevant legal areas is crucial. The following provides the general framework covering some of these areas.

1 https://www.reuters.com/world/americas/colombia-economy-grew-2-year-on-year-third-quarter-market-expected-23-2024-11-18/

2 https://www.bbvaresearch.com/wp-content/uploads/2024/12/20241205ColombiaEconomicOutlookDec24.pdf.

2

Corporate and M&A

The S.A.S. remains the preferred vehicle due to its operational simplicity, flexibility in governance, and suitability for joint ventures and private equity structures.

2.1. Establishing business entities

Foreign investors typically choose between three mechanisms to establish a business entity in Colombia: (i) incorporating a local subsidiary; (ii) opening a foreign company branch; or (iii) contractual alliances, joint ventures or other similar alternatives. The decision mostly depends on tax, governance and liability considerations.

In any case, Colombian law allows flexibility in structuring cross-border operations, particularly when leveraged through treaty jurisdictions or holding company models.

Insight: Colombian law allows the inclusion of veto rights, deadlock resolution mechanisms, exit options, and supermajority rules, which are traditionally through shareholder agreements. Drag-along/ tag-along provisions are standard, and enforcement via arbitration is advisable for cross-border parties. There are constraints to be considered regarding the subject matter and obligations of shareholder agreements entered into in S.A. and S.R.L. (and which are not applicable for S.A.S.).

Local subsidiary

An evident advantage of incorporating a local subsidiary is the possibility of ringfencing investors' liability to their equity contributions.

Although there are multiple types of companies in Colombia that allow limitations of this nature, the S.A.S. remains the preferred vehicle due to its operational simplicity, flexibility in governance, and suitability for joint ventures and private equity structures. A S.A.S. can be formed by a single shareholder and does not require a board or statutory auditor (unless certain thresholds are met).

Other commonly used structures are S.A. and S.R.L.. The choice of a corporate structure will depend (among other reasons) on the type of business activities to be carried out, the desired level of flexibility for the structure of the vehicle and the rules for the transfer of shares within the vehicle.

Insight: The S.A.S. is not suitable for regulated sectors (e.g., financial services, insurance), where S.A. structures and board requirements apply.

Branches

A branch is a commercial establishment opened by a company incorporated abroad to carry out business in the country, managed by agents authorized to bind the foreign company.

Branches are extensions of a foreign entity and cannot ring-fence liabilities. Branches are subject to more intrusive reporting and foreign exchange controls.

Other vehicles

Investors can participate in the Colombian market through associative schemes with Colombian entities or through their business relationship with such entities (e.g., joint ventures, joint accounts or other collaboration contracts, consortiums or temporary unions). Additionally, investors can establish stand-alone trust funds (*patrimonios autónomos*) managed by trust companies supervised by the Financial Superintendence or invest through private equity funds.

It is important to note that the engaging in permanent activities in Colombia, such as opening commercial establishments or business offices, obtaining concessions for the exploitation of resources from the State, or participating as a contractor in the execution of works or rendering of services, will trigger the obligation of the investor to incorporate a branch or a company in Colombia.

Ultimately, the chosen structure should be tailored to the individual needs of each investor and be efficient and viable from a legal and tax perspective. It should also provide protection against legal contingencies that may arise in the investment process, subject to any sector-specific regulatory requirements.

Below is a table with the different types of companies commonly used in Colombia:

Types of companies in Colombia	S.A.S.
Formalities for incorporation	Incorporated by a private document registered in the commercial registry (unless the contributions are assets whose transfer is subject to special formalities).
Minimum/maximum number of shareholders/members	No minimum or maximum number of shareholders. They may be sole proprietorships.
Term and dissolution	Defined or undefined The common cause for dissolution is non-compliance with the g maximum shareholder requirements, without prejudice to those
Corporate purpose	It may be indeterminate, and in such case, it will be assumed to be confined to any lawful commercial or civil activity.
Capital structure	The capital is divided into shares based on each shareholder's co Except for shares with special rights, each shareholder has the s or non-voting shares may be created, depending on the investor with privileged economic rights) may be established for a S.A.S. The capital is divided into three categories: – Authorized capital: maximum nominal value up to which modification requires an amendment to the bylaws), co company. – Subscribed capital: portion of the authorized capital tha undertaken to pay or have actually paid. – Paid-in capital: portion of the subscribed capital actually The company's shareholders may create usufructuary rights ove to a third party, keeping only the bare ownership on the share ti
Requirements for payment of contributions	They may be incorporated without immediate capital payment, which may be made within two years after the date of incorporation.
Liability	Liability limited to the contributions made by the shareholders, obligations (except in cases of fraudulent acts, abuse of legal pe special rules, e.g., insolvency of parent or controlling companies

S.A.	S.L.R.
Incorporation by public deed, registered in the commercial registry.	
Minimum 5 shareholders, no limitations to the maximum number of shareholders.	Minimum 2 and maximum 25 members.
Defined	Defined
going concern hypothesis. There are other causes specific to each type, especially related to minimum/ e provided in the bylaws.	
It must be clearly defined.	It must be clearly defined.
ntribution. ame number of votes as shares owned. Preference 's needs. Any other type of shares (including those h contributions may be made (and whose rresponding to the shares held in reserve by the at the shareholders have subscribed and have y paid by the shareholders. er their shares or transfer their use and enjoyment tles.	The capital is divided into paid-in equity (cuotas). Each member has the same number of votes as paid-in equity owned.
At the date of incorporation, at least 50% of the authorized capital must be subscribed and one-third of the subscribed capital must be paid for each share issued in the incorporation of the company.	The capital must be paid in full at the time of incorporation and any capital increase must also be paid immediately.
even in the event of liability for labor or tax rsonality contrary to the law or by application of).	Liability limited to member contributions, except for tax and labor obligations (for which they are jointly and severally liable).

Types of companies in Colombia	S.A.S.
Management bodies	They must have a general shareholders' meeting and legal representatives in charge of managing and legally representing the company before third parties. The composition of the board of directors, as well as other collective management bodies, is optional. Systems other than the electoral quotient may be applied to elect them. Sole shareholders, as the case may be, may make the corporate management decisions and exercise legal representation.
	Unless otherwise provided in the bylaws, a single shareholder ca Qualified majorities are legally required for some decisions.
	The members of the board and those who exercise legal represe Therefore, they will be subject to the relevant legal duties, espe
Restrictions on the subscription or transfer of shares[3]	By law, shareholders have a preemptive right to any new issue o exceptions provided by law. Unless otherwise agreed, the shares of S.A.s and S.A.S.s are free
Possibility to register shares in the National Registry of Securities and Issuers ("RNVE")	S.A.S. cannot trade their securities on the stock exchange or register their shares in the RNVE.
Statutory auditor	A statutory auditor is only required if gross income exceeds 3,000 SMMW, or if their assets exceed 5,000 SMMW.
Legal reserve (withdrawal of 10% of the net profits up to 50% of the capital stock)	Not mandatory, unless provided in the bylaws.

3 In joint-stock companies, securities market regulations should be considered when making offers that exceed a certain number of addressees or are made to unspecified persons.

S.A.	S.L.R.
They must have a general shareholders' meeting, a board of directors of not less than three members with their alternates, and the legal representative. Security issuers must have a board of directors of no less than five and no more than ten members, of which at least 25% must be independent, with their alternates. Security issuers must consider the country code recommendations in creating and defining the functions of management bodies.	S.R.L.s must have a general shareholders' meeting. Legal representation is exercised by all the members, although it may be delegated to temporary and revocable managers. The composition of the board of directors, as well as other collective management bodies, is optional.
an form the quorum in S.A.S. S.A. and S.R.L. require a plurality of shareholders/members.	
entation of the company are considered directors. cially those under Law 222 of 1995.	
f shares, unless otherwise agreed and for certain ely negotiable.	Members have the right to assign their shares, and any provision that prevents this right will be deemed void. Such assignment will entail an amendment to the bylaws (which must be executed in a public deed).
S.A. are authorized to register shares in the RNVE so that they can be traded on the stock exchange (in which case they will be considered "open" instead of "closed" companies).	S.R.L. cannot trade their securities on the stock exchange or register their shares in the RNVE.
A statutory auditor is required.	A statutory auditor is only required if gross income exceeds 3,000 SMMW, or if their assets exceed 5,000 SMMW.
Mandatory.	Not mandatory, unless provided in the bylaws.

2.2. M&A Landscape

M&A activity remains strong in energy (traditional and renewables), infrastructure, fintech, agroindustry, and healthcare.

M&A activity remains strong in energy (traditional and renewables), infrastructure, fintech, agroindustry, and healthcare. Most deals are private, bilateral transactions, although secondary buyouts and carve-outs are increasing.

Due Diligence Focus:

- Labor misclassification and social security compliance, as well as stability protections for special categories.
- Litigation exposure, particularly with tax (Dirección de Impuestos y Aduanas Nacionales) and labor authorities (Ministry of Labor and Unidad de Gestión Pensional y de Parafiscales).
- Change of control clauses, as well as assignment clauses which are often ineffective without counterparty consent (in asset deals).
- Corporate authority for past actions, especially regarding potential conflicts of interests.
- Land title (frequent gaps in chain of title or urban regulation issues are key).
- Foreign exchange registration (essential to ensure repatriation rights).

SIC Merger control is mandatory for transactions that meet specific asset, revenue and market share thresholds.

SIC Merger Control:

SIC Merger control is mandatory for transactions that meet specific asset, revenue and market share thresholds (which are set annually by the antitrust authority). Even in minority acquisitions, SIC filing may be triggered by joint control or market concentration.

Documentation:

Share Purchase Agreements (SPAs) or other transaction documents in Colombia often include:

- Indemnities tied to DD findings: Generally subject to limitations (de minimis, baskets, and CAPS). Liabilities may be insurance-backed or made effective by escrow.
- Closing mechanics: Absent of relevant conditions precedent (e.g. SIC merger control), transactions tend to have simultaneous signing and closing. Public deeds for share transfers are required in certain entities (non-SAS).
- Dispute resolution: Arbitration seated in Colombia or abroad. ICC and Bogotá Chamber of Commerce are standard.

Insight: Buyers/Sellers are increasingly relying on M&A insurance. Underwriters pay particular attention to compliance with SAGRILAFT, anticorruption, and labor laws.

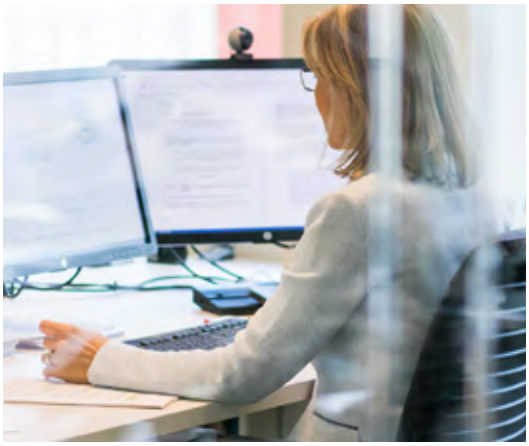
2.3. Procedure to invest in Colombia through a company or a branch

If foreign investment is made through a corporate vehicle or a branch, the following is required:

- Drawing the incorporation document with the required formalities.
- Obtaining the Single Tax Registry and the Tax Identification Number.
- Registering the investment vehicle before the chamber of commerce of its domicile.
- Opening a bank account.
- Activating the bank account by presenting the definitive certificate of existence and legal representation.
- Registering the minutes and shareholders books (not applicable to branches).
- Companies (application to branches is debatable) must register the following situations within 30 days: (a) control situation or (b) corporate group situation. Control is legally presumed to exist (admitting proof to the contrary) when a person directly or indirectly, individually or jointly (i) owns more than 50% of the capital of the subordinated company; (ii) has voting rights representing the minimum majority required for shareholders' meetings or to elect the majority of the members of the board; or (iii) has a dominant influence over the management decisions of the subordinated company under any act or contract. A corporate group is deemed to exist when, in addition to control, there is a common purpose and management.

2.4. Foreign company branches in Colombia

To set up a branch, it is necessary to notarize (through a public deed) the following documents: (i) authentic copies of the incorporation document of the foreign company; (ii) its bylaws or equivalent document; (iii) the resolution or act establishing the branch in Colombia; and (iv) the



documents proving the existence of the company and the legal capacity of its representatives.

The act of creation of the branch must define the business it will develop, the amount of capital assigned to the branch, its domicile, the term of its business in the country and the grounds for its termination. Additionally, a general representative with one or more alternates and a statutory auditor must be appointed to represent the branch in the country. The statutory auditor is required by law.

The capital of the branch may be freely increased or replenished. It must keep its accounts in the chamber of commerce of its domicile in Spanish and record all businesses carried out in the country.

2.5. Approximate cost of establishing a company or branch in Colombia

The cost of setting up companies in Colombia depends on the type of vehicle, the amount of capital and the place of incorporation, so it is necessary to analyze the specific structure of each company, but the main costs include:

- Notary fees: If a public deed is required for incorporation, the cost is 0.3% of the capital for companies by shares or equity interests and 0.3% of the authorized capital for joint-stock companies or of the assigned capital for branches, plus VAT (currently 19%).

- Registering documents in the commercial registry: investors must pay (i) the registration tax, which, depending on the place of incorporation, may vary between 0.3% and 0.7% of the subscribed capital of the company or the capital assigned to the branches, and between 0.5% and 1% for real estate contributions subject to registration in the Public Deed Registry; and (ii) the registration fees: from COP 69,000, and which may vary depending on the range of assets of the company or branch. These amounts are updated annually.

The above costs do not apply to additional paid-in capital contributions after incorporation, in which case expenses will range between 0.1% and 0.3% of the additional paid-in capital. No registration tax applies to supplementary investments to the assigned capital of the branches, i.e., with respect to the current account between the foreign company and its branch in Colombia.

The above is without prejudice to other local taxes such as stamp duty.

2.6. Main obligations of Colombian companies

- **Ordinary meeting of the highest corporate body.** The highest corporate body of a company, regardless of its type, must hold an ordinary meeting once every calendar year within the first three months following the end of the fiscal year to approve the balance sheets, distribute profits, if applicable, and receive any applicable management reports.

- **Commercial registration renewal.** Before March 31 every year, companies, commercial establishments and foreign company branches must renew their commercial registration before the chamber of commerce of their main domicile, as well as those of the commercial establishments they own.

- **Deposit of financial statements with the chamber of commerce.** All commercial companies, regardless of their size or number of assets, must file with the chamber of commerce of their domicile a copy of the general-purpose financial statements, together with their notes and opinion, if any, within the month following the date on which they are approved. This will not be necessary when the companies report information to the Superintendence of Companies.

- **Submission of financial statements and business practices report to the Superintendence of Companies.** In the case of companies inspected (upon request), supervised or controlled by the Superintendence of Companies, they must send a copy of their financial statements as of December 31 of the immediately preceding year and a report on business practices.

- **Registration in the Single Registry of Beneficial Owners (RUB).** Companies must provide the beneficial ownership information within two months following their registration in the Single Tax Registry through the RUB electronic system. The following entities must also report their beneficial owners on the same dates: (i) permanent establishments (i.e., branches, agencies, offices, factories, workshops or any fixed place of business located in the country through which a foreign company or a nonresident individual performs its activity); (ii) unincorporated structures; and (iii) foreign legal entities whose investment is not made through companies, permanent establishments or unincorporated structures.

- **Registration of the control situation or business group.** The controlling shareholders of Colombian companies must register the control situation with the commercial registry within 30 days of its establishment or any change. If there is unity of purpose and direction between the controlling entity and controlled companies, a business group must be registered within the same period. Business groups are subject to additional reporting and financial statement consolidation obligations.

Colombian companies must comply with a series of obligations related to control status, income or assets, among others.

- **Implementation of the business transparency and ethics program (PTEE):** Companies supervised by the Superintendence of Companies that meet income or asset thresholds and engage in significant international transactions must implement PTEEs. This requirement, along with the obligation to identify corruption risks, also applies to companies and branches with state contracts meeting specific amounts, as well as those in sectors such as pharmaceuticals, infrastructure, manufacturing, mining-energy, information technology, vehicle trade, or ancillary financial services with state contracts exceeding a certain threshold. Law 2195 of 2022 aims to amend and expand the scope of obliged entities; however, its regulation is pending.

- **Implementation of the money laundering and terrorist financing risk management system (SAGRILAFT).** Companies supervised or controlled by the Superintendence of Companies with gross income or assets equal to or greater than 40,000 SMMW as of December 31 of the previous year, or operating in sectors under special supervision or others such as real estate, legal services, accounting services, construction and civil engineering, or virtual assets, and meeting the requirements under Chapter X of the Basic Legal Circular issued by the Superintendence of Companies, must design and implement SAGRILAFT and submit the relevant report, as well as the Money Laundering and Terrorist Financing Risk Prevention reports within the established deadlines. Depending on the type of activity, some companies (other than the above) must comply with SAGRILAFT minimum requirements, in addition to other related obligations.

Companies under the supervision or control of the Superintendence of Companies, depending on their assets, have obligations arising from such status.

- **Implementation of the sustainability program.** The Superintendence of Companies recommended that companies supervised or controlled by the Superintendence of Companies, with total income or assets equal to or greater than 40,000 SMMW as of December 31 of the previous year, or operating in sectors such as mining-energy, manufacturing, construction, tourism, telecommunications and new technologies, and meeting the requirements under Chapter XV of the Basic Legal Circular issued by the Superintendence of Companies, implement a sustainability program. This program should identify, prevent, control, manage, and communicate sustainability risks, opportunities and impacts. It should also include submitting a sustainability report and publishing and disseminating the program within the company and to various stakeholders at least once a year.


Total
Expenses
4,434,132
1,160,697
1,079,776
923,491
790,026
748,069
448,520
373,844
113,865
34,118
101,501
147,256
22,885

3 Tax

Below, we outline the main taxes impacting business activities in Colombia, along with key aspects of the local tax system.

3.1. Corporate income tax

Domestic corporations

Legal entities incorporated under Colombian law, with domicile in Colombia or with place of effective management in the country, are subject to taxation on their worldwide income and gains.

The place of effective management is determined by the place where the business and management decisions necessary to carry out the company's day-to-day business activities are made. However, certain exceptions apply to corporations that (i) have issued bonds or shares in an internationally recognized stock exchange; or (ii) have reported as foreign-sourced income at least 80% of their total income.

Foreign corporations

The income tax may apply to domestic or foreign legal entities.

Nonresident companies and entities (i.e., without main domicile in Colombia, not incorporated under Colombian law and without effective place of management in the country) are subject to taxation exclusively on their domestic-sourced income.

The applicable legislation establishes events where the total income tax payable by nonresidents corresponds to tax withholdings made during the fiscal year, without requiring the filing of an income tax return. The general withholding tax rate for crossborder payments is 20%, but a specific analysis for each item of income is suggested, since there are special rules with higher and lower rates.

Nonresidents are required to file tax returns on certain income, despite being subject to withholding tax. Such returns may be ordinary (i.e., including all domestic-sourced income generated in the relevant period) or transactional (i.e., referring exclusively to disposals of foreign investments).

In addition, there are specific rules for non-tax resident entities that carry out activities in the country through a **permanent establishment**, which may result from a fixed place of business or a dependent agent in the country. By way of exception to the general territorial taxation principle, worldwide income attributable to permanent establishments in Colombia is subject to income tax. For these purposes, the income attribution study must be carried out in accordance with the functions, assets and risks assigned to the permanent establishment under market conditions, i.e., as if the permanent establishment were a separate and independent entity from its head office.

Except for the exceptions established in the tax code, the recognition and measurement of taxable items such as income, costs, and expenses follow the applicable rules outlined in the International Financial Reporting Standards (IFRS).

This concept includes, among others, foreign company branches, agencies, offices, factories, workshops, mines, quarries, oil and gas wells, or any other place of extraction or exploitation of natural resources. No permanent establishment is deemed to exist in Colombia when the activities carried out by the foreign entity in the country are exclusively of an auxiliary or preparatory nature.

Taxable base and applicable rates

Income tax is levied on taxpayers' net income, calculated as income minus costs and expenses from the taxable period (generally the calendar year). Notwithstanding the exceptions provided in the Colombian Tax Statute, recognition and measurement of revenue, costs and expenses follows International Financial Reporting Standards (IFRS). With certain exceptions, legal entities with tax residency in Colombia are subject to a minimum effective tax rate of 15%. In case a taxpayer's effective tax rate is below 15%, the tax liability must be increased to meet the minimum threshold.

The applicable tax rate for 2025 is 35%, with certain surtaxes on specific sectors such as 5% on financial institutions until 2027.

3.2. Personal income tax

Resident individuals

Individuals who are tax residents in Colombia are subject to taxation on their income and earnings from worldwide sources.

Tax-resident individuals in Colombia are subject to taxation on their worldwide income and gains. For these purposes, tax residency is determined based on different assumptions provided in the national legislation, as explained below.

First, an objective criterion of physical permanence in the country applies to Colombian nationals and foreigners alike: individuals who are continuously or discontinuously in the country for more than 183 calendar days in any period of 365 consecutive days are considered tax residents.

Colombian citizens may be considered tax residents, even if they do not meet the objective permanence criterion, based on family relationships, sources of income, location of assets, tax haven residency, and impossibility to prove tax residency in another jurisdiction.

Unsettled estates of individuals who were tax residents upon their death are assimilated to individuals for income tax purposes until judicial or notarial settlement.

Nonresident individuals

Non-tax resident individuals in Colombia are subject to taxation exclusively on their domestic-sourced income.

The capital gains tax is complementary to the income tax and applies to income generated from certain specific sources.

Except for specific situations, non-tax resident individuals are subject to the same rules as non-resident legal entities. Thus, the comments on territorial tax withholdings on cross-border payments, events giving rise to filing income tax returns and permanent establishments, apply to non-tax resident individuals.

Unsettled estates of deceased nonresident individuals are treated as nonresident taxpayers for income tax purposes until judicial or notarial settlement.

Taxable base and rate

Tax-resident individuals in Colombia are taxed under different categories and subcategories: (i) the general category, comprising income from employment and self-employment, capital income (interest, leases and royalties), and other income not under other categories or subcategories; (ii) dividends; and (iii) pension benefits.

Each category and subcategory is subject to special rules for determining its taxable base.

The rates applicable to the general and pension categories are marginal and progressive, as follows:

Range in COP 2025[4]		Marginal rate	Tax payable in COP
From	To		
-	54,280,910	0%	0
54,280,910	84,658,300	19%	(Taxable base 54,280,910) x 19%
84,658,300	204,175,900	28%	(Taxable base 84,658,300) x 28% + 5,776,684
204,175,900	431,757,330	33%	(Taxable base 204,175,900) x 33% + 39,241,612
431,757,330	944,687,030	35%	(Taxable base 431,757,330) x 35% + 114,338,504
944,687,030	1,543,769,000	37%	(Taxable base 944,687,030) x 37% + 293,863,899
1,543,769,000	Thereafter	39%	(Taxable base 1,543,769,000) x 39% + 515,519,248

4 These values are updated annually according to inflation indexes.

3.3. Taxation on dividends

For tax purposes, dividends are considered (i) distribution of profits in cash or in kind in favor of shareholders or similar, charged to any equity account other than capital stock and capital surplus for additional paid-in capital; and (ii) transfers of profits by nonresidents' permanent establishments to their foreign related parties (branch remittance tax).

Dividends distributed from profits already taxed at the corporate level are considered non-taxable income for the recipients.

However, dividends from profits that are not taxed at the corporate level are considered taxable income for the recipients.

Taxation on dividends from taxed profits

Dividends from taxed profits are subject to 20% withholding tax for nonresident investors (including individuals). For resident individual investors, dividend income is subject to personal income tax at progressive rates ranging from 0% to 39% depending on the individual's taxable income. However, dividends may benefit from a tax credit of up to 19%, effectively capping the rate at 20%. In addition, a withholding tax rate applies to resident individuals for dividends in excess of 1,090 TVU COP 54,280,910.

Corporations with tax residency in Colombia are not taxed on dividends distributed by other resident corporations. However, the applicable regulations establish a back-up withholding of 10%. This withholding is not a final tax; instead, it is credited in favor of the ultimate shareholders, whether they are resident or nonresident individuals or legal entities.

Tax treatment of dividends distributed from untaxed profits

Dividends from untaxed profits are subject to two levels of taxation. First, a tax equalization mechanism is applied, through which the company or permanent establishment distributing the dividend applies a withholding tax at the general corporate income tax rate (currently 35%).

Subsequently, the balance of the dividend (i.e., dividend distribution minus 35%) is subject to a second level of taxation at the rate applicable to each shareholder, as explained above. Therefore, effective taxation on these dividends may be as high as 48%.

3.4. Occasional gains tax

The capital gains tax is complementary to the corporate and individual income tax and is levied on certain specific income, including (i) the sale of fixed assets (not disposed of in the ordinary course of business) owned for at least two years; (ii) profits from liquidation of companies incorporated for two or more years; (iii) donations and gifts; and (iv) income from lotteries, prizes, raffles, bets, and the like.

The general rate is 15%, both for residents and nonresidents. The rate applicable to lotteries, raffles, bets and the like is 20%.

The general VAT rate is 19% of the total value of the good or service.

3.5. Sales tax (VAT)

Sales tax is levied on sales of tangible movable assets within the country and imports to and services rendered in Colombia or from abroad, among others. Taxpayers may deduct the VAT paid from the VAT payable, subject to certain requirements.

Certain goods and services are VAT exempt (i.e., taxed at 0%), thus enabling deductions from taxes paid. On the other hand, some goods and services are excluded from VAT, so that the taxes paid add to the value of the goods or services. In other words, exempt products are taxed at 0%, thus allowing deduction of the input VAT paid along the supply chain. However, excluded goods and services subject to VAT do not allow deducting the input VAT paid along the supply chain.

The general rate is 19% on the total value of the goods or services, which cannot be less than the commercial value of the relevant transaction. Some goods and services are taxed at 5% and others at 0% (exempt), as mentioned above.

3.6. Financial transactions tax (GMF)

A tax of 0.4% is imposed on any transaction involving funds deposited in Colombian financial institutions. Starting December 13, 2024, following the 2022 tax reform, accounts belonging to the same user are exempt from the GMF, provided their total monthly transactions do not exceed 350 TVU. Consequently, taxpayers can mark multiple accounts as exempt from the GMF, rather than designating only one account.

This tax is withheld at source by financial institutions. The withholding is applied to the account balance, ensuring the transaction amount remains unaffected.

The applicable regulations provide exemptions from this tax, which must be analyzed on a case-by-case basis.

3.7. Wealth tax

The following are subject to wealth tax: (i) all individuals and illiquid estates subject to income tax; (ii) national or foreign individuals with respect to their assets directly owned in the country; (iii) foreign legal persons that are not income taxpayers in Colombia with assets located in Colombia other than shares, accounts receivable and/or portfolio investments, with liquid assets equal to or greater than 72,000 TVU (i.e., net assets equal to or greater than COP 3,585,528,000 for 2025). The tax has a marginal and progressive rate of 0.5% to 1.5% and is levied as of January 1 every year. It must be filed and paid annually to the National Tax and Customs Authority (DIAN). There are no exemptions available for resident individuals under current regulations.

Wealth tax is levied on assets of nonresident legal entities other than portfolio investments, accounts receivable and shares in national companies.

3.8. Territorial taxes: property tax and industry and commerce tax ("ICA")

Their specific regulation varies among the different municipalities and districts.

The property tax is levied on the ownership or possession of real estate as of January 1 of every year. The taxable base is usually the cadastral value as set by cadastral authorities. However, some municipalities and districts allow increasing the taxable base through a private appraisal. This mechanism may optimize the income tax burden on the sale of the property. The applicable rate should be between 0.5% and 1.6%, depending on the municipality or district.

Individuals and legal entities that obtain income from industrial, commercial or service activities are subject to the industry and commerce tax (ICA). The taxable base is the total gross income, and the rate varies between 0.2% and 1%, depending on the type of activity and the municipality or district. The Capital District of Bogota and, recently, the capital cities of the departments are authorized to set higher rates, so a case-by-case review is necessary.

The ICA accrued (100%) during the fiscal year may be deducted as an expense from income tax.

3.9. Double taxation agreements

Colombia has signed 19 double taxation agreements ("DTAs"). However, only 14 are currently in effect, since those with Brazil, the United Arab Emirates, Uruguay, Luxembourg and The Netherlands are yet to enter into force.

The DTAs that are currently in force are those with the Andean Community of Nations (Bolivia, Ecuador and Peru), Canada, Chile, Czech Republic, France, India, Italy, Japan, Mexico, Portugal, South Korea, Spain, Switzerland and the United Kingdom. In general, these agreements include special treatment for corporate income, dividends, royalties, interest and capital gains, among others.

3.10. Transfer pricing regime

In Colombia, the transfer pricing regime (based on OECD standards) is applicable to transactions between income tax payers (residents and nonresidents) and their foreign related parties and industrial free trade zone users. Generally, economically related parties include subsidiaries, branches, agencies and permanent establishments, and transactions between related parties through unrelated third parties.

The transfer pricing regime is also applicable to transactions with entities located, domiciled or operating in non-cooperative, low or no-tax jurisdictions, or subject to preferential tax regimes.

Under this regime, all such transactions must be carried out in compliance with the arm's length principle, i.e., as if they were carried out between unrelated parties to avoid the artificial cross-border transfer of profits and, consequently, the erosion of the tax base in Colombia.

This regime establishes formal obligations for taxpayers whose transactions exceed certain amounts determined by law, which are updated annually in relation to their income and assets. Taxpayers must submit a series of market studies and reports to demonstrate that the relevant transactions were carried out under the arm's length principle, namely (i) supporting documentation, (ii) information declaration, (iii) master report and (iv) country-by-country report.

3.11. Tax benefits

The general trend in Colombia since 2016 has been to eliminate tax benefits in the interest of making the tax system more uniform and equitable. However, the Government has found it necessary to maintain some of the existing benefits, as well as to create new ones to stimulate certain sectors or for extra-fiscal purposes.

Among the tax benefits in force in 2025 are:

- Exempt income and VAT refund in real estate projects of social interest and priority housing;
- Special regimes for free trade zones and International Logistics Distribution Centers (see foreign trade section);
- Income tax rate reductions for companies located in Special Economic and Social Zones (ZESE) and Zones Most Affected by the Armed Conflict (ZOMAC);
- Tax deductions and credits for investments in research, technological development and innovation projects or the hiring of highly qualified personnel;
- Special income tax deduction, VAT exclusion, tax discount, tariff exemption, accelerated depreciation and exempt income for energy generation projects from non-conventional sources and efficient energy management; and
- Job creation subsidies.

Naturally, the suitability and appropriateness of applying these and other benefits must be analyzed on a case-by-case basis.

The general VAT rate is 19% of the total value of the good or service.

3.12. Tax return statute of limitations

The tax return statute of limitations is the period in which the tax authorities may initiate a formal audit.

In general, the statute of limitations for tax returns is three years counted from the deadline to file or from the date of late filing.

The three-year term is a generally valid reference for territorial tax returns. However, the term for each municipality, district or department may vary, depending on the applicable tax regulations. At present, the general statute of limitations at territorial level is two years, which was the general rule for returns at the national level until 2016.

Furthermore, the statute of limitations for income tax returns determining or offsetting tax losses, as well as for those filed by taxpayers subject to the transfer pricing regime, is five years.

Nevertheless, taxpayers have one year for voluntarily amending tax returns to increase the balance in favor or reduce the amount due, and three years to reduce the balance in favor or increase the amount due.

Finally, when tax declarations are not submitted despite the obligation to do so, the corresponding administrative entity has five years to initiate the sanctioning procedure.

3.13. Foreign trade

Free trade zones (FTZ)

The following are the main benefits of the Free Trade Zone Regime:

- Reduced rate at 20% for income from exports for industrial users and operators of FTZs compared to the general rate of 35%, if an internationalization and annual sales plan is submitted for each period starting in 2025 (applicable to new users);
- No customs duties (VAT or tariffs) are levied on goods introduced into the FTZ, since they are not considered to be imported into the national customs territory;
- VAT exemption for raw materials, parts, inputs and finished goods sold from the national customs territory to industrial users;
- Goods introduced into the FTZ or produced in the FTZ may be imported into the national customs territory ("TAN") or exported to third countries; and
- Foreign investors who are industrial users may obtain a certificate of origin for their goods, giving them access to the benefits of trade agreements and Free Trade Agreements signed by Colombia

The FTZ Regime establishes a series of requirements on users' activities, investment amounts and job creation.

Colombia has Bilateral Investment Treaties (BITs) in force with different countries, including China, India, Japan, Peru, Spain, Switzerland and the United Kingdom. It also has investment chapters in Free Trade Agreements (FTAs) with the Andean Community, Canada, the Caribbean Community, Chile, Costa Rica, Cuba, the European Free Trade Association, the European Union, Israel, Mercosur, Mexico, the Northern Triangle of Central America, the Pacific Alliance, Panama, South Korea, the United States and Venezuela. These mechanisms will continue to encourage the country's interaction with foreign markets.

International logistics distribution centers

The following are the main benefits of the International Logistics Distribution Centers Regime (*Centros de Distribución Logística Internacional*, "CDLI"):

- Income from the sale of foreign goods owned by foreign companies that are stored in a CDLI is not Colombian-sourced income, so it is not subject to income tax;
- Goods may be introduced for their subsequent distribution abroad or within Colombia. Goods may remain in a CDLI for a maximum of two years;
- No import duties or VAT apply if the goods are distributed to any country other than Colombia; and
- No investment or job creation requirements.


Date
Signature

4

Labor and employment

Employment agreements in Colombia are subject to the principle of territoriality under labor law.

4.1. Employment agreements

In Colombia, an employment agreement is deemed to exist when the following elements are present: (i) personal rendering of services by an individual (employee) to another individual or legal entity (employer); (ii) payment of a salary to the employee as direct compensation for such services; (iii) the employee's continued subordination to the employer, who may at any time give orders as to the manner, time or amount of work, and may impose regulations for the entire duration of the agreement.

Employment agreements in Colombia are subject to the principle of territoriality under labor law. This principle states that all employment relationships are governed by the labor legislation in force in Colombia, regardless of the terms reached by the parties and their nationality. Thus, if a national or foreign company hires an employee to render services in Colombia, the employment agreement will be governed by Colombian labor law.

4.2. Types of employment agreements

TYPE OF AGREEMENT	Comments
By duration	
Indefinite term	It does not have a limited duration. It will remain in full effect as long as its purpose and the causes that gave rise to it continue to exist.
Fixed term	It has a limited duration, until a specific date previously agreed upon by the parties. It must be executed in writing; otherwise, it will be presumed to be an indefinite term contract. No minimum duration is required; however, it may not exceed three years. It is renewable indefinitely, without losing its fixed-term nature.
For the duration of the contracted work or task	It has a limited duration, subject to fulfillment of the purpose of the agreement, i.e., a specific event previously agreed by the parties. The purpose must be clearly detailed, making it possible to identify the actual termination date (e.g., the construction of 20 km of a public road or the production of a specific number of goods or services). It must be in writing.
For the performance of occasional, accidental or transitory tasks	It has a limited duration (max. 30 days) and must be exclusively for the performance of activities other than the employer's ordinary business activities.
By form	
Oral	It is not contained in a document signed by the parties. The parties must agree on (i) the employee's tasks, (ii) the salary and (iii) the form of payment.
Written	It is contained in a document signed by the parties. It must include, at least, (i) identification of the parties; (ii) place and date of execution; (iii) place of hiring and rendering of the service; (iv) nature of the work; (v) salary; (vi) form and periods of payment; and (vii) duration.

TYPE OF AGREEMENT	Comments
Probationary period	
The initial stage of the employment agreement allows both the employer and the employee to assess whether the working relationship is satisfactory for both parties. The probationary period must be expressly agreed in writing. When successive employment agreements are entered into between the same employer and employee, the probationary period stipulation is only valid for the first agreement.	
Indefinite term	The probationary period cannot exceed 2 months.
Fixed term	In fixed-term employment agreements of less than 1 year, the probationary period cannot exceed one-fifth of the initially agreed term, up to a maximum of 2 months.
For the duration of the contracted work or task	The probationary period cannot exceed 2 months.
For the performance of occasional, accidental or transitory tasks	The probationary period cannot exceed one-fifth of the initially agreed term.

4.3. Differences between employment and service agreements

The fundamental distinction between an employment agreement and a service contract lies in the continuous subordination and dependence to which the worker is subjected.

The main difference between an employment agreement and a service contract in Colombia is the continued subordination of the employee. Service providers, as opposed to employees, are independent and autonomous with respect to the employer in all technical, administrative, financial and managerial aspects of the contractual relationship. Employees, on the contrary, are permanently subject to the employer's orders on the conditions of time, manner and place in which they must render their services, without the possibility of independently defining the conditions of their activity.

There is no specific regulation in Colombia that specifies where it is possible to hire individuals through service contracts and where an employment agreement is required. Service contracts are frequently used, among others, for (i) contracting specialized services, where the expert is the contractor and not the contracting entity; (ii) non-exclusive arrangements under which contractors are free to render their services to other clients simultaneously; (iii) contracting services that the contracting entity does not have covered through its employees.

4.4. Salary payments and agreements

In Colombia, "salary payment" means any payment that directly remunerates the employees' services and compensates their subordinated activity. Salary payments must be considered as the basis for calculating fringe benefits, vacation, indemnities, mandatory contributions to the comprehensive social security system and payroll tax, among others.

Colombian labor legislation provides two types of salary agreements: standard salary and comprehensive (*integral*) salary. The difference is that the integral salary, in addition to remunerating the employee's personal services, compensates in advance for the payment of legal fringe benefits, supplementary work, surcharges, extralegal payments (if applicable), among other items, except vacation. The comprehensive salary must be expressly agreed in writing and cannot be less than 13 monthly legal minimum salaries (SMMWs).

4.5. Minimum integral salary

The minimum integral salary in Colombia for 2025 is COP 18,505,500.

4.6. Costs to the employer arising from an employment relationship

Every worker in Colombia is entitled, at a minimum, to: (i) receive a salary as compensation for their services; (ii) be enrolled with the Comprehensive Social Security System; and (iii) be entitled to an annual vacation period.

Every employee in Colombia is entitled, at least, to (i) a salary in consideration for services; (ii) be registered in the comprehensive social security system; and (iii) an annual vacation period. Additionally, employees under the ordinary salary scheme are also entitled to the following legal fringe benefits:

- Unemployment aid payments: 30 days of salary for each year of service;
- Interest on unemployment aid payments: 12% of severance payments for each year of service;
- Service bonus: 15 days of salary for each six months of service;
- Legal transportation allowance: COP 200,000 (*only for employees earning two SMMWs or less per month);
- Work clothing and footwear allowance: three times a year on specific dates (*only for employees earning two SMMWs or less per month); and
- Social security contributions paid monthly by the employer to the comprehensive social security system. These contributions must be paid jointly, as follows:

Contribution system	Pension		Health		Labor risks	
	Employer	Employee	Employer	Employee	Employer	Employee
% contribution	12%	4%	8,50%	4%	0.522% – 6.9%	0%

Companies, legal entities and similar entities subject to income and complementary taxes are exempt from paying contributions to the health system (i.e., 8.5% for workers earning less than 10 SMMWs).

Employees with a salary higher than four SMMWs must make an additional contribution between 1% and 2% of salary.

However, a new pension regime will apply as of **July 1, 2025**, modifying the additional contribution to the Pension Solidarity Fund as follows:

Before	Now
Between 4 - 16 SMMWs: 1%	Between 4 - 7 SMMWs: 1.5%
Between 16 - 17 SMMWs: 1.2%	Between 7 - 11 SMMWs: 1.8%
Between 17 - 18 SMMWs: 1.4%	Between 11 - 19 SMMWs: 2.5%
Between 18 - 19 SMMWs: 1.6%	Between 19 - 20 SMMWs: 2.8%
Between 19 - 20 SMMWs: 1.8%	Greater than 20 SMMWs: 3%
Greater than 20 SMMWs: 2%	

Additionally, employers are required to pay certain parafiscal contributions based on salaries and vacation payments, with some legal exceptions, as follows:

System	National Learning Service (SENA)	Colombian Family Welfare Institute (ICBF)	Family Compensation Fund (CCF)
	Employer	Employer	Employer
Parafiscal contributions	2%	3%	4%

4.7. Working hours, vacation and leave of absence

The ordinary working hours in Colombia are those agreed upon by the parties. The maximum legal working hours (in the absence of agreement) are currently eight hours per day and, from July 15, 2024, to July 14, 2025, 46 hours per week, distributed over 5 or 6 days a week, always ensuring a day of rest, with some exceptions. However, starting July 15, 2025, the maximum legal working hours will be 44 hours per week. The maximum working hours will gradually be reduced to 42 hours per week by July 15, 2026.

Depending on the needs of the service, it is possible to establish different working hours and schedules for certain jobs (e.g., shifts) within the parameters provided by law.

All employees are entitled to 15 working days of vacation as paid rest for each year of service.

There are two types of leave: (i) paid leave, established by law; and (ii) unpaid leave, in which the employee does not render services, and the employer is not required to pay the employee's salary. It is possible to agree on contractual or discretionary (extralegal) leaves.

4.8. Types of remote work

Remote working is allowed in Colombia. Depending on the circumstances and needs of the service, employees may: (i) telework; (ii) work from home; or (iii) work remotely.

Among the most important differences between these three types are (i) working at home is only possible when, due to occasional or exceptional situations, the employee's services cannot be rendered at the employer's workplace; (ii) in remote working, the entire employment relationship, from hiring to termination, is performed without the employer and the employee physically interacting;

and (iii) remote working allows employees to render their services without being physically present through the use of information and communication technologies, but with the possibility of working a few days at the employer's workplace or requesting at any time to return to the conventional work activity at the employer's facilities.

4.9. Labor disconnection

All employees have the right not to be contacted during their rest time (e.g., time off, leave, vacation, off-duty) for matters related to their work activities, regardless of the means or form of contact. Repeated and verifiable breaches of this right may be considered workplace harassment.

4.10. Termination of the employment agreement

In Colombia, there are three ways for the parties to terminate the employment agreement:

- *Without cause:* termination without just cause. If the employer terminates the agreement, it must pay severance as provided by law (in addition to all employment rights actionable upon termination). The amount of severance will depend on the type of agreement, seniority and salary of the employee. It does not require a special procedure and may have immediate effects as of its notification.

Agreement type	Salary	Severance amount
Indefinite term	Below 10 SMMWs	30 days' salary for the first year 20 additional days' salary for each additional year or fraction of a year after the first year
	Equal to or greater than 10 SMMWs	20 additional days' salary for the first year 15 additional days' salary for each additional year or fraction of a year after the first year
Fixed term or for the duration of the work or task	No distinction	Time remaining of the contractual term or of the period determined by the duration of the work or task contracted, not less than 15 days' salary

- *For cause:* if any of the legal grounds are met, including a serious breach of any special obligation or prohibition (legal, contractual or regulatory). Employees must be heard and allowed to give their version of the facts before formalizing termination (due process and right of defense). Different procedures must be exhausted depending on the cause of termination. The employer is not

required to pay any severance or amounts other than the labor rights due and actionable upon termination.

- *Due to legal causes:* it does not depend on the will of the employer or the employee. It is applicable under the law (e.g., expiration of the agreed fixed term). The employer is not required to pay any severance or amounts other than the labor rights due and actionable upon termination.

Employment agreements of certain employees in special situations cannot be terminated without prior authorization from the Ministry of Labor or a labor judge.

4.11. Unions

- *Requirements:* under Colombian labor legislation, a minimum of 25 employees is required to establish a union, whether they work for the same company or not.

- *Types of trade unions in Colombia:* (i) company unions, formed by employees rendering their services in the same company; (ii) industry unions, formed by employees rendering their services in several companies of the same industry or branch of economic activity; (iii) trade unions, formed by employees of the same profession, trade or specialty; and (iv) various trade unions, formed by employees of different professions.

  Any employee of a company may join an industry union, which is thus entitled to submit a petition sheet to the company and initiate a collective bargaining process. It is not necessary to form a company union for these purposes.

  There may be more than one company union in the same company. Additionally, employees may be members of more than one union, but they may only benefit from one collective-bargaining agreement.

In cases where the issuance of a work visa is required, the employer sponsoring the foreign service provider must demonstrate an average monthly income of one hundred (100) times the SMMLV.

4.12. Immigration issues

Foreign citizens must obtain a visa or work permit to legally perform paid services in Colombia. The visa or permit will depend on the particular conditions of their nationality and employment. Where a work visa is required, the employer or contracting sponsor of the foreigner individual must prove an average monthly income of 100 SMMWs. Visa applications must be made directly to the Ministry of Foreign Affairs.

There are other types of visas that allow performing any lawful activity in Colombia, but they are subject to specific legal conditions. Nevertheless, the Colombian authorities have discretionary powers to grant or deny these types of visas or permits, even when the legal requirements are met.

5

Intellectual and industrial property

In Colombia, intellectual property rights can be divided into two main categories: (i) copyrights and related rights and (ii) industrial property.

Intellectual property protects the rights of individuals over intellectual creations ranging from artistic works to patentable inventions. In Colombia, intellectual property rights can be divided into two main categories: (i) copyrights and related rights and (ii) industrial property.

5.1. Copyright and related rights:

Copyright protects any original intellectual creation of artistic, scientific or literary nature susceptible of being reproduced or disclosed in any form (a "work"). In Colombia, copyright protection exists upon creation, without the need to carry out any formalities before the National Copyright Directorate ("**DNDA**"). Copyright protection comprises both moral and economic rights. Moral rights are nonnegotiable, unwaivable and imprescriptible, while economic rights can be transferred and have a term of duration, after which the authors or holders cannot prevent others from using their work.

Related rights are granted to (i) performers, (ii) phonogram producers and (iii) broadcasting organizations over their broadcasts. Their protection, as in the case of copyrights, does not require registration or processing before a competent authority.

In any case, and even though the protection of copyrights and related rights does not arise from registration, it may be an advisable mechanism to guarantee their adequate protection in terms of opposability and evidentiary support.

5.2. Industrial property

Industrial property rights cover patents and industrial designs (new creations) and trademarks, slogans, brands, trade names and designations of origin (distinctive signs). Industrial property rights grant their holders the exclusive and temporary use of an invention, design or sign from other people in commerce. As a rule, they are protected after they are registered or granted by the Superintendence of Industry and Commerce ("**SIC**"), the industrial property authority in Colombia.

5.3. WIPO, CAN and Colombia

Colombia is a member of the World Intellectual Property Organization (WIPO) and of the Andean Community (CAN). As a member of these international organizations, Colombia has developed a balanced and efficient international intellectual property framework that allows innovation and creativity and, especially, international collaboration in the protection of intellectual property rights.

Intellectual property protection in Colombia is governed by two fundamental principles: the principle of territoriality and the principle of protection against unfair competition.

Colombia is a party to a series of Conventions and general rules. These include Andean Decision 351 (Common Regime on Copyrights and Related Matters) and Andean Decision 486 (Common Regime on Industrial Property). These protections and requirements aim to protect trademarks, patents, trade secrets, industrial design and distinctive signs.

Intellectual property rights in Colombia are based on territoriality and protection against unfair competition. Territoriality means these rights are valid only within the jurisdictions where protection has been granted, though international treaties can extend them. Protection against unfair competition allows rights holders to defend against third parties' unfair practices like confusion, disparagement, or exploiting another's reputation.

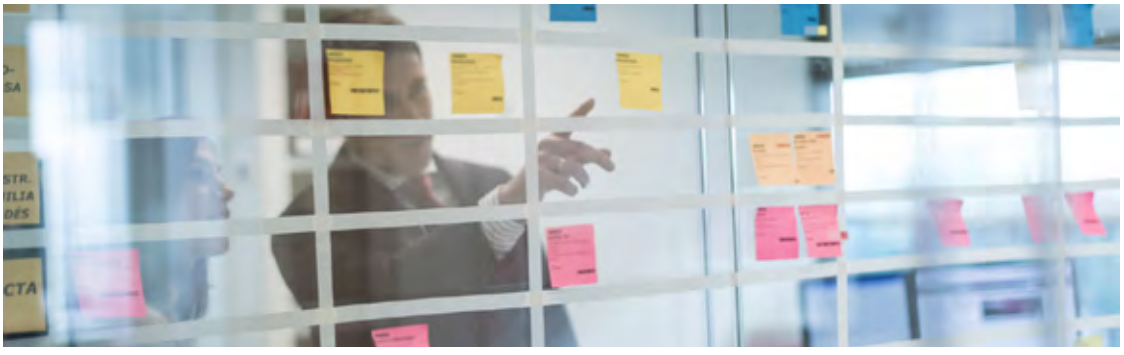
Distinctive signs

According to Decision 486 of 2000 of the Andean Community, a trademark is any sign capable of distinguishing goods or services on the market. In this sense, signs that can be represented graphically, including words, images, letters, numbers, color combinations or any combination of these elements, can be registered as trademarks.

Registration of trademarks and advertising slogans grants the right to their exclusive use for 10 years. According to Articles 152 and 153 of Decision 486, their renewal can be requested within the six months prior to their expiry or within a six-month grace period afterwards.

According to article 165 of Decision 486, trademarks and slogans may be cancelled due to non-use, at the request of any interested party, three years after registration. It is essential to use them and keep evidence of their use for at least the last three years to defend them in the event of cancellation actions for non-use. Use in any country of the Andean Community (Bolivia, Colombia, Ecuador or Peru) is sufficient to avoid cancellation in the others. If a sign is relevant but not in use, it is advisable to file defensive applications to ensure its continued protection. In these cases, the owner can justify the lack of use by force majeure or unforeseen circumstances. In addition, the registration will be cancelled if the trademark identifies more than one good or service.

Owners of trademarks may at any time renounce their rights, either totally or partially, with respect to specific goods or services.



Trade secrets

Article 260 of Decision 486 defines trade secrets as any disclosed information that an individual or legal entity legitimately holds, that has economic value and can be used in any productive, industrial or commercial activity, in so far as such information is:

- Secret: it must not be readily accessible to third parties that may benefit from its use.
- Of commercial value: its economic value must derive from its secrecy, giving its holder a competitive advantage.
- Subject to reasonable protection measures: legal or technical measures must be taken to keep it secret.

Protection of trade secrets can be indefinite as long as they are kept secret. However, such protection ends upon disclosure by the owner or by a legal provision or court order.

Law 256 of 1996 addresses the misappropriation of trade secrets within the context of unfair competition. It applies when the defendant is a company, and the act affects the Colombian market.

New creations

The concept of new creations includes inventions, utility models, industrial designs and layout designs of integrated circuits. Patents of these creations grant exclusive rights to their owners to exploit the inventions or utility models and prevent unauthorized use by third parties.

Decision 486 defines patents as rights granted to inventors to exclusively exploit the invention or utility model, preventing third parties from manufacturing, selling or using it without prior authorization.

Both inventions and utility models must be innovative, i.e., they must not be known or disclosed prior to the filing of the application and must have an industrial application. In addition, inventions must not be obvious or derived from state of the art.

Patents have a term of 20 years for inventions and 10 years for utility models, from filing date of the application. In Colombia, patent holders must exploit their patents either directly or through authorized third parties, and they are obliged to make annual payments to keep them in force.

According to Articles 59 and 60 of Decision 486, exploitation implies manufacturing, importing, distributing, marketing the patented product or fully using the patented process to meet market needs.

Three years after the patent is granted or four years from the filing of the application (whichever is later), any interested third party may apply for a compulsory license if the patent has not been exploited, or its exploitation has been suspended for more than a year. The patent holder may justify the lack of exploitation due to force majeure or unforeseeable circumstances. However, according to article 66, this license will only be granted if the applicant previously tried to obtain a contractual license under reasonable commercial terms but failed within a reasonable period of time.

The registration of trademarks and commercial slogans grants the right to exclusive use for 10 years.

5.4. Contractual assignment of rights

Industrial property rights and copyrights are automatically transferred to employers, unless otherwise provided in the employment agreement. This automatic presumption only applies if the employment or service agreement was concluded in writing on or after June 16, 2011. A specific assignment clause is not required.

If the asset is subject to registration or its owner has chosen to register it, any agreement transferring or assigning an industrial property right must be registered with the competent authority. According to Decisions 486 and 351 of the Andean Community, applications for the registration of intellectual property rights must be submitted in Spanish, and documents or agreements in another language may be translated into Spanish.

The parties must clearly establish the scope and limitations of the rights granted, if applicable.

Any agreement that transfers or assigns an industrial property right must be registered with the competent authority if the asset is subject to registration or if its owner has opted to register it.

Although these limitations are usually recognized, clauses that limit or exclude liability for willful misconduct or gross negligence are not enforceable.

Any agreement that transfers or assigns an industrial property right must be registered with the competent authority if the asset is subject to registration or if its owner has opted to register it.

The following table shows the protections and requirements for trademarks, patents, industrial secrets, industrial designs and distinctive signs.

	Scope of protection	Requirements
COPYRIGHT		
Copyright	Copyright protection does not require registration or application procedures, since works are protected upon creation.	Any work that is (i) intellectual; (ii) original; (iii) of artistic, scientific or literary nature; and (iv) susceptible of being reproduced or disclosed in any form.
INDUSTRIAL PROPERTY		
Trade secrets	Trade secret protection does not require any formalities, but the holder must ensure that the information (i) is secret (not generally known or readily accessible to those who move in the circles that usually handle the information concerned); (ii) has a commercial value because it is secret; and (iii) is subject to reasonable protection measures.	Secrecy must be kept through adequate human and administrative measures. Contractually, it is advisable to include clauses that specify the nature of the secret (e.g., a recipe or a production method) and prohibit its disclosure.

Registration (declaratory, constitutive or for opposability)	Term
Opposability to third parties and for evidentiary purposes.	**Moral rights:** imprescriptible. **Economic rights:** the author's lifetime, plus 80 years.
n.a.	The duration of the secret.

	Scope of protection	Requirements
INDUSTRIAL PROPERTY		
Industrial designs	Registration before the SIC protects the shape and aesthetic appearance of the product.	(i) Check whether the external shape of a product is already available to the public; (ii) Fill out the application form; and (iii) File the application with the SIC;
Distinctive signs (advertising slogans)	Registration before the SIC grants the holder the exclusive right to commercialize products or services identified with the registered sign.	(ii) No cause of unregistrability; (ii) Fill out the single form for distinctive signs; and (iii) File the application before the SIC.
Distinctive signs (brand and trade name)	Exclusive right over a trade name is acquired upon its first commercial use. For opposability purposes, the holder may register its trade name with the SIC.	(i) Commercial use
Distinctive signs (trademarks)	Trademark registration before the SIC implies protection in Colombia of the right to use the trademark on the products or services identified by the sign.	(i) Not to be subject to any cause of unregistrability; (ii) Fill out the single form for distinctive signs; and (iii) File the application before the SIC;

Registration (declaratory, constitutive or for opposability)	Term
Constitutive of rights	10 years from registration application
Constitutive of rights	10 years from granting, renewable for successive periods of 10 years
n.a.	The duration of the secret.
Constitutive of rights	10 years from granting, renewable for successive periods of 10 years

	Scope of protection	Requirements
INDUSTRIAL PROPERTY		
Patents	Invention patent: protects inventions of products or procedures that offer a new technical solution to a technical problem. Object of protection: apparatuses, compounds, compositions and substances, procedures and systems. Inventions are protected through a patent granted by the SIC.	(i) Novelty: the invention is not known worldwide prior to the filing date; (ii) Inventive level: the invention is not obvious nor arises from the state- of-the-art in a way that is obvious to a person with knowledge of the technical field of the invention; and (iii) Industrial application: it can be manufactured or used in any type of industry
	Utility Model Patent: protects new forms, configurations or arrangement of elements of devices, tools, instruments, mechanisms or objects that allow a better or different operation, use or manufacture, providing a new advantage, utility or technical effect. Object of protection: apparatus and machines. Utility models are protected through a patent granted by the SIC.	(i) Novelty and (ii) Industrial application.

Registration (declaratory, constitutive or for opposability)	Term
Constitutive of rights	20 years from application
Constitutive of rights	10 years from application

6

The authority responsible for overseeing and monitoring compliance with personal data regulations is the SIC.

Personal data protection

In Colombia, personal data protection comprises the set of rules, concepts and decisions aimed at protecting the right of all individuals to protect their privacy, as well as to know, update and rectify the information collected about them in databases or files.

Data protection is generally governed by: (i) Law 1266 of 2008 on financial and credit data processing; and (ii) Law 1581 of 2012 on personal data protection, as well as any amending legislation and implementing regulations compiled in Decree 1074 of 2015. The principles governing the processing of personal data are (i) legality; (ii) purpose; (iii) freedom; (iv) truthfulness; (v) transparency; (vi) restricted circulation; (vii) security; and (viii) confidentiality.

The SIC is the authority in charge of monitoring and controlling compliance with personal data regulations.

Decree 1297 of 2022 established the possibility for financial institutions to process and commercialize data authorized by financial consumers (open banking).

6.1. Obliged parties

In Colombia, any individual or legal person, whether public or private, that makes decisions regarding a database or an operation involving the processing of personal data is a data controller. In other words, "Data Controllers" are individuals or legal persons that determine the purposes and means of data processing. Data processors, on the other hand, are individuals or legal persons that process personal data on behalf of a data controller, according to the data controller's processing policy and the terms of the authorizations granted by the data subjects.

Law 1581 applies to all data collection and processing in Colombia and also where a data controller or processor is required by an international treaty to apply Colombian legislation.

6.2. Main obligations

The main data protection obligations can be divided into three groups: (i) obligations to inform data subjects; (ii) security and confidentiality obligations; and (iii) obligations to protect data subjects' rights.

First, data controllers must duly inform the data subjects of the purposes and means of the processing, obtain their prior consent, publish a privacy policy and register their databases with the national data protection authority. In addition, they must inform the data protection authority of any security incidents.

Second, data protection regulations require data controllers to ensure that personal data: (i) is kept under strict security measures and confidentiality standards; (ii) is not modified or disclosed without the consent of the data subject; and (iii) is used only for the purposes identified in the privacy policy or notice. Additionally, they must adopt an internal data processing policies and procedures manual.

Finally, data controllers must guarantee the exercise of data subjects' rights, namely: (i) to know, update and rectify their personal data; (ii) to request and obtain proof of the authorization granted for the processing of their personal data; (iii) to be informed of the use given to their personal data; (iv) to file complaints before the SIC; (v) to revoke the authorization granted and request the removal of their personal data from the databases in which they are stored; and (vi) to access free of charge and freely their personal data.

6.3. Database registration in Colombia

Data controllers with total assets exceeding 100,000 TVU are required to register their databases in the National Database Registry ("**RNBD**"). The RNBD is the public directory of databases with personal data of data controllers operating in the country.

Databases must be registered in the RNBD within two months of the creation of the database. For registration purposes, an inventory of the company's databases (in physical or electronic format) is needed. Subsequently, the information identifying the database must be uploaded to the RNBD platform.

In addition to registration in the RNBD, data controllers must take into account the regulatory deadlines regarding situations that require updates or new registrations in the RNBD as follows:

Events	Term
Annual database update	Annually between January 2 and March 31
Substantial changes to the information registered or contained in the database	Within the first 10 working days of the month following the substantial change
Update information on claims submitted by data subjects	Twice a year, within the first 15 working days of February and August
Report security incidents	Within 15 working days after they are detected

6.4. Transfer and transmission of personal data

International transfers of personal data are prohibited to countries that do not have adequate levels of data protection.

In general, the transmission of personal data involves sending personal data to a data processor. National and international transmissions of personal data are permitted to the extent that (i) they are expressly authorized by the data subjects; or (ii) they are governed by a personal data transfer contract signed between the controller and the processor.

On the other hand, the transfer of personal data implies sending personal data to a data controller. International transfers of personal data are permitted to the extent that (i) they are expressly authorized by the data subjects; (ii) they are authorized by the SIC; or (iii) they are within the exceptions provided by law.

By law, international transfers of personal data are prohibited to countries that do not have adequate levels of data protection. For these purposes, the SIC has recognized the following countries: Andorra, Argentina, Australia, Austria, Belgium, Bulgaria, Canada (commercial organizations), Costa Rica, Croatia, Cyprus, the Czech Republic, Denmark, Estonia, the Faroe Islands, Finland, France, Germany, Greece, Guernsey, Hungary, Iceland, Ireland, Isle of Man, Israel, Italy, Japan, Jersey, Latvia, Lithuania, Luxembourg, Malta, Mexico, Netherlands, New Zealand, Norway, Peru, Poland, Portugal, Republic of Korea, Romania, Serbia, Slovakia, Slovenia, Spain, Sweden, Switzerland, United Kingdom, United States and Uruguay. The SIC must issue a certificate of conformity for data transfers to countries other than the above.

6.5. Sanctions for improper data processing

The SIC may impose the following sanctions on data controllers and processors:

- Personal and institutional fines up to 2,000 SMLMVs;
- Suspension of activities related to the processing for up to six months;
- Temporary closure of the operations related to the processing, if the corrective measures ordered by the SIC were not adopted within the suspension term; and
- Immediate and definitive closure of the operation related to the processing of sensitive data (i.e., affecting the data subject's privacy or whose improper use may generate discrimination).

To submit a report of negative or unfavorable information regarding non-compliance with obligations to credit bureaus, the consent of the data subject must be obtained, among other requirements.

6.6. Binding corporate rules

Under Decree 255 of 2022, data controllers that are part of a corporate group and that make transfers or a set of transfers of personal data to a third party that is part of the same group and that is located outside Colombian territory must be subject to binding corporate rules.

Binding corporate rules are the policies, principles of good governance or mandatory codes of good business practices established by the data controller in Colombia to make transfers or a set of transfers of personal data to a third party located outside Colombian territory and that is part of the same corporate group.

In compliance with the above, the binding corporate rules adopted by a group must include the following:

- Clear determination of the structure and contact details of the corporate group and each member;
- Determination of the transfers to be carried out, including the categories of personal data, the type of processing and its purposes, the type of data subjects concerned and the name of the third country;
- Determination of the rights of the data subjects, as well as the effective means to exercise them;
- Measures to prevent transfers to other entities that do not belong to the corporate group, without prejudice to the exceptions set out in article 26 of Law 1581 of 2012;
- Mechanisms to ensure compliance with corporate rules;
- Mechanisms to communicate and record changes to the policies and to notify such changes to the SIC;
- Data protection training for personnel with access to personal data; and
- Request and complaint procedures for data subjects.

6.7. Financial *habeas* data

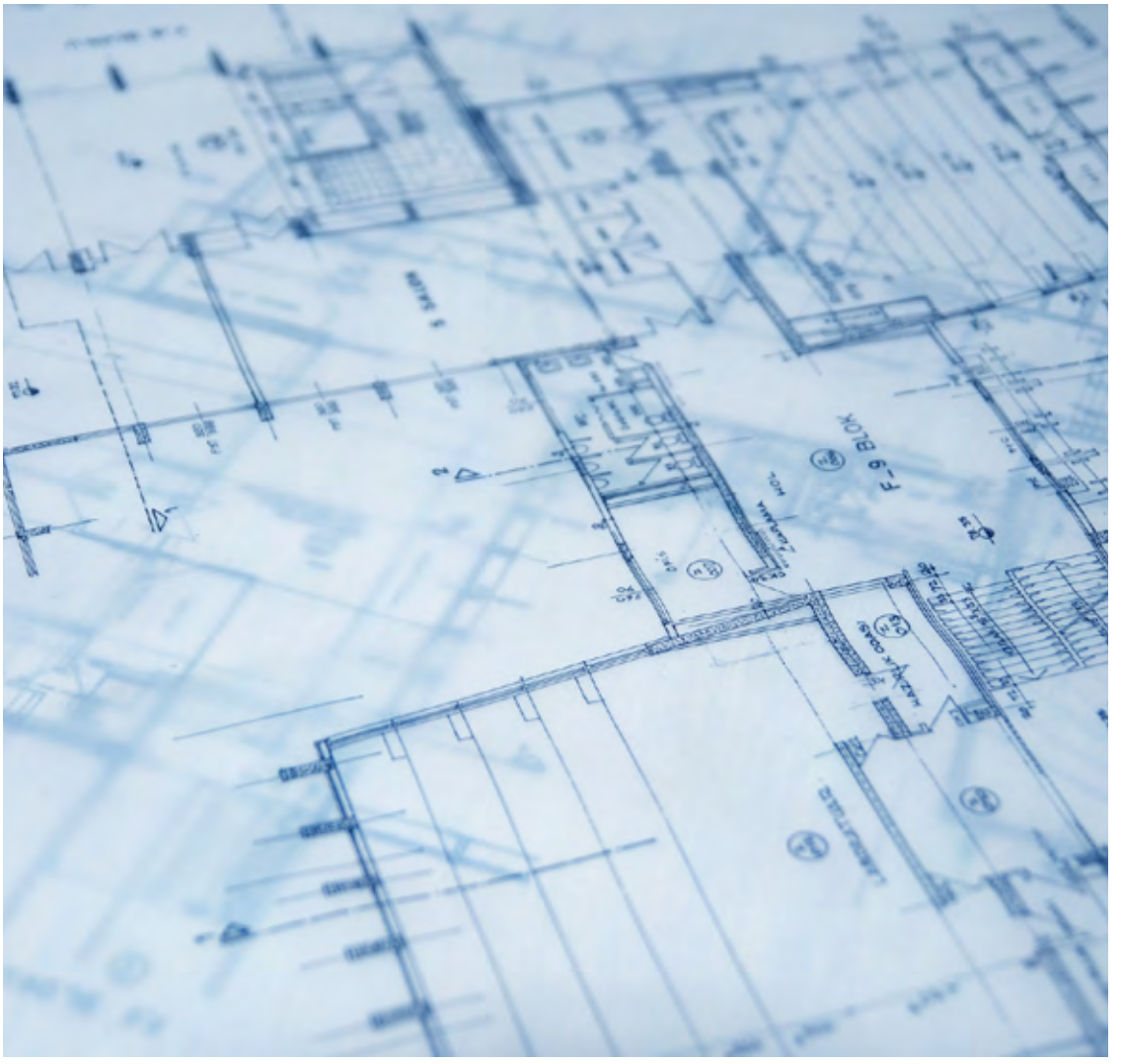
The financial habeas data and the general data protection regime provide measures aimed at ensuring that the financial information of individuals and legal persons is processed under strict security measures, ensuring the quality of the information at all times so that the financial system has reliable information regarding the payment capacity and credit history of individuals and legal persons.

To submit negative (non-compliance) reports on obligations to credit institutions, the applicable regulations set out the following requirements, in addition to the data subject's consent:

- Notify debtors so that they may prove or make the payment, as well as challenge the value and term. This communication may be in hard copy or by data message; and
- Wait 20 calendar days from the date the notification is sent.

Once both requirements are fulfilled, the information may be reported.

For obligations whose value is less than or equal to 15% of one SMLMV, the negative data may only be reported after at least two notifications on different days. At least 20 calendar days must elapse between the last communication and the report.



7 Competition

In Colombia, competition law comprises the set of rules, concepts and decisions aimed at protecting the overall interest of the market, i.e., the free operation of companies, economic efficiency and consumer welfare.

Broadly speaking, protection is guaranteed by (i) controlling business integrations; (ii) controlling anticompetitive practices (agreements and conduct); and (iii) sanctioning unfair competition practices.

7.1. Business integration

A business integration is a transaction, regardless of its legal form, through which a company directly or indirectly acquires control of one or more companies, or through which a new company is established to operate jointly. Business integrations are subject to prior control by the SIC where certain requirements are met:

Control is defined as the ability to influence the corporate policy of a company, including the initiation, modification, or termination of its commercial activities, or the disposition of goods or rights essential for the development of its business activities.

- **Change of control:** under Colombian competition law, control is defined as the ability to directly or indirectly influence a company's corporate policy, the initiation, variation, or termination of its commercial activities, or the disposal of assets or rights essential to its operations. If there is a change in control or essential asset structure, the transaction must be reported to the SIC. There are three types of control:
  - Positive exclusive: a single entity can determine the competitive performance of another company without any other material influence.
  - Negative exclusive: a single entity has veto power over strategic decisions.
  - Joint control: two or more entities have material influence, either through equal distribution of rights, joint voting agreements, or joint veto power.

- **Horizontal or vertical overlaps:** where the parties carry out the same economic activities or are in the same value chain. **Horizontal integrations (in the same sector) and vertical integrations (at different stages of the value chain) must be reported.**

- **Economic thresholds:** where the operating income or assets of
  - the companies involved, and
  - their controlled companies in the same sector or value chain exceed a total of 7,074,307.43 basic value units (UVBs), equivalent to COP 81,756,652,496.16 in 2025.

If the companies operate in the Colombian market solely through exports and have no operating income or assets in the country, their assets and operating income abroad will be considered.

Finally, if the companies participate in the market through permanent establishments without legal personality in Colombia, the assets and operating income linked to those establishments will be included.

SIC's prior control procedure varies according to the market share of the parties and their affiliates:

- *Notification:* under Law 1340 of 2009, the transaction is automatically authorized if the parties' share in all affected markets is less than 20%. In this case, the SIC only needs to be notified and will acknowledge receipt within 10 days.
- *Authorization:* if the parties' share in any of the markets affected is 20% or more, they must request the SIC's assessment through a two-stage procedure. First, a preliminary study of the transaction is conducted within 30 working days from the submission of the required information. During this stage, the SIC may (i) authorize the transaction; or (ii) continue the assessment if the evidence is insufficient to rule out competition risks. The second phase lasts three months, after which the SIC may authorize, condition or object to the business integration.

7.2. Anticompetitive practices. Types of anticompetitive agreements or conduct, and applicable sanctions

Regulation on free competition can be violated through agreements, unilateral actions, or abuse of a dominant position.

Under article 333 of the Colombian Constitution, free competition "is a right of everyone, entailing responsibilities." In this regard, market agents must guarantee free and fair market competition.

Any practices, procedures or arrangements aimed at limiting free competition are prohibited, including those seeking to fix or maintain unfair prices to the detriment of consumers and raw materials producers. Infringement of competition can result from **agreements, unilateral conduct or abuse of dominant position.**

Under Colombian legislation, agreements that have the following purposes or effect are deemed anticompetitive:

- Direct or indirect price-fixing;
- Determining discriminatory sales or marketing conditions for third parties;
- Market-sharing among producers or distributors;
- Allocating production or supply quotas;
- Allocating, distributing or limiting supply of productive inputs;
- Restricting technical developments;
- Conditioning the supply of a product on accepting additional obligations that, by their nature, are not the purpose of the business;
- Refraining from producing a good or service or affecting production levels;
- Colluding in bidding, tendering or distribution of contract awards, or setting terms in bids;
- Preventing third-party access to markets or marketing channels;
- In general, directly or indirectly limiting production, supply, distribution or consumption of local or imported raw materials, goods or services: and
- Any practice, procedure or arrangement tending to restrict competition to fix or maintain unfair prices.

The following **unilateral conduct** is deemed anticompetitive if carried out by an agent with significant market power (not necessarily in a dominant position):

- Breaching advertising regulations in violation of consumer protection rules;

- Influencing the increase or reduction of prices of a company's products or services;
- Refusing to sell or provide services to a company or discriminating against it to retaliate against its pricing policies;
- Obstructing invoice circulation; and
- Preventing third parties from negotiating or discounting their invoices (factoring companies, financial institutions or other entities).

Finally, the following constitutes an abuse of dominant position, i.e., the capacity to determine market conditions:

- Predatory pricing (reducing prices below cost to eliminate competitors or preventing their entry or expansion);
- Imposing discriminatory provisions for similar transactions that place a consumer or supplier at a disadvantage vis-à-vis another consumer or supplier under analogous conditions;
- Provisions whose purpose or effect is conditioning the supply of a product on accepting additional obligations that, by their nature, are not the purpose of the business, without prejudice to other provisions;
- Selling to a buyer under conditions different from those offered to another buyer with the intent of reducing or eliminating competition;
- Selling or providing services in any part of the country at a price different from that offered in another part of the country, when the intent or the effect is to reduce or eliminate competition in that part of the country, and the price does not correspond to the cost structure of the transaction; and

- Obstructing or preventing third-party access to markets or marketing channels.

For each violation and offender, the SIC may impose fines of up to 100,000 SMLMVs or, if higher, 150% of the profit derived from the infringement. Individuals who collaborate, facilitate, authorize, implement or tolerate the prohibited anticompetitive agreements or conduct may be subject to fines of up to 2,000 SMLMVs.

7.3. Unfair competition practices and consequences

Unfair competition involves improper market conduct that violates good faith and the rights of third-party competitors. Generally, it refers to actions taken in the market for competitive purposes (i.e., to increase or maintain a business's clientele) that are contrary to sound commercial practices, the principle of good commercial faith, and honest industrial or commercial practices. Unfair competition also includes any act that affects, or is intended to affect, the buyer's or consumer's freedom of decision or the competitive functioning of the market. Specifically, Law 256 of 1996 prohibits misleading customers, disrupting the market, abusing another party's reputation, violating secrecy, inducing breach of contract, and unfair exclusivity agreements. The following remedies are available against unfair competition:

Declaratory and sentencing action: anyone affected by unfair competition practices may seek a judicial declaration of illegality, ordering the offender to remove the effects of said acts and compensate the plaintiff for the damage caused.

- *Preventive or prohibition action:* individuals who think they may be affected by unfair competition practices may request the judge to prevent unfair conduct not yet undertaken or to prohibit it before any damages are caused.


AUDIO
CREDIT/ATM CARD

8 Exchange regimen, foreign investment and external debt

8.1. Exchange regimen

The international exchange regimen consists of the rules and regulations that govern the exchange of foreign currency within the country. These policies aim to control and supervise the foreign exchange market to ensure economic stability.

The exchange regimen is managed by the Central Bank (*Banco de la República*), which sets the rules and procedures for buying and selling foreign currency, as well as the exchange rates.

The Central Bank establishes the rules and procedures for the purchase and sale of foreign currency, as well as the exchange rate.

8.2. Transactions subject to the exchange regimen

Transactions involving the negotiation or transfer of foreign currency through exchange market intermediaries or compensation accounts must be conducted through the exchange market, meaning they cannot be carried out in the free or unregulated market.

The following transactions are subject to the exchange regimen:

- Import and export of goods;
- Foreign capital investments in Colombia, including their returns;
- Foreign currency guarantees;
- External debt transactions by residents and their related financial costs;
- Colombian capital investments abroad and their returns;
- Derivative transactions; and
- Financial investments in securities issued and assets located abroad, along with their returns.

Compensation accounts must be registered with the Central Bank.

8.3. Exchange market intermediaries (IMC)

Exchange market intermediaries are entities authorized to channel foreign currency. These include institutions supervised by the Superintendence of Finance (SFC) and entities whose sole purpose is to carry out exchange transactions.

8.4. Foreign investment

Foreign investment refers to assets acquired by nonresidents[5] in Colombian territory, either as capital or portfolio investments, through lawful acts, agreements, or transactions. The regulatory authority overseeing foreign investment is the Central Bank.

In general terms, foreign investment must be registered with the Central Bank and channeled through the exchange market. This entitles foreign investors to (i) receive profits or reimbursements in the event of disinvestment; (ii) reinvest profits; and (iii) capitalize payable sums.

As a rule, foreign capital investments may be made in all sectors of the economy except (i) defense and national security; and (ii) processing, disposal and clearance of toxic, hazardous or radioactive waste not produced in the country. However, certain limitations apply to (i) the financial sector (SFC's authorization required); (ii) the insurance sector; or (iii) television services (maximum 40% foreign shareholding in concessionaires).

5 The concept of non-resident in the case of individuals must be analyzed on a case-by-case basis.


Executive Dashboard
MTD Revenue (MM)
0.99
MTD Margin (bps)
1.08
Revenue and margin by client segment
Revenue and margin by product
Dynamic Actu
Qlik
Actuals Compared
Customized Credit
Capital Solutions
Hedge Fund Strate
Capital Opportun
Corporate
Actuals Compa
0.37
0.06
0.02

On the other hand, branches of foreign companies with exclusive dedication certificates engaged in the exploration and exploitation of oil, natural gas, coal, ferronickel or uranium, or those engaged exclusively in the provision of services in the hydrocarbon and mining sector, are subject to a special exchange rate regime. This regime grants them certain benefits in the repatriation of foreign currency and foreign currency transactions. However, branches under this special regime may, on an exceptional basis, access the foreign exchange market.

8.5. Exchange rights derived from foreign investment registration

Registration of foreign investment grants the following exchange rights:

- To reinvest profits or keep payable undistributed profits in the surplus account and obtain registration as foreign investment;
- To capitalize payable sums derived from the investment;
- To remit abroad any net profits generated periodically by the investment; and
- To remit abroad the proceeds of (i) disinvestment in the country; (ii) liquidation of the company or portfolio; or (iii) capital reduction.

To obtain registration, foreign investment must be channeled through an exchange market intermediary or a clearing account.

There are different exchange procedures depending on the transaction.

The Central Bank's Exchange Information System allows users (i) to register foreign investment without channeling foreign currency; (ii) to change or cancel the investment; (iii) to carry out equity settlements under the special regime; (iv) to register supplementary investment; and (v) to register, cancel and report movements of compensation accounts and special external credit facilities.

8.6. External debt

In general terms, it refers to loans between Colombian residents or exchange market intermediaries and nonresidents. Colombian residents are authorized to obtain credits from nonresidents as well as to grant them.

Under applicable regulations, external debt transactions must be registered prior to or simultaneously with the disbursement of the resources so as not to infringe the international exchange regime.

All transfers of foreign currency to and from Colombia related to external debt transactions must be made through the foreign exchange market and reported to the Central Bank by filing an exchange declaration through a Foreign Exchange Market Intermediary or IMC (e.g., commercial banks).

8.7. Compensation account

Colombian residents who handle income or expenses from transactions that must be channeled through the foreign exchange market may do so through bank accounts in foreign currency opened with foreign financial institutions. Such accounts are known as compensation account and must be registered with the Central Bank. Movements made through such accounts must be reported monthly to the Central Bank through the Exchange Information System.

8.8. Exchange violations

Exchange violations are infringements of the exchange regulations in force at the time of the event, subject to an economic sanction.

External debt operations must be registered prior to or simultaneously with the disbursement of the funds derived from them.

The following entities may impose sanctions for exchange violations, depending on the infringement:

- The National Tax and Customs Authority (DIAN) is the competent authority to monitor compliance with the exchange regime in the import and export of goods and services, expenses of foreign trade transactions and import and export financing and clearing accounts. It may impose penalties ranging from 25 to 1,000 TVU or 100% of the amount of the transaction, depending on the type of infringement.
- In turn, the Superintendence of Companies monitors compliance with the foreign exchange regime in matters of foreign investment, Colombian investment abroad and external debt. The Superintendence of Companies may impose penalties of up to 200% of the amount of the transaction.

9 Public procurement and infrastructure

General characteristics of public procurement rules

Public procurement in Colombia is an important mechanism of the public sector to fulfill state purposes through certain principles and specific legal procedures. Public procurement regulation revolves around the State's constitutional principles and objectives, such as the principles of free market and competition, transparency and the pursuit of economic and social welfare.

There are five selection modalities: (i) public bidding, (ii) abbreviated selection, (iii) merit-based competition, (iv) direct contracting, and (v) minimal amount contracting.

As a rule, any State entity with public shareholding of more than 50% is subject to the Public Procurement Statute ("**EGCP**"). However, certain legal exceptions allow some state entities to be governed by private law. For instance, contracts entered into by financial institutions (even with more than 50% public shareholding) are not governed by the EGCP (article 15 of Law 1150 of 2007). That is also the case for industrial and commercial State entities and mixed companies that, even with more than 50% public shareholding, operate in a regulated sector or in competition with the private sector and for those engaged in the provision of public utilities and exploration and production of hydrocarbons and minerals.

The EGCP provides a list of principles that must be complied with by State entities in the procedures for awarding State contracts. Broadly speaking, these principles are objective selection, transparency, economy, planning, preservation of the contract's economic balance, and due process.

Considering the above, the EGCP established several mechanisms for selecting State contractors, which are classified according to (i) the purpose of the contract, (ii) its amount or (iii) the special circumstances requiring a public entity.

9.1. Public procurement mechanisms and procedures

There are five main public procurement selection mechanisms: (i) public bidding, (ii) abbreviated selection, (iii) merit-based qualification, (iv) direct contracting and (v) de *minimis* contracting.

The contracting procedure varies depending on the type of procurement. However, the above regulation sets out the rules to determine which type applies, as indicated below:

Contracting mechanism	Characteristics
Public bidding	This is the default mechanism, since it ensures the greatest participation of bidders. It allows the use of a dynamic bidding system, through which the contract is awarded to the bidder that makes the most favorable offer or has the lowest price in accordance with the technical and economic criteria in the tender specifications.
Abbreviated selection	This applies in cases in which a simplified process can be implemented to guarantee efficient contract management because of the characteristics of the purpose of the contract, the contracting circumstances, the amount or purpose of the goods, work or service. For example, in the following events: (i) procurement or supply of goods and services of uniform technical characteristics and of common use by the entities; (ii) low-value contracts, based on the annual budgets of the public entities in SMMW; (iii) healthcare contracts; (iv) bidding processes in which there was no award. In this situation, the entity must initiate the abbreviated selection within four months after the public bidding finished without award; (v) sale of state assets, except shares or bonds mandatorily convertible into shares, owned by the state and, in general, its shareholding in any company; (vi) products of agricultural origin or destination offered in legally constituted commodities exchanges; (vii) acts and contracts directly involved in the commercial and industrial activities of State-owned industrial and commercial companies and mixed companies, except contracts under article 32 of Law 80 of 1993; (viii) contracts of entities in charge of implementing programs for protection of threatened persons; programs for demobilization and reincorporation into civilian life of persons and groups outside the law and highly vulnerable population in a recognized state of exclusion; and (ix) contracting of goods and services required for national defense and security.

Contracting mechanism	Characteristics
Merit-based qualification	This applies for selection of consultants or projects in which open competition or prequalification systems may be used. Price is not the main selection criterion and experience is scored.
Direct award	This applies exclusively in the following cases: (i) manifest urgency; (ii) public credit contracting; (iii) inter-administrative contracts, if the obligations are directly related to the purpose of the entity as set out in the law or its regulations; (iv) contracting goods and services of the defense sector and the administrative department—National Intelligence Directorate—that require reservation for their acquisition; (v) contracts for developing scientific and technological activities; (vi) fiduciary assignment contracts entered into by territorial entities under a liability restructuring agreement; (vii) when there is no plurality of bidders in the market; (viii) provision of professional and management support services, or for the execution of artistic works that can only be entrusted to certain individuals; (ix) leasing or acquisition of real estate; (x) selection of experts or technical advisors to present or rebut expert opinions in legal proceedings; and (xi) contracts with Indigenous councils, associations of Indigenous councils and/or traditional indigenous authorities, Indigenous councils and Indigenous organizations with the capacity to contract, as well as those signed with the community councils of Black communities and grassroots organizations of people belonging to Afro-Colombian, Raizal and Palenquero populations or with other organizational forms and expressions.
***De minimis* contracting**	This is used when the value of the contract does not exceed 10% of the smallest amount of the public entity, regardless of its subject matter.

9.2. Public procurement mechanisms and procedures

The SECOP is the official information platform for all procurement processes carried out with public funds.

The Electronic System for Public Procurement ("**SECOP**") is the transactional platform giving access to administrative acts, documents, contracts and, in general, acts derived from the pre-contractual and contractual activity of public entities. State entities, whether or not subject to the EGCP, must publish in the SECOP the legally required information regarding their different selection processes so that the general public may be informed and make comments or submit bids. The SECOP is the official means of information on all contracts carried out with public resources. In addition, it is the only point of entry of information and generation of reports for State entities, control entities and the general public, which ensures compliance with the principles of disclosure and transparency in contract management.

Thus, State entities using public resources to contract must publish their contractual activity in the SECOP, regardless of their legal regime, public or private nature or government branch, even if implementing the contract does not involve budgetary expenditures.

The National Development Plan 2022-2026 provides that the Chambers of Commerce of Colombia must guarantee the interoperability between the Single Registry of Bidders ("**RUP**") and the SECOP, allowing users to access the information recorded through the SECOP platform. This change is of utmost importance, since all individuals and legal persons wishing to enter into contracts with State entities must register with the RUP.

9.3. Public-Private Partnerships ("PPPs")

Law 1508 of 2012 (the "**PPP Law**") promotes the development of infrastructure projects in Colombia, seeking to attract new foreign investment.

The PPP Law has created new opportunities for building and operating public infrastructure projects, provided additional comfort to lenders and substantially improved the country's previous private finance initiative regime. Primarily, the PPP Law provides a new legal regime that continues to be governed by the EGCP in certain matters (i.e., activities not expressly regulated by the PPP Law such as procurement procedures and rules for entering and implementing contracts).

PPPs are an instrument to connect and raise private capital, materialized in a contract between a State entity and an individual or legal person under private law, for the provision of public goods and services. It involves retaining and transferring risks between the parties, and payment mechanisms related to the availability and level of the infrastructure or service.

The PPP Law significantly expanded the types of projects to include a wide variety of infrastructure construction and operation projects. Under the PPP Act, this regime applies to all contracts that entrust a private investor with the design and construction of an infrastructure and its related services, or with construction, repair, improvement or equipment, all of which must involve the operation and maintenance of such infrastructure. PPPs may also include infrastructure for the provision of public services, so they may be used for all types of infrastructure related projects, such as roads, railroads, airports, hospitals, public buildings, public transportation systems and river projects. Its application is restricted to projects with investment amounts exceeding 6000 SMMWs.

Under the PPP Act, payments to concessionaires are subject to the delivery and continuous availability of the infrastructure and the concessionaire's compliance with certain service levels and quality standards. Therefore, payments to concessionaire will only be made once the project has met the above requirements.

As a rule, the PPP Law sets out a maximum 30 years for contracts entered into by State entities. However, if there is a favorable decision of the National Council of Economic and Social Policy ("CONPES"), such maximum term may be extended in special circumstances. Additions and extensions of PPP contracts may only be made after the first three years and before expiration of the first three-quarters of their original term.

Public-Private Partnerships (PPPs) are defined as a mechanism for engaging private capital, which is formalized through a contract between a government entity and a private individual or legal entity for the provision of public goods and their related services.

The PPP Law also establishes a limit to increase the value of the contract up to 20% for public initiative projects and 20% of the public funds originally requested in private initiative PPPs. Likewise, any extension (which is also limited to 20% of the initial term) must be measured economically so as not to breach either of these limits.

The PPP Law also includes elements typical of traditional project finance arrangements. For example, project resources must be managed through an autonomous trust fund through which all project assets and liabilities must flow. This requirement provides greater assurance to lenders with respect to the proper management of the resources, the payment of amounts due and the enforcement of any in rem security interest. It also expressly grants project lenders takeover rights in the event of default by the concessionaire. In addition, the PPP Law requires that all PPP contracts include an early termination formula, which provides additional security for lenders.

Additionally, private parties may develop public infrastructure projects or projects for the provision of related services at their own risk and expense. Such proposals must be submitted confidentially and under reserve for consideration by the competent State entities, hence the difference between public initiative and private initiative PPP projects.

9.4. Basic features of PPPs

Colombian law also allows private individuals, at their own expense and risk, to structure PPP projects that are subsequently submitted to the competent government entity.

- As a general rule, PPP projects are proposed by State entities, which will advance the entire structuring process required. These are known as public initiative PPPs. However, the law also allows private parties, at their own risk, to structure PPP projects that are then submitted to the competent State entity. These projects are known as private initiative PPPs and the difference, in addition to the structuring party, is the structuring process to be followed.

The main differences between public initiative PPPs and private initiative PPPs are listed below.

- The sponsor of public initiative PPPs is the relevant public entity, while in private initiative PPPs it is the private parties interested in implementing the project.
- The selection modality for public initiative PPP projects will be public bidding, while for private initiative PPP projects it will be public bidding or abbreviated selection with prequalification, depending on whether or not the project involves public resources.
- The technical, legal and financial structuring process for private initiative PPP projects is divided into two stages to be completed by the sponsors: prefeasibility and feasibility.

Stage	Characteristics
Prefeasibility stage	• The purpose of this stage is for the sponsor to propose, quantify and compare technical alternatives to analyze the feasibility of the project. It is, therefore, important for the sponsor to have secondary information, historical figures and State economic projections, as well as to carry out field inspections. Once the project initiative has been submitted at this stage, the State entity will have three months to verify whether the proposal is of interest to the entity, whether it is in the priority projects to be developed in accordance with sector policies, and whether it contains the necessary elements to determine its viability. • Once the private initiative has been submitted, the competent entity must register the project in the Single Registry of Public-Private Partnerships (RUAPP) within five working days following receipt. The purpose of this registration is to identify the first initiative submitted to any competent State entity and that will be subject to study. That is, other private initiatives on the same project will be studied only if the first one is declared non-viable. • After the three-month period mentioned above, the State entity must indicate whether it considers the project to be of public interest. If so, it must include the following information: – The minimum studies to be delivered at the feasibility stage, their form and specifications; – The studies identified in the prefeasibility stage that must be prepared or supplemented in the next stage; – The required financial or financing capacity; – The minimum experience in investment or project structuring; and – The maximum term for delivery of the project in the feasibility stage, which in no case may exceed two years, including extensions.

Stage	Characteristics
Feasibility stage	• The purpose of the information to be delivered by the sponsor at this stage is to enable the entity to deepen the analysis and basic information available at the prefeasibility stage through field research and primary information gathering, with the purpose of reducing uncertainty and expanding the information on the technical, financial, economic, environmental and legal aspects of the project. • At this stage, the sponsor must submit proof of its legal, financial or potential financing capacity, investment or project structuring experience or experience developing the project; the value of the project structuring and a draft of the contract to be entered into, including, among others, the risk allocation proposal must be included. • Additionally, at this stage the sponsor must submit (i) a detailed financial model supporting the project's value; (ii) a detailed description of the phases and duration of the project; (iii) justification of the contract term; (iv) a project risk assessment; (v) the environmental, economic and social impact assessments; and (vi) the technical, economic, environmental, land, financial and legal feasibility studies. • Once the private initiative has been submitted at this stage, the competent State entity will have six months to evaluate the proposal and to consult with third parties and competent authorities as it deems appropriate. If, once the studies are completed, the State entity considers the initiative viable, it will inform the sponsor, specifying the conditions for acceptance of the initiative, including the accepted value of the studies performed and the contract conditions. If, on the other hand, the entity rejects the initiative, it must do so by a duly motivated administrative act.

- Private initiatives may not be submitted for projects:
  - That modify existing contracts or concessions;
  - That request guarantees from the state or disbursements of resources from the general national budget, territorial entities or other public funds, higher than those established in the PPP Act;
  - If a similar project has been structured by any state entity, or if the contract for its structuring has been awarded or already contracted; or
  - If they are not provided for in the Pluriannual Investment Plan of the respective Development Plan or in any of the entity's planning instruments.
- Private initiatives that do not require disbursement of public resources must have, at least, a liquid mechanism to address the risks borne by the State entity. Such mechanism will be funded with the project's own resources, other than surpluses of other subaccounts, and will represent at least 76% of the estimate of the valuation of contingent obligations.
- The selection process for PPP projects will be public bidding. State entities may choose the investor through an open or prequalification system. When the value of the PPP contract has an estimated cost greater than 70,000 SMMWs prior to opening the bidding process, a prequalification system will be carried out so that the experience of the private sector may improve the definition of the project implementation conditions[6].
- The tendering entity must fulfill the following requirements:
  - current technical, socioeconomic, environmental, property, financial and legal studies in accordance with the project; complete description of the project, including design, construction, operation, maintenance, organization and exploitation; detailed financial model supporting the project's value; detailed description of the phases and duration of the project and justification of the contract term;
  - project cost-benefit analysis, considering its social, economic and environmental impact on the population directly affected, and evaluating the expected socioeconomic benefits;
  - justification for using the PPP mechanism for implementing the project, in accordance with the parameters defined by the National Planning Department (DNP). The analyses must have the prior favorable opinion of the DNP or the planning entity of the relevant territorial entity. For this purpose, the Ministry of Finance and Public Credit (MHCP) must approve the valuations of the contingent obligations made by the State entities;
  - threat and vulnerability analysis to guarantee the non-generation or reproduction of disaster risk conditions; and
  - the adequate typification, estimation and assignment of the risks, contingencies and matrix of related risks.
- For public initiative PPP projects, or those that require disbursement of public resources, the principle of objective selection will translate into choosing the most favorable offer for the entity and the purposes it seeks. To this end, the selection and qualification factors must take into account: (i) the legal, financial or financing capacity and experience in investment or project structuring, which will be subject to documentary verification of compliance by the State entities as qualifying requirements for participating in the bidding, without awarding any points; and (ii) the most favorable offer, i.e., the one representing the best offer or the best cost-benefit ratio for the entity, taking into account the specific technical and economic factors and their weighting. Within these criteria, the entities may consider the service levels and quality standards, the present value of expected revenue (VPIP), the lowest State contribution or the highest State contribution, as the case may be, among others.

6 A list of prequalified bidders will be created through a public call for bids, establishing a limited group of bidders to participate in the selection process.

9.5. Investment opportunities

Road sector

The Fourth Generation Highway Program ("**4G Program**"), with 83% completed as of October 2024,[7] and the Bicentennial or Fifth Generation Concessions Program - 5G ("**5G Program**") are currently underway.

The 4G Program is made up of 28 road projects, the objective of which is to build roads with a total length of approximately 8,000 kilometers (4,970 miles). According to information published by the Colombian Chamber of Infrastructure, as of October 31, 2024, of the 28 projects in the program, 21 were more than 91% complete. The construction stage of some projects stands out, such as: the Magdalena River Highway II (91.16%), the widening of the third lane of the Bogota - Girardot road (65.16%), Santana – Mocoa - Neiva (51.24%), Popayán - Santander de Quilichao (31.69%) and the Meta road network (19.13%).[8]

5G projects are characterized by involving multimodal initiatives, including roads, airports, railways, and river projects.

In 2024, the following seven projects entered into full operation and maintenance: Autopista Conexión Norte, IP Neiva - Espinal-Girardot, Pamplona-Cúcuta, Autopista Conexión Pacífico 3, Transversal del Sisga, IP GICA (Girardot – Ibagué – Cajamarca) and IP Cambao – Manizales. The construction phase of the Autopista al Mar 2 and Autopista al Río Magdalena 2 projects is expected to be completed and move into the operation and maintenance phase in 2025.[9]

On the other hand, the 5G Program is made up of two waves of projects totaling approximately 1,000 kilometers (621 miles) in its first wave alone, and which will require an investment of COP 50.26 trillion. Unlike the 4G Program, the 5G Program is multimodal, including road, airport, railroad and river projects. This program seeks to overcome the challenges and problems identified in the 4G Program regarding land, social and environmental management, and to improve the regulation of certain fundamental aspects of the projects, such as bankability or social and environmental sustainability.

In its first phase, the 5G Program comprises 14 projects, i.e., 7 highway projects, 4 airport projects, 2 river projects and 1 railway project: (i) IP ALO Sur, (ii) Accesos Norte 2; (iii) Accesos Cali - Palmira; (iv) Buga - Buenaventura; (v) Puerto Salgar - Barrancabermeja (Troncal del Magdalena 1); (vi) Barrancabermeja - San Roque; (vii) Santuario - Caño Alegre (Ruta del Agua); (viii) IP Aeropuertos de Suroccidente; (ix) IP Aeropuerto de Cartagena; (x) IP Nuevo Aeropuerto de Cartagena; (xi) IP Aeropuerto de San Andrés; (xii) Navegabilidad Río Magdalena; (xiii) Canal del Dique; and (xiv) La Dorada-Chiriguaná (railroad project).

7 https://www.larepublica.co/economia/juan-martin-caicedo-presidente-de-la-cci-hablo-del-congreso-de-constructores-4007475

8 https://www.larepublica.co/economia/juan-martin-caicedo-presidente-de-la-cci-hablo-del-congreso-de-constructores-4007475

9 https://www.ani.gov.co/en-lo-que-va-corrido-de-la-ejecucion-de-los-proyectos-4g-se-han-inyectado-la-economia-6353-

Among the second phase projects of the 5G Program are (i) Terminación Ruta del Sol 1; (ii) Sistema Aeroportuario de Bogota - SAB 2050; and (iii) IP Dragado de Buenaventura. Five road projects of the 5G program have already been awarded: (i) Accesos Cali - Palmira; (ii) Accesos Norte 2; (iii) Alo Sur; (iv) Troncal del Magdalena I; and (v) Troncal del Magdalena II. Others, such as La Dorada - Chiriguaná, are undergoing a public bidding process to be awarded before the end of this year.

The following projects began construction by the end of 2024: (i) New Road Network in Valle del Cauca: Cali-Palmira Access Corridor, (ii) New Road Network in Valle del Cauca: Buenaventura - Loboguerrero - Buga Corridor, (iii) Troncal del Magdalena 1 corresponding to Puerto Salgar - Barrancabermeja and (iv) Troncal del Magdalena 2 Sabana de Torres - Curumaní.[10]

On the other hand, the projects of the Western Longitudinal Avenue South Section (ALO Sur) and North Accesses Phase II are currently in the pre-construction stage, including the formalities to obtain the approvals of environmental authorities and review of their designs. Construction of said projects is expected to begin in the first half of 2025.

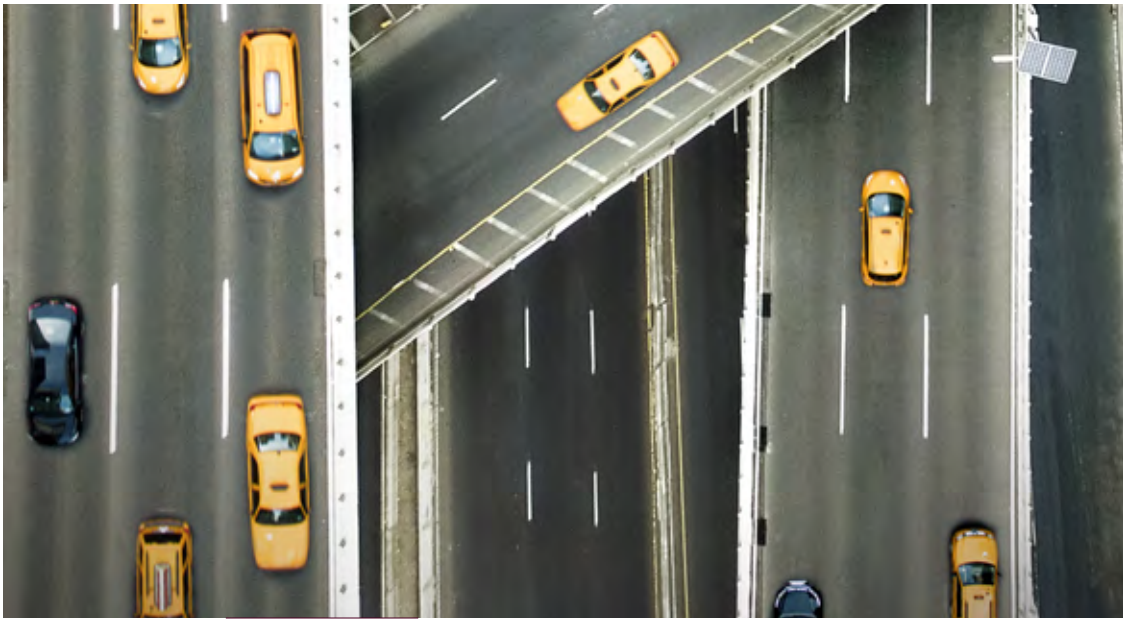
9.6. Railway projects

Colombia's railway system covers 3,344 kilometers (2,053 miles), of which 3,154 kilometers (1,959 miles) are narrow gauge, and 150 kilometers (93 miles) are standard gauge (the railroad connecting the coal mines of "El Cerrejón" with the seaport of Puerto Bolívar). Only 2,611 kilometers (1,622 miles) are currently in use.

Some territorial entities have made progress in structuring and developing rail projects to provide public transportation systems. Currently, there are several projects awarded or under structuring that involve the provision of public transportation systems through various types of railroads.

The most important project in Bogota is the First Metro Line. This project was awarded in October 2019, and its approximate budget is USD 4.4 billion. The project comprises 23.96 km, 16 stations, 10 of which will be connected to Transmilenio, Bogota's bus rapid transit system, with a maximum capacity of 36,000 passengers per hour in one direction, an average commercial speed of 43 km/h and a total rolling stock of 23 trains.

10 https://www.ani.gov.co/avanzan-las-vias-de-quinta-generacion-cuatro-de-seis-proyectos-ya-estan-en-construccion



Public-Popular Initiative Associations are established as a contractual mechanism for engagement between public entities and various associative entities.

On the other hand, the Second Line of the Bogota Metro project, which will be 15.5 kilometers long and will have 11 stations, 5 of which will be integrated with the Transmilenio Integrated Mass Transport System, is in the stage of receiving proposals from prequalified bidders and the contract is expected to be awarded by the end of 2025.

Finally, the La Dorada - Chiriguaná railway project, which will connect the interior of the country with the Colombian coast via a 522-kilometer train with an investment of USD 3.4 billion, is awaiting the resumption of the bidding process to receive offers and subsequently award the contract in mid-2025.

9.7. National Development Plan

Every four years, the Colombian Congress enacts a National Development Plan Law at the initiative of the incoming Government. The PND establishes the (i) general guidelines; (ii) national objectives; (iii) medium and long-term Government goals; (iv) strategies and public policies in economic, social and environmental matters; and, in general terms, the guidelines for the Government to achieve the defined goals in the next three years. In this case, the National Development Plan 2022-2026 ("**PDN**") includes the following guidelines for the infrastructure sector:

Public-popular alliances:

Public-popular alliances are contractual instruments to link public entities and different associative entities such as popular economy units and communal, social or community organizations. Their purpose is to implement road, educational, environmental, agricultural, fishing, livestock and public service infrastructure projects. The value of the investments must not exceed 6,000 SMLMV, and the contribution made by the public entity must not exceed 50% of the investment value. The Government must establish the rest of the regulatory aspects of these alliances within six months.

Financing

Territorial entities may finance investment projects that, despite being executed outside their jurisdiction, benefit them.

Transportation infrastructure projects may have several sources of financing, including the general national budget, territorial entities' resources, royalties and the mechanism of works for taxes.

The territorial entities may contribute the land or resources required by public infrastructure projects under the ANI through land management and financing instruments such as securitization of property tax or capital gains for public works. This will only be possible if the projects are included in the territorial planning instrument.

Finally, the PND establishes that the territorial entities may finance investment projects outside their jurisdiction but with benefits for them. For this purpose, they must sign an agreement including both the conditions for financing and the project's benefits for the contributing territorial entities.

Special sectors

The PND enables the ANI to structure, contract, implement, manage and evaluate concession projects and other forms of public-private partnerships whose purpose is to expand social and productive infrastructure.
The Government may co-finance studies and designs, as well as the construction of infrastructure associated with strategic projects for urban development, in accordance with the climate change adaptation strategy for human settlements and resettlements.

The PND allows public-private partnership schemes for projects aimed at developing economic, productive, social and environmental protection infrastructure, as well as for projects that promote technological and educational development, healthcare service improvement, reduction of biodiversity loss and the fight against climate change. The Government is called to regulate this matter.

Finally, the National Roads Institute ("INVIAS") and the Special Administrative Unit of Civil Aeronautics ("AEROCIVIL") may enter into and implement public works contracts to carry out supplementary works on concession infrastructure, without requiring the concession's withdrawal. The foregoing is subject to entering an inter-administrative agreement between INVIAS or AEROCIVIL and the entity granting the infrastructure.

The National Government may co-finance the development of studies and designs, as well as the construction of infrastructure associated with strategic projects for urban development.

Public transport

The PND provides two particularly relevant avenues for project co-financing.

First, through the amendment to Law 310 of 1996, the PND sets out that the State will pay up to 40% of the total contributions of the co-financing agreement, but the territorial entity must certify that at least 60% of the routes of the respective public transportation system (including fleet management and control system and centralized collection system) are in operation for payment of the remaining percentage. In addition, within six months after termination of the agreement, the territorial entity must certify that 100% of the system is in operation. Otherwise, 40% of the resources co-financed by the State must be returned to the National Treasury. Also, the PND adds new items that may be co-financed (debt service, land acquisition and resettlement plans) and expressly excludes others (administrative expenses, maintenance, hiring or payment of personnel required during the implementation and development of the system, among others).

Second, the PND provides that the State may co-finance, within the medium-term budgetary framework, an amount greater than 70% of railroad projects throughout the country subject to a previous co-financing agreement.

Finally, the PND sets out that the managing entities of the public transportation systems co-financed by the Government may contribute to their sustainability with the following sources of income: (i) performing supplementary commercial, service, leisure or telecommunication activities; (ii) exploiting areas next to the public transportation system that have been created or will be created according to the final studies and designs when the infrastructure is built; (iii) exploiting visual advertising inside and outside the infrastructure under construction or operation, including site enclosures, as well as on its rolling stock and vehicles; and (iv) developing urban projects or collateral businesses.

10 Energy

The energy mining sector is particularly important in the Colombian economy. Below are the particularities and requirements to be considered by project developers in the Colombian energy and mining sector.

Under the Constitution, the State owns the subsoil and non-renewable natural resources. To exploit natural resources such as minerals and hydrocarbons, it is necessary to enter into contracts with the state entities that manage these resources, as well as to pay royalties to the State as a consideration for the exploitation.

To carry out the exploitation of natural resources, such as the extraction of minerals or hydrocarbons, it is necessary to enter into contracts with the government entities responsible for managing these resources.

10.1. Mineral exploitation

The National Mining Agency ("**ANM**") is the authority in charge of granting mining titles through concession contracts that include the right to explore and extract mineral resources and must be registered in the National Mining Registry. In addition to exploration and exploitation, they grant the right to carry out all activities and works necessary for developing the mining activity. The duration of the concession is usually 30 years, extendable for the same period.

Interested investors may access this contract by (i) request: the interested party may request the mining concession of any mineral located in an available sector; (ii) negotiation: investors may freely transfer to another the mining title previously granted by the competent authority; and (iii) strategic mining areas: due to the diversity of the sector, the ANM carries out an objective selection process in which a special exploration and exploitation contract is awarded for those areas with strategic minerals.

10.2. Hydrocarbon exploitation

The National Hydrocarbons Agency ("**ANH**") is the authority in charge of regulating, managing and promoting the country's hydrocarbon resources. As in the mining sector, the ANH awards the exploration and production contract (E&P), granting the right to explore the assigned area and allowing the production of hydrocarbons upon the holder's declaration of commercial viability, if production is considered economically profitable.

Investors can obtain E&P contracts through (i) a competitive process: the ANH carries out an open or closed process to select the most favorable proposal; (ii) direct assignment: exceptionally, the ANH may directly assign the E&P concession of certain areas; (iii) a technical evaluation contract (TEA): unlike the above, the ANH may grant this contract with the purpose of evaluating an area and identifying its hydrocarbon potential for a 36-month period extendable for two more years. The evaluator will have a priority right to subsequently execute the E&P contract.

10.3. Electricity sector

Colombia's electricity matrix is 65.3% hydraulic energy, 30% thermal energy, 0.1% wind and 3.7% solar energy. However, since the enactment of Law 1715 of 2014, the Colombian government has encouraged non-conventional renewable generation through tax incentives.

The Colombian government has promoted energy generation through non-conventional renewable sources by providing tax incentives to generators that utilize these technologies.

The Colombian electricity sector includes (i) generators that produce energy; (ii) transmission agents that transport energy through transmission systems and the operation, maintenance and expansion of transmission systems with voltages equal or higher than 220 kV; (iii) distributors that transport energy through a distribution network at voltages equal or lower than 220 kV ; and (iv) trading companies that purchase energy and sell it to end users.

Under Law 143 of 1994, vertical integration of the different activities is allowed, except for transmission, which cannot be developed jointly with any other activity in the electricity market value chain. The only exception to this rule applies to companies that operated in an integrated manner prior to Law 143 of 1994, which are allowed to continue under the same structure. These sector-specific competition restrictions also apply in the context of a corporate group, taking into account the figure of the ultimate beneficiary.

Regulations establish certain requirements for agents. Those interested in entering the power system must incorporate as a public utility company and register before XM S.A E.S.P. ("**XM**") in its capacity as Commercial Exchange System Administrator (ASIC).

For energy sales, projects can choose to enter into Power Purchase Agreements (PPAs) or sell the produced energy in the spot market.

XM is the Colombian power system operator. Among its functions are:

- Acting as national dispatch center (CND), in charge of planning, supervising and controlling the integrated operation of the generation, interconnection and transmission resources of the National Interconnected System, ensuring a safe, reliable and economic operation.
- Acting as manager of the commercial exchange system (ASIC), in charge of registering commercial borders, long-term energy contracts, settlement, billing, collection and payment of all transactions in the wholesale energy market.
- Acting as liquidator and account manager (LAC) with respect to the charges for the use of the National Interconnected System networks assigned to it. It also calculates the regulated income of the transporters, in accordance with CREG regulations.

For the sale of energy, projects may choose to enter into power purchase agreements (PPA) or sell the energy produced in the spot market. Additionally, investors may obtain additional income through the reliability charge, i.e., remuneration paid to a generator for the availability of generation assets in hydrological critical conditions. This mechanism can be accessed, among others, through competitive mechanisms such as auctions.

For 2025, the Energy and Gas Regulatory Commission (CREG) issued Resolution 101 062 of 2024, calling for reconfiguration auctions to secure firm energy obligations (OEFs) for the periods 2025-2026, 2026-2027 and 2027-2028, to ensure energy reliability according to the demand growth projections considered by the UPME. Through this auction, participants will be allocated firm energy obligations for up to 20 years for new plants, 10 years for plants under construction or special plants and 1 year for existing plants.

In terms of transmission, for 2024, the UPME launched the urgent works package to strengthen the regional and national transmission networks in areas declared in a state of emergency by the electricity market operator. This package includes various works divided into territorial blocks:

- **Caribbean:** New Magangué Substation and associated transmission lines in the department of Bolívar, to increase the supply capacity to meet demand.
- **Chocó:** three works, including the new 220 kV and 115 kV Quibdó substations and a 30 MVAr dynamic compensator. The latter will be carried out under the urgent works mechanism, while the two substations will be implemented under the conventional mechanism.
- **Caribbean:** installation of synchronous compensators in the departments of La Guajira, Cesar and Magdalena, which represent an important milestone in the Colombian electricity sector as these are the first pieces of equipment of this type to be installed in the National Interconnected System.
- **Nore de Santander:** works to expand the Tonchalá substation, in the metropolitan area of Cúcuta, Norte de Santander, and dynamic compensators in the existing 115 kV Ínsula substation.

A fast-track mechanism will be available to award tenders for urgent works.

10.4. Offshore wind power

Colombia has some of the best natural conditions for offshore wind power generation in the world. For this reason, and in response to the interest of private investors, the Government—through the Ministry of Mines and Energy—has issued the rules, requirements and minimum conditions of the competitive process for granting the temporary occupation permit over maritime areas. This permit allows activities to determine the feasibility of an offshore wind power project in a specific area. The permit is granted by the General Maritime Directorate (DIMAR), it is valid for eight years, and it may be extended under certain conditions. The permit may be waived if the project appears to be unfeasible, or it may be transferred to a third party to continue with its implementation.

At the end of the eight-year term, or during the eight years, the permit holder may request a maritime concession from DIMAR to implement the project. The concession will be granted for 30 years and may be extended for one or more periods not exceeding, in total, 15 years. With the award of the maritime concession, the holder may request a connection to the system from the UPME and commercialize the energy.

Finally, the Ministry of Mines and Energy has delegated to the ANH the preparation of studies and assessments, as well as the structuring and advancement of competitive processes related to offshore wind power, taking into account its experience in offshore projects, especially in hydrocarbon exploration and exploitation.

Colombia is one of the countries in the world with the best natural conditions for offshore wind energy generation.

On December 27, 2024, the ANH published the final list of eight authorized entities to participate in the first offshore wind round for the allocation of temporary occupation permits.

10.5. Gas transportation and regasification

The Ministry of Mines and Energy ("**MME**") issued Decree 1467 of 2024 (the "**Decree**") to implement public policy measures aimed at enabling natural gas supply alternatives to mitigate the risk of a natural gas deficit by 2027. These measures include increasing the country's regasification capacity and converting hydrocarbon transportation infrastructure into gas pipelines.

Specifically, the Decree defines "Infrastructure Conversion" and "Converted Infrastructure" so that:

- Existing hydrocarbon infrastructure can be used for natural gas transportation, subject to the Single Transportation Regulation (RUT) requirements.
- Owners of converted infrastructure can operate it without being natural gas transporters. However, gas transportation must be carried out by natural gas transporters.

These measures aim to expand transportation capacity, granting market access to previously unauthorized agents (gas producers-retailers) who are in an optimal position to contribute transportation infrastructure to the network. This should reduce environmental, property and social management risks associated with the construction of these projects.

10.6. Hydrogen market

To advance in the diversification of the country's energy matrix, the Colombian government, through the Ministry of Mines and Energy, has issued guidelines for developing and exporting zero and low-emission hydrogen. Among the most relevant milestones in the development of a national hydrogen market are Law 2099 of 2021, providing significant tax benefits for projects that use or develop hydrogen for power generation, and Law 2169 of 2021, declaring the public and social interest of production and storage of green hydrogen projects.

Following this incentive approach, the Ministry of Mines and Energy issued Decree 1476 of 2022, introducing relevant market regulation elements. The Decree defines green hydrogen and blue hydrogen projects, and it entrusts different government entities with regulating different market specificities.

Under the current regulation, green hydrogen is defined as hydrogen produced from non-conventional renewable energy sources and hydrogen produced with self-generated power from non-conventional renewable energy sources and electric energy from the national interconnected system, as long as the self-generated power from non-conventional renewable energy sources delivered to the system is equal to or greater than the energy taken.

On the other hand, blue hydrogen is defined as that produced through fossil fuels with carbon capture, storage and utilization technologies.

Based on the above, there is a clear intention on the part of the Government to encourage the production and storage of hydrogen for energy generation. With the introduction of clear rules and market incentives, the foundations are being laid for an investor-friendly market in terms of financing and legal certainty.

The following table summarizes the types of contracts or requirements by sector:

Sector	Contract/ Requirement	Authority	Contract/ Permit Term	Procedure	Remuneration
Energy	Authorization	UPME	n.a.	Application	Tariff / PPA
Hydrocarbons	Concession	ANH	E&P: 6 - 24 years ETA: 36 months	Call for tenders / Direct award	Concession contract
Mining	Concession	ANM	30 years	Call for tenders / Direct award	Concession contract
Offshore wind energy	Concession	DIMAR	30 years	Call for tenders	Tariff / PPA

10.7. National Development Plan (PND)

The PND also introduced a series of regulatory changes with direct impact on the energy sector. The following are the most relevant provisions:

- Increasing the percentage of electricity transfers for non-conventional renewable plants.

  For new plants not yet in operation and located in areas with higher average annual solar radiation index (greater than 5 kWh/m2/day) and higher average wind speed (greater than 4 m/s at 10m height), according to IDEAM, the percentage of transfers will be 6% of gross energy sales from own generation. For existing plants that comply with the above requirements, transfers will be 4%. In both cases, the increase will be implemented gradually.

  In the case of new plants, a first increase of two percentage points will be made two years after the PND is issued, followed by 1% annual increases for three years, until 6% is reached. For existing plants, a first increase of 1% will be made two years after the PND is issued, followed by annual 1% increases for two years, until reaching 4%.

The concept of energy communities is introduced to be eligible as beneficiaries of public resources.

- Definition of energy communities.

  The PND coins a new concept, "Energy Communities." These communities will be groups of individuals or legal entities whose purpose is generating, commercializing or efficiently using energy through non-conventional renewable sources, renewable fuels and distributed energy resources. Individuals and self-government structures of the Indigenous Peoples and Communities, as well as Black, Afro-Colombian, Raizal and Palenquero communities constituted as Energy Communities, may receive public resources for infrastructure investment, operation and maintenance.

11 Environmental

11.1. Environmental permits and licenses

Private parties' temporary use or exploitation of delimited parts of renewable natural resources in the public domain requires prior permits or concessions. Below is a list of the main permits for the use and exploitation of renewable natural resources under Colombian environmental law:

- Water discharge permit
- Groundwater prospecting and exploration permit
- Water concessions
- Airborne emissions permits
- Forestry exploitation permit
- Riverbed occupation permit.

The environmental license is a prerequisite for exercising rights derived from permits, authorizations, concessions, contracts, and licenses.

According to Colombian environmental regulations, any project, work or activity listed as capable of seriously deteriorating the renewable natural resources or the environment, or of considerably altering the landscape, will require a prior environmental license.

The main characteristics of the Colombian licensing regime are as follows:

- The environmental license is a precondition for the exercise of the rights arising from permits, authorizations, concessions, contracts and licenses issued by authorities other than environmental authorities.
- The environmental license will include all permits, authorizations or concessions for the use, exploitation or allocation of natural resources required for the development of the project, work or activity. Therefore, they cannot be obtained independently.
- The environmental license will be granted for the useful life of the project, work or activity, and it must include all environmental authorizations associated with the planning, siting, construction, assembly, operation, dismantling, abandonment or termination of all actions, uses of space, activities and infrastructure related with its implementation, in accordance with the law.
- Among the projects, works and activities subject to environmental licensing, the following stand out: hydrocarbon and mineral exploitation activities; construction and operation of power plants with installed capacity equal to or greater than 10 MW; projects for the exploration and use of virtually polluting alternative energy sources with installed capacity equal to or greater than 10 MW; construction or expansion and operation of ports; construction

As a requirement for applying for an environmental license, certification from the National Authority of Prior Consultation on the necessity of prior consultation must be provided.

and operation of facilities for the storage, treatment, use, recovery or disposal of hazardous waste; and projects for the storage of hazardous substances (excluding hydrocarbons).

- The Regional Autonomous Corporation of the relevant area or the National Environmental Licensing Authority will be responsible for granting the environmental license, according to the distribution of competences under the environmental regulations (based on the type, conditions and size of the project, work or activity).
- In the event of an overlap of the project, work or activity with forest reserves or areas of the National System of Protected Areas that are susceptible to subtraction, this procedure must be carried out as a prerequisite for the granting of the respective environmental license.
- Applicants must provide certification from the Prior Consultation Authority on the appropriateness of prior consultation for the specific project, work or activity. Where applicable, the consultation must be carried out, in accordance with the guidelines of Presidential Directive 8 of 2020 and those established by constitutional caselaw. Non-ethnic communities must be informed of the scope of the project, with emphasis on impacts and management measures.
- Omission of mandatory prior consultation may result in the suspension or nullity of the environmental license.
- Those interested in developing a project, work or activity subject to environmental licensing must submit a preventive archaeology program to the Colombian Institute of Anthropology and History. A copy of the program's approval must be included as part of the environmental licensing application.

11.2. Competent environmental authorities

The National Environmental System comprises several authorities and entities. Among the most relevant are (i) the Ministry of Environment and Sustainable Development, responsible for the national policy on environmental matters and renewable natural resources; (ii) the National Environmental Licensing Authority, which grants environmental licensing of projects; (iii) the Regional Autonomous Corporations as maximum environmental authority in their area of jurisdiction, also competent for granting environmental licenses and for delimiting and declaring regional protected areas; and (iv) the Administrative Unit of National Natural Parks of Colombia, responsible for the administration, management and coordination of the Natural Parks System.

All projects, works or activities must comply with the terms and conditions established in the corresponding authorizations. Non-compliance leads to civil and even criminal sanctions.

In 2024, the following authorities were granted prevention powers: territorial entities, other urban centers, National Natural Parks of Colombia and the environmental delegations of the Public Forces (National Navy, National Army, Colombian Air Force and National Police). The authority imposing the preventive measure must transfer the proceedings to the competent environmental authority to impose the final sanction.

11.3. Environmental protection areas

In Colombia, there are different environmental protection categories that regulate or limit the participation in and use of natural resources or restrict the implementation of specific projects, works or activities (under the zoning and use regime). Accordingly, prior to any development or investment decision, it is advisable to carry out an analysis of the requirements, conditions and potential restrictions.

One of the most relevant environmental protection categories is the National System of Protected Areas ("**SINAP**"), made up of (i) public protection areas, namely the National Natural Parks System, Protective Forest Reserves, Regional National Parks, Integrated Management Districts, Soil Conservation Districts and Recreation Areas; and (ii) private areas, namely Natural Reserves of the Civil Society. Anyone interested in uses or activities prohibited within a protected area for reasons of public and social interest may request the total or partial removal of the area (except for legally excluded areas).

In addition to the SINAP protected areas, strategic ecosystems and international distinctions such as wetlands and moors are important for Colombia and limit the development of certain types of industries.

11.4. References to environmental liability

The environmental administrative sanctioning regime includes sanctions for environmental violations, understood as: (i) any act or omission that constitutes a breach of environmental regulations or administrative acts issued by the competent environmental authority; and (ii) any damage to the environment, under the same conditions as non-contractual civil liability.

As a result of the environmental sanctioning procedure, the competent authorities may impose the sanctions provided in the law, including daily fines up to 5,000 SMMWs and the total or final closure of the establishment. For fine assessment purposes, the then Ministry of Environment, Housing and Territorial Development issued the Calculation Method for Environmental Violation Fines. This method applies temporality, benefit, degree of impact or risk, cost, economic capacity and aggravating and mitigating circumstances to determine the fine.

The statute of limitations for the environmental sanctioning procedure is five years from its initiation.

11.5. Climate change and ESG criteria

Colombia's climate change mitigation goals under the Paris Agreement have given rise to new realities, incorporating adjustments, obligations and greenhouse gas emission reduction targets as a structural part of new regulations, contractual models and new markets. Project finance initiatives for generation and transaction of carbon credits are already emerging in the country. Increasing capital has turned to projects aligned with these environmental objectives, generating new markets and investment models. Instruments such as the Climate Action Law and the adoption of the Green Taxonomy illustrate the country's progress and intention to generate green markets to achieve international global warming goals.

In addition, incorporating ESG criteria at all levels shows the need to adapt industry and business models to new and more demanding realities, so that compliance with environmental, social and governance standards is a basic requirement for accessing new growth opportunities.

11.6. National Development Plan (PND)

The PND introduces changes to the environmental legal framework with the purpose of "changing our relationship with the environment and achieving a productive transformation based on and sustained by knowledge and in harmony with nature." It seeks mainly to: (i) strengthen communities and (ii) progressively leave behind dependence on extractive activities.

Among the most important changes, the PND:

- Creates Territorial Water Councils to strengthen territorial planning and water governance, with a focus on adaptability to climate change and risk management. To this effect, the Government will regulate the creation, implementation and operation of the Councils with other spaces for participation and consultation of the national integrated water management policy and the national land-use planning policy.

- Provides that those interested in applying for an environmental license for energy infrastructure construction projects required for the energy transition must meet the requirements of Decree 1076 of 2015. To initiate the process, it is sufficient to submit certification from the Prior Consultation Authority on the appropriateness of prior consultation, which in the case of energy projects implies a benefit.

  Additionally, if the interested party fails to meet all license requirements, the environmental authority will suspend the process. If the suspension exceeds three years, the project manager will have to submit the updated information necessary for the license.

  In addition, the PND allows the Colombian Institute of Anthropology and History (ICANH) to charge a fee to anyone who requires its services regarding the Preventive Archaeology Program (PAP) and the formalities for granting of Archaeological Intervention Authorizations, as well as others that require environmental licenses, registrations or equivalent authorizations before the competent authorities.

- Creates the "Zero Waste Program," which aims to eliminate "burial" as a disposal method and encourage the definitive closure of open landfills and transitory cells, giving priority to waste treatment and use.

- Recognizes the need for strategic minerals for energy transition and promotes knowledge of relevant areas.

12 Real estate

12.1. Overview

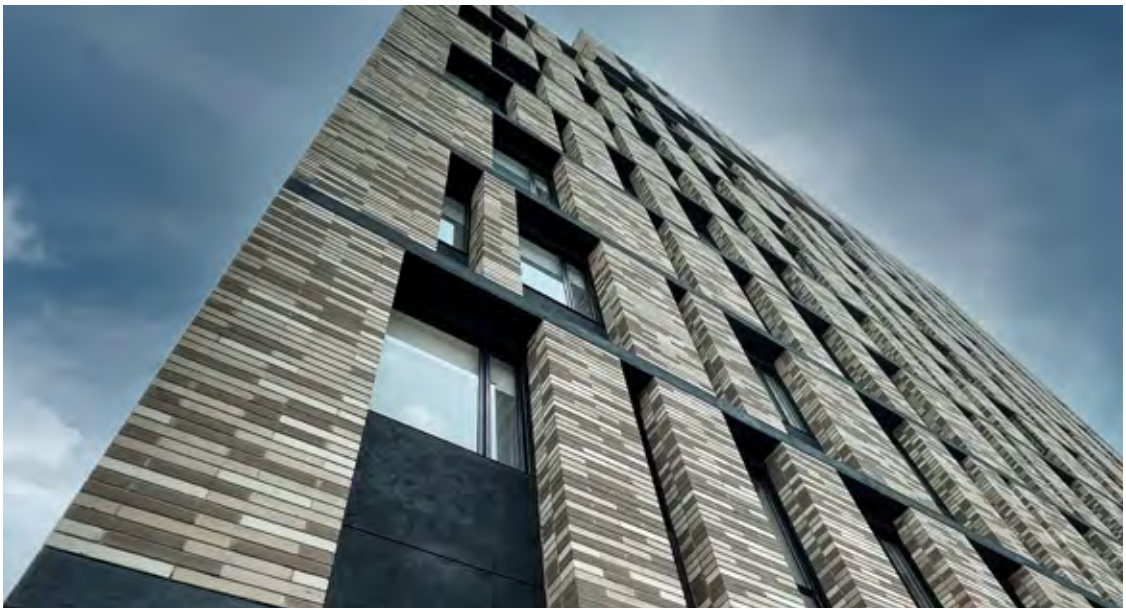
Most real estate investments in Colombia are structured through traditional purchase and sale contracts or commercial trusts, or through mergers and acquisitions of companies. Additionally, certain structures allow investors to secure ownership rights without transferring them, usually through lease agreements.

In any of these scenarios, the risks inherent to the property should be analyzed to: (i) rule out related risks; (ii) determine the transaction's viability; and (iii) identify potential indemnities and price impact.

Most real estate investments in Colombia are structured through traditional sale contracts, trust agreements, or mergers and acquisitions of companies.

This analysis focuses mainly on two reviews—one of the issues related to the ownership and chain of transfer (title search); and the other related to restrictions and potential developments of the property (urban and environmental regulations):

- **Title search.** This study involves a review of the ownership and transfer history certificate. The main purposes are: (i) verifying the current ownership of the property; (ii) validating a healthy and unblemished chain of transfer; and (iii) determining the existence (or absence) of encumbrances or domain limitations that may affect the use or transferability of the property (such as liens, existing resolutory conditions, usufructs, easements, among others). This study also typically involves reviewing the existence and compliance with tax obligations related to the property. Additionally, it is crucial to verify the absence of land restitution and domain extinction processes, as these conditions can lead to the legal and material restitution of the property to a third party or the state, requiring the buyer to demonstrate qualified good faith to claim compensation for damages or economic compensation.
- **Study of urban and environmental regulations.** The main purpose of this study is to verify compliance with land-use planning regulations (which vary according to the municipality) to validate the following: (i) the existence of "higher-level determinants" that imply restrictions or special conditions for the development of the property (these correspond to issues relating to the environment, risks, heritage, among others); (ii) the urban regulations applicable to the property that will determine the uses, buildability (constructible square meters, heights, maximum number of floors, among others), as well as other conditions required for the development of a project; and (iii) the need to obtain instruments, permits, studies or licenses required for the development of the project depending on its location and characteristics. These aspects have a direct impact on the capacity for development of the property and therefore on the price of the transaction and, if not verified in advance, can lead to difficulties in the development of the property or involve risks of sanctions.



12.2. Real estate identification and registration

The registration of deeds, encumbrances, and limitations is essential to ensure legal security in real estate transactions.

Real estate identification and registration

In Colombia, properties are identified with a property registration number that corresponds to a folio used for the registration and inscription, among others, of deeds, contracts, court orders and liens related to the property.

These records are recorded in the ownership and transfer history certificate, where the Public Deeds Registry Offices (according to the procedure in Law 1579 of 2012) include the annotations related to the property status, history and transfer, as well as any type of act, decision or contract that produces effects with respect to third parties.

The main annotations included in the ownership and transfer history certificate refer to:

- Transfer. Titles that involve modes of acquisition of ownership (sale, exchange, contribution in trust, award of vacant land, among others). In the case of transactions between private individuals, these titles must be recorded in a public deed granted before a notary public.
- Liens. Charges or obligations mainly related to mortgages, outstanding taxes (appraisals, and settlements of capital gains), mobilization and decrees authorizing separation, among others.
- Limitations or restrictions. Encumbrances or security interests limiting the free disposal, use or enjoyment of the property. By way of example, these include, among others: usufructs, easements, condominiums, restrictions on family housing, declarations

of imminence of displacement or forced displacement, declarations of assets of cultural interest, declarations of forest reserves.

- Precautionary measures. Precautionary judicial or administrative decisions issued to guarantee their effectiveness (seizures, civil lawsuits, judicial and administrative prohibitions, purchase offers, among others).
- Tenure. Tenure titles constituted by public deed or judicial decision, such as leases, gratuitous loans, antichresis, retention rights, among others.
- Title falsification. Titles in which the person transferring a right is not the title holder (disposal of another's property, transfer of incomplete rights such as between possessors, among others).
- Cancellations. Titles, documents or acts that involve cancellation of the registration of public deeds, judicial, arbitral or administrative orders that encumber, limit or restrict ownership rights.
- Others. Legal acts that require publicity because they affect ownership rights but are not included in the previous entry (updating of boundaries, updating of size, inclusion, subdivision, among others).

Registration of titles of transfers, liens and limitations is essential to guarantee legal certainty in real estate transactions. Registration makes liens enforceable against third parties. Therefore, anyone interested in carrying out a transaction on the property can find out about the charges affecting it. This protects both creditors and potential buyers, ensuring that the obligations and rights over the property are respected and fulfilled.

Cadastral identification

Properties are also identified by a cadastral certificate (this information is also generally found on the property registration documents) that identifies their physical, legal and economic details.

The physical description of real estate must be consistent at both the legal and cadastral levels. Therefore, cadastral authorities can only modify or adapt the cadastral legal information based on the titles registered in the real estate registration records, ensuring legal certainty in transactions. However, cadastral information is not updated as quickly as legal information. Additionally, the competent entities do not share their information, so a specific request is sometimes required to update cadastral details. Resolution 09845 of 2024 of the Superintendency of Notaries and Registry governs electronic filing to facilitate interoperability issues, facilitating access to registry information needed for cadastral updating.

The transfer of real estate must be formalized through a public deed granted before any notary in the country, requiring the review of aspects related to the property's chain of title and compliance with taxes.

12.3. Requirements and steps for real estate transfers

Real estate transfers in Colombia must comply with certain registry and notarial requirements and procedures. The steps and costs are detailed below:

- **Preliminary documentation.** Real estate transfers must be formalized by a public deed granted before any notary public in the country and require the review of some aspects related to the transfer history and property taxes. Before initiating the transfer process, the following documentation is needed: (i) Ownership and transfer history certificate; (ii) certificate of no outstanding property taxes, certificates of no outstanding property value-added taxes, and certificates of no outstanding taxes on capital gains from property; (iii) certificate of no outstanding management fees (if the property is part of a condominium); (iv) latest title deed; and (iv) identification documents of the parties involved (citizenship cards or chamber of commerce certificates).
- **Preparation and signing of the public deed.** With the information indicated above, the minutes of the public deed are drawn up,

including the general and specific details of the transaction (details of the parties, description of the property, price and method of payment, guarantees and declarations). Both parties must be present or duly represented to execute the public deed at the notary's office.

- **Payment of expenses and taxes related to the transfer.** The execution of public deeds for real estate transfers involves a series of costs that can vary between 2% and 4% of the value of the property, including:
  - Notary fees for executing the public deed, as set by the Superintendency of Notaries and Registry according to the value of the property (for 2025 this rate starts at 0.27%). These are usually shared by the parties.
  - Registration costs according to the value of the property. These are usually borne by the buyer.
  - Registration tax levied on the registration of the public deed of transfer, as a percentage of the price determined by the departmental authorities. This tax is usually borne by the buyer.
  - In short, registration costs and tax range between 1.5 and 2% of the property's value.
  - Stamp duty levied on property exceeding a value of 20,000 TVUs up to 3% of the property's price.
- **Registration of the public deed.** Upon execution, the deed must be registered at the relevant Public Deed Registry.

12.4. Specific risks associated with rural property

Rural property is subject to a special regime.

Law 160 of 1994 establishes a special regime for rural property that should be considered before buying property or entering into contracts. The most recent PND places significant weight on agrarian property by setting the bases and subsystems of the Agrarian Reform and Rural Development. In addition, the special agrarian jurisdiction is competent to hear all disputes arising from rural property in Colombia.

The main risks associated with rural property are as follows:

- **Rural property clarification processes.** In principle, rural real estate is presumed to be the property of the Nation. Article 48 of Law 160 established two mechanisms to prove private ownership:
  - Confirmation of the existence in the Public Deed Registry of an award resolution ("*resolución de adjudicación de baldíos*"), which has not lost its validity, issued by the competent authority.
  - Validation of the transfer of title deeds registered in the property's registration folio prior to August 1974.

  If none of the above mechanisms are available for the property,

the National Land Agency could initiate a clarification process to revert the property to the public domain without compensation.

- **Restrictions on real estate division.** National regulations determine a basic rural land measurement called the Family Agricultural Unit (UAF). There is a general prohibition on the division of real estate into areas smaller than the UAF. The minimum size is established for homogeneous zones (which may include one or more municipalities) defined by the then Colombian Institute of Agrarian Reform – INCORA.

  However, the following exceptions allow division of rural land into areas smaller than the UAF. These exceptions apply mainly to: (i) donations for peasant housing and small adjoining farms; (ii) acts or contracts with a purpose other than agricultural exploitation; and (iii) smaller properties with special conditions that can be considered UAFs.

  If the rural property is subdivided into plots smaller than the UAF, the relevant legal exception must be recorded both in the subdivision deed and in the subdivision license. Otherwise, the Public Deed Registry could declare the registration null and void, leaving the owners as joint owners of the property existing prior to the subdivision.

- **Undue accumulation of wasteland.** Owners of properties awarded as wasteland cannot acquire other properties of the same type if their combined extension exceeds the size of the UAF in the relevant municipality. In case of undue accumulation of wasteland, the National Land Agency may order the reversion of the real estate to the public domain. It is necessary to verify that the property has not been awarded as national wasteland before purchasing, to rule out accumulation.

12.5. Real estate taxes

In Colombia, real estate owners are liable for a series of municipal or departmental taxes:

- **Property tax.** A municipal and district tax levied on the mere ownership of real estate. It must be paid annually and is calculated on the cadastral value according to the economic use of the property, as calculated by the cadastral authorities. The PDN commissioned the Agustín Codazzi Geographic Institute ("IGAC") to prepare a method to correct the property appraisal lag nationwide. Consequently, the values paid year on year may be adjusted for future periods.

- **Valuation contribution.** Required for construction of public works that benefit a certain property. The amount results from dividing the value of the work by the number of benefited properties. The construction entity (national, departmental or municipal) collects this contribution.

- **Participation in capital gains.** This tax mechanism allows the State to capture a portion of the increase in real estate value resulting from urban planning actions or administrative decisions that enhance land use (such as improvements or increased buildability). The applicable tax rate ranges from 30% to 50% of the property's value increase per square meter, calculated before and after the urban planning action. The municipality's treasury department collects this tax, which can be levied during property transfer or licensing, provided the payment is recorded in the ownership and transfer history certificate. Verification is crucial, as this often involves substantial payments.

12.6. Considerations on land-use planning

Land-use planning involves the economic and social organization and management of territories, aiming to optimize land interventions and promote sustainable development. It establishes a regulatory framework for the creation and administration of cities and municipalities. Legally, it delineates foundational infrastructure while preserving and safeguarding ecological and cultural heritage. Furthermore, it ensures equitable and systematic land use, assigns economic value to property rights, and mitigates risks by preventing disasters.

The national regulatory framework for territorial planning primarily consists of the following laws and regulations: (i) the Political Constitution of Colombia, which establishes the autonomy of territorial entities and the State's obligation to promote the harmonious development of the territory; (ii) Law 388 of 1997, known as the Territorial Development Act, on land-use planning and management instruments; (iii) Law 1454 of 2011 (Territorial Planning Organic Law or LOOT), which defines the principles and objectives of territorial planning and establishes coordination mechanisms between different levels of government; and (iv) Decree 1077 of 2015, or the Single Regulatory Decree for the Housing Sector.

The primary instrument for land-use planning and management is the Land-Use Plan ("POT"), through which each municipality regulates its physical space. POTs are mainly used to: (i) classify land into urban, urban expansion and rural areas; (ii) plan activities and land uses in specific zones; (iii) indicate applicable urban development uses; and (iv) establish land-use planning tools and instruments. In essence, the POT organizes the territory to achieve a proposed occupation model.

National and regional interests converge in the territory beyond mere local or municipal concerns. Therefore, the role of municipalities in organizing or planning their territory is limited by hierarchically superior decisions (supramunicipal sectoral administrative decisions affecting the territory). Higher-level decisions, particularly regarding environmental, heritage, and infrastructure matters, are mandatory. These decisions limit both the land use intended by municipalities and the property use rights of owners. However, for collective territories of Afro-Colombian communities and indigenous reservations, these decisions must respect the rights of these peoples.

The development of projects and interventions on real estate must be previously approved through licenses regulated at the national level, which must be obtained across the entire territory.

12.7. Urban planning permits and licenses

In urban planning, real estate projects and works must be pre-approved through licenses regulated at the national level and required throughout the entire territory. All urbanization, subdivision, construction, demolition or partitioning works must obtain urban planning licenses to certify compliance with the specific local territorial planning regulations. Generally, any work involving urban development, subdivision, construction or demolition must be pre-authorized through an urban planning license, which verifies both the municipality's urban regulations and human safety standards, including seismic resistance.

The following urban planning licenses may be required:

- **Urbanization license.** For development of undeveloped urban land by providing the necessary infrastructure. It divides the property into public zones, which must be constructed and handed over to the municipality, and usable areas for construction projects. It sets the general framework for land use and permitted development.
- **Subdivision license.** For creation of public and private spaces in rural areas. Similar to urbanization licenses, it defines the general framework for land use in usable areas.

The procedures for urban licensing are regulated by national regulations, so municipal entities cannot impose additional requirements.

- **Construction license.** For new buildings, as well as expansions, modifications, adaptations, or demolitions (total or partial) of existing structures. It also permits specific uses within buildings. Authorities verify compliance with the specific regulations established in territorial plans to determine land use and buildability.
- **Subdivision license.** For division of one or more properties. Divisions may be restricted in certain areas or require minimum areas as specified in territorial planning regulations.
- **Public space works and occupation license.** For works that affect public space, such as construction of sidewalks, parks, squares and other urban infrastructure. It is also necessary for installing urban furniture and holding temporary events in public spaces.

Urban licensing procedures are governed by national legislation, so municipal entities cannot impose additional requirements beyond those established in these regulations and must resolve the applications under the defined terms. Failure to issue licenses within the stipulated deadline results in a positive administrative silence, meaning the requested license is considered approved.

These licenses must be obtained prior to starting any work. Failure to obtain or comply with these licenses can lead to police and legal proceedings (mainly popular actions), which could result in fines, suspensions, or demolitions.

However, national regulations establish a special licensing regime with some exceptions for projects and scenarios that do not require urban planning licenses to carry out work.

13

Finance

The Colombian financial system is composed of credit institutions, financial services companies, capitalization companies, insurance companies, and insurance and reinsurance intermediaries.

13.1. Regulatory framework

The Colombian financial system is comprised of credit institutions, financial services companies, capitalization companies, insurance companies and insurance and reinsurance intermediaries (collectively, "**financial institutions**") and is mainly governed by the Organic Statute of the Financial System ("**EOSF**").

The EOSF provides the basic regulations applicable to the financial, securities and insurance sectors in Colombia. Together with other supplementary rules, the EOSF governs the activities of the financial institutions to ensure they maintain the stability, security, liquidity and solvency required to protect financial consumers and, in general, anyone involved in financial activities, in a safe and transparent manner.

According to the EOSF, the SFC is in charge of supervising the activities of the financial system. The SFC's main functions are to (i) authorize the incorporation and operation of financial institutions; (ii) inspect, monitor and control financial institutions; (iii) ensure the stability and security of the financial system; (iv) promote, organize and develop the Colombian securities market; and (v) protect the rights of financial consumers. The SFC may impose sanctions on financial institutions, as well as on their directors, management, legal representatives, statutory auditors or other officers for infringing the applicable law or breaching legal duties or obligations.

13.2. Supervised and non-supervised financial activities

According to the Colombian Constitution, financial, stock market, insurance and any other activities related to fund management, use and investment are deemed of public interest and must have prior authorization from the SFC. Nevertheless, certain financial activities may be carried out by entities that are not classified as financial institutions and thus are not subject to SFC supervision. An example is the provision of loans using own resources.

Credit institutions, which include banks, finance corporations, finance companies, and companies specializing in electronic deposits and payments (**SEDPE**), are exclusively authorized to raise funds from the public. Any entity other than those mentioned above engaging in this activity may face sanctions, including criminal liability.

13.3. Financial institutions

Credit institutions, including banks, financial corporations and financing companies, are the only entities allowed to raise funds from the public. Performing this activity by any other entity other than the above may lead to sanctions, including criminal liability:

Type	Description	Financial institutions
Credit institutions	Financial institutions whose main function is to raise funds from the public in Colombian legal currency, in deposits, on demand or term, to place them again through loans, discounts, advances or other credit transactions.	Banks
		Financial corporations
		Savings and housing corporations
		Financing companies
		Financial cooperatives
Financial services companies	Financial institutions that provide financial services and carry out the financial transactions under the applicable special regime. These entities do not provide traditional resource intermediation; they are focused on specialized financial advice in the administration of resources.	Trust companies
		Pension and severance fund management companies
		General deposit warehouses
		Exchange intermediation and special financial services companies
Capitalization companies	Financial institutions whose purpose is to stimulate savings by raising capital in any form in exchange for one-time or periodic disbursements, with or without early reimbursements draws.	Capitalization companies

Financial Entities may only carry out activities expressly permitted by the applicable regulations.

Type	Description	Financial institutions
Insurance companies and Intermediaries	Financial institutions operating in the insurance sector.	Insurance entities, including insurance and reinsurance companies and cooperatives
		Insurance intermediaries, including brokers, agencies, and insurance agents
		Reinsurance intermediaries, including reinsurance brokers
Non-intermediated market entities	Financial institutions through which investors contact issuers in the securities market and make their investments through the purchase of fixed- and variable-income securities issued by companies seeking to raise financing.	Stock brokers (companies whose exclusive purpose is the purchase and sale of securities on the stock exchange)
		Bolsa de Valores de Colombia S.A. (private company that brings together suppliers and demanders of securities through specialized and authorized institutions such as stockbrokers)
Risk-rating companies	Financial institutions whose exclusive corporate purpose is the objective and independent rating of securities and risks related to financial, insurance, stock market and any other activity related to the management, use and investment of funds raised from the public.	N.A.

13.4. Other actors in the financial sector

In addition to the financial institutions regulated by the EOSF, the Colombian financial system includes other relevant financial institutions and players.

The Central Bank of Colombia is an independent entity responsible for Colombia's monetary policy.

Central Bank (*Banco de la República*)

The Central Bank of Colombia is an independent entity responsible for Colombia's monetary policy. It implements the country's macroeconomic policies, keeps inflation under control, regulates, manages and invests the country's international reserves, acts as lender of last resort for financial institutions, sets interest rates for financial institutions, establishes credit policies and regulates the country's exchange rate regime.

Companies specializing in electronic deposits and payments

Companies specializing in electronic deposits and payments are financial institutions whose exclusive purpose is (i) to attract resources through deposits in electronic accounts; (ii) to make electronic payments and transfers; and (iii) to take out loans inside and outside the country specifically intended to finance their operations. Companies specializing in electronic deposits and payments are subject to the surveillance, supervision and control of the SFC.

Financial vehicles

In addition to the above financial institutions, there are financial vehicles relevant to the development of financial and non-financial activities. Some of them are listed below due to their practical business relevance in Colombia.

- Collective Investment Fund (FIC)

  Collective Investment Funds (FICs) raise and manage sums of money or other assets contributed by a number of people. These resources are managed collectively to obtain collective economic results. FICs can be managed by trust companies, stockbrokers and investment management companies under SFC supervision.

  There are two types of FICs:

  - Open-ended: these funds allow the redemption of shares or the withdrawal of all invested resources at any time. However, the regulations may include minimum holding periods for the redemption of shares, in which case penalties for early redemptions may be charged, constituting income for the respective fund.
  - Closed-ended: these funds only allow the redemption of shares at the end of the period specified in the fund's regulations. However, partial and early redemptions may be permitted in some cases.

Categories of FICs:

- **Money Market FICs.** These are open-ended FICs without a minimum holding period, investing solely in assets or securities denominated in COP, registered with the RNVE, and having a minimum investment-grade rating. This condition does not apply to public debt securities issued or guaranteed by the Nation, the Central Bank or FOGAFIN.
- **Stock Market FICs.** These FICs aim to replicate or follow a national or international index by creating a portfolio composed of some or all of the assets included in the index basket. The portfolio may also include standardized derivatives whose underlying assets are part of the index basket. These funds are not classified as open or closed-ended FICs.
- **Real Estate FICs.** These are closed-ended FICs requiring at least 75% of the fund's total assets to be concentrated in specific assets located in Colombia or abroad, such as securities issued in mortgage or real estate securitization processes, shares in other real estate funds with similar characteristics or real estate projects.
- **Private Equity Funds (FCPs).** These are closed-ended FICs that, according to their specific regulations, must allocate at least two-thirds of their investors' contributions to acquiring assets or rights other than securities registered with the RNVE[11]. Every FCP must have a minimum of two investors. These vehicles are subject to the administrative regulations issued by the Central Bank on foreign exchange and currency matters, as well as to the administrative and technical regulations issued by specific governmental supervisory agencies, particularly the SFC.

The external circulars of the SFC address specific issues for FCPs, such as investment valuation methodologies and information disclosure.

Under Colombian legislation, creditors (whether entities supervised by the Superintendence of Finance or non-supervised entities) cannot grant loans at a rate exceeding 1.5 times the current bank interest rate.

13.5. Restrictions on interest rates

Under Colombian law, creditors (whether supervised or non-supervised by the SFC) may not grant loans at a rate higher than 1.5 times the current bank interest rate. Otherwise, they could be liable for usury under the Colombian Criminal Code, in addition to a penalty whereby the creditor forfeits all excess interest plus an amount equal to such excess.

Current bank interest is defined as the interest rate charged to the public by credit institutions such as banks, and it is certified monthly by the SFC.

13.6. Main types of financing

Financing may be classified according to (i) the method of financing and (ii) the nature of the underlying asset.

13.7. Based on the mode of financing

- **Credit:** the most common form of financing. It is documented on a credit or loan agreement, whereby a lender (usually commercial banks, multilateral banks or funds) agrees to grant a loan to one or more debtors for a certain term, up to a certain amount and at a specific interest rate.
- **Leasing:** a type of financing documented on a leasing contract. A financial entity, whether a bank or a financing company ("lessor"), acquires a capital asset at the request of a client ("lessee"),

11 Book 3 of Part 3 of Decree 2555 of 2010 ("**Decree 2555**") is the main regulation governing FCPs in Colombia. Since the entry into force of Decree 1984 in 2018 (comprehensively modifying FCP regulation), a single specific Book regulates these investment vehicles in a comprehensive manner. Prior to this Decree, FCPs shared characteristics and rules with collective investment funds. Decree 1984 was an important step in their regulatory development, establishing a new independent regulatory framework that has afforded FCPs greater flexibility to develop their investment policies and objectives. A good example is the authorization to invest in debt and to issue bonds in the Colombian public securities market.

for its use and enjoyment for a term and in exchange for a periodic payment under a financial or operating lease. At the end of the leasing period, the lessee can usually exercise a purchase option to acquire ownership of the asset.

- **Bond issuances:** a form of financing that, through issuing fixed-income securities in the stock market, allow the debtor or issuer to raise funds from the public. The bonds placed in the market must be paid by the acquiring bondholders, under the conditions of rate and term established in the prospectus, offering notice and other relevant documents. These placements require prior authorization by the SFC and may be directed to unqualified investors (primary market) or to professional investors (secondary market).

13.8. Based on the underlying asset

- **Corporate:** to obtain economic resources for the corporate purposes of an existing and operational company. Corporate financing is granted against the financial statements and projections of the debtor's business (i.e., without isolating the risk to a specific business or activity), and the source of payment of the debt is the total income derived from the development or operation of the business, so that the credit risk is not concentrated in a particular project but, in a consolidated manner, in all of the company's operations.

- **Portfolio:** this type of financing involves the economic rights of credit transactions as the underlying business. The source of payment and the guarantees to creditors refer to the economic rights of the originators' credit transactions, which are typically transferred in ownership or as collateral to a stand-alone trust fund (*patrimonio autónomo*).

- **Project financing:** to finance the development and implementation of a project, usually in infrastructure or energy. Project financing is granted through a project finance structure to a special purpose entity or a stand-alone trust fund established by the special purpose entity. This entity is responsible for the project's development and holds all the rights and permits required for the project's implementation. Project financing is granted according to a base case with closed sources and uses, and risk mitigation and management mechanisms that ensure the project's development and debt repayment with the relevant debt and equity resources. The project itself serves as collateral for creditors, and the debt repayment source is the project's future income.

- **Acquisition finance:** to obtain resources to complete the acquisition of one or more companies. It is similar to corporate financing, since it is granted against the financial statements and projections of the target company or companies, and the source of repayment is their own income.

13.9. Types of guarantees in Colombia

The main guarantee instruments in Colombia are described below.

Security interests over movable assets

The **security interests over movable assets Law** regulates security interests over movable assets. It created the Registry for Security Interests over Movable Assets, a national centralized registry of all securities interests over movable assets, so that such collateral may be opposed to third parties.

Security interests over movable assets can be constituted on any type of personal property and rights, whether present or future, except for (i) aircraft, aircraft engines, helicopters, railway equipment, space elements and other categories of mobile equipment; (ii) intermediated securities and financial instruments within the securities market; (iii) collateral on securities, subject to the Code of Commerce; and (iv) deposits as collateral, when the depositary is the creditor.

Secured transactions include any transaction that has the effect of guaranteeing an obligation with the personal property of the debtor or third parties, including: (i) sale with retention of title, (ii) security interest in shares; (iii) security interest in economic rights; (iv) security interest in subordinated debt; (v)

pledge of commercial establishment; (vi) accounts receivables securitization and transfers, including purchase and security assignment; and (vii) security consignment.

To register a foreign entity as a secured creditor with the Registry for Security Interests over Movable Assets, the following is required: (i) an apostilled copy of the entity's certificate of existence and (ii) a consular certificate.

Mortgages

Mortgages are security interests on real estate, aircraft and large vessels, granted to a creditor to secure a specific obligation and perfected through a public deed before a notary public.

Security trusts

Security trusts are fiduciary transactions by which a person delivers or transfers company resources or assets (both movable and immovable) to a trust, to guarantee the fulfillment of its own or third-party obligations. Thus, security trusts imply the irrevocable transfer of ownership of one or more assets as a commercial trust or the delivery in irrevocable fiduciary assignment, to guarantee the fulfillment of the settlor's or third-party obligations in favor of one or more creditors.

Most relevant features of guarantees in Colombia.

Feature	Security interests over movable assets	Mortgage	Security trust
Perfection	No public deed is required. However, an agreement between the guarantor and the secured creditor(s) is necessary, and, if applicable, by the collateral agent.	Requires public deed.	A public deed is required for the transfer of real estate to the trust but not for the transfer of personal property. The trust agreement may be executed by public deed or may be perfected upon execution of a private document.
Types of assets that may be secured	Movable property (except for those mentioned above).	Real estate, aircraft and large vessels.	Movable and immovable property.
Registration	They must be registered before the Registry for Security Interests over Movable Assets to ensure their effectiveness before third parties and the right of preference over other creditors in enforcement proceedings.	They must be registered before the Public Deed Registry.	They must be registered before the Public Deed Registry (when containing real estate) and also before the Chattel Registry.
Secured limit	No limit	The amount secured by the mortgage cannot exceed twice the amount of the secured obligations. If the mortgage exceeds this amount, the mortgagor may request a reduction of the mortgage to the maximum amount.	No limit.

14 Litigation and arbitration

Below is an overview of the main proceedings in the Colombian ordinary jurisdiction.

14.1. Civil jurisdiction

Enforcement procedings aim to compel the debtor to fulfill an express, clear, and enforceable obligation recorded in one or more documents originating from the debtor or their predecessor.

Declaratory proceedings: stages and approximate duration

Declaratory proceedings are those in which one of the parties seeks the declaration of a right and, potentially, a favorable ruling based on the existence of such right. The most frequent are contractual liability and non-contractual liability.

The main stages of declaratory proceedings are: (i) filing the lawsuit; (ii) admission of the lawsuit and service to the defendant; (iii) answer to the lawsuit; (iv) initial hearing; (v) trial hearing (evidentiary stage and first instance ruling); (vi) motion of appeal; and (vii) extraordinary cassation recourse (if applicable).

The approximate duration of these types of proceedings is as follows: (i) first instance: between one and a half and two years; (ii) second instance: between six months and one year; and (iii) extraordinary cassation recourse between three and four years.

Enforcement proceedings: stages and approximate duration

The purpose of enforcement proceedings is to require the debtor to comply with an express, clear and enforceable obligation contained in one or more documents originating from the debtor or the debtor's principal. These documents may be private or public, e.g., a court judgment or an administrative act issued by an entity of the executive branch.

From the filing of the lawsuit, the claimant has the right to request the seizure of the defendant's assets. The defendant may request the judge to order the claimant to provide security for up to 10% of the current value of the debt to cover potential damages caused to the defendant.

The stages of enforcement proceedings are the same as those of declaratory proceedings, except for extraordinary cassation, which is not available. Once the ruling is issued, seized assets are auctioned or delivered to the creditor.

14.2. Contentious-administrative jurisdiction

This jurisdiction refers to decisions acts, deeds, omissions, operations and contracts carried out or entered into by public entities or private parties exercising administrative functions.

Below are the most relevant types of procedures:

- Immediate control of legality (*control inmediato de legalidad*): all measures issued in exercise of administrative functions will be immediately reviewed to determine their legality.
- Simple nullity (*nulidad simple*): any person may seek annulment of general administrative acts in the event of non-compliance with the laws they are subject to, lack of competence, to issue said act, misuse of powers or disregard of the rights of the involved parties.
- Nullity and rights reestablishment (*nulidad y restablecimiento del derecho*): anyone who believes to have a subjective right, recognized as sub by law, may seek a declaration of nullity of the particular administrative act (whether express or presumed) and the reestablishment of the right, including compensation for damages.
- Direct reparation (*acción de reparación directa*): anyone interested may directly request the reparation of the damages produced by the unlawful action or omission of Stage agents.
- Contractual disputes: any of the parties to a contract where the State is a party may seek a declaration of nullity, a revision order, a declaration of breach, a declaration of nullity of the contractual administrative acts, or an order to pay damages, among other declarations or sanctions. Likewise, the judicial liquidation of the contract may be requested when not achieved by mutual agreement and the State has not unilaterally liquidated it within two months following expiration of the agreed term for the liquidation by mutual agreement, in its absence, of the term established by law.
- Protection of collective rights and interests: any person may demand protection of collective rights and interests to prevent potential harm or the threat, violation or infringement of these rights, in the interest of the community. This protection may involve orders to act, refrain from acting or even suspend the effects of legal acts or contracts. Additionally, this action is not aimed at financial compensation, so it is not appropriate to request damages.

The above are processed through ordinary administrative proceedings, which consist of the following stages: (i) filing of the lawsuit; (ii) admission of the lawsuit and service to the defendant; (iii) answer to the lawsuit; (iii) initial hearing; (iv) evidentiary hearing; (v) preliminary and trial hearing (first instance ruling); (v) appeal.

Ordinary administrative proceedings typically take 5 years. The control mechanism for protecting

collective rights and interests is similar to the above ordinary process. Prior to the evidence hearings, a compliance agreement hearing is conducted. This hearing's purpose is to ascertain methods for safeguarding collective rights and interests and, if possible, restoring conditions to their prior state. Should an agreement not be reached, the process will continue with the decree and presentation of evidence.

Specific timelines apply depending on the circumstances of the case, ranging from four months (nullity and restoration) to two years.

14.3. Fiscal liability

For fiscal liability to arise, there must be harm to public assets, which the law refers to as "patrimonial detriment," caused by an active or passive, intentional or grossly negligent conduct of a fiscal manager.

In Colombia, the Office of the Comptroller General of the Republic (*Contraloría General de la República*) and certain comptrollers' offices belonging to territorial entities oversee the government's fiscal management, as well as that of private individuals who handle State funds or those of any decentralized entity. These individuals are called fiscal managers (*gestores fiscales*).

For fiscal liability to arise, there must be losses to public treasury, defined by law as pecuniary loss (*detrimento patrimonial*), produced by a willful or grossly negligent action or omission of a fiscal manager.

The stages of fiscal liability proceedings are investigation and trial. The fiscal investigation comprises the investigation during which the evidence that will serve as the basis for the decisions to be issued in the liability process is gathered. From this preliminary investigation on, the comptroller's office may impose precautionary measures on the assets of the investigated person. The decision of the comptroller's office is a contentious-administrative act subject to review by the administrative jurisdiction as explained above, through nullity and right reestablishment procedure (*nulidad y restablemiciento del derecho*).

14.4. Alternative dispute resolution

The following are the main alternative dispute resolution mechanisms available in Colombia.

Conciliation (*conciliación*)

This is an alternative dispute resolution mechanism through which two or more people, natural or legal, private or public, manage by themselves the resolution of their differences, with the help of a neutral and qualified third party, called conciliator. The agreement reached by the parties *is res judicata* and enforceable.

Amicable settlement (*amigable composición*)
Amicable settlement is an alternative dispute resolution mechanism where parties to a dispute delegate to a third party, the power to settle, with binding force for the parties, a contractual dispute. This decision is res judicata and enforceable in the corresponding jurisdiction.

Conciliation, amiable composition, and international arbitration are the main alternative dispute resolution mechanisms.

Domestic and international arbitration

Through this dispute resolution mechanism, the parties refer the resolution of an arbitrable dispute on matter subject to settlement to arbitrators. The arbitrators' award has the effect of a court ruling.

The Colombian Arbitration Statute distinguishes between national and international arbitration. An arbitration is international when (i) at the time of entering into the arbitration agreement, the parties have their domiciles in different states; (ii) the place of performance of a substantial part of the obligations or the place with which the dispute is most closely connected to is outside the state in which the parties have their domiciles; or (iii) the dispute affects the interests of international trade.

The main differences between domestic arbitration and international arbitration are as follows:

	Domestic arbitration	International arbitration
Appointing arbitrators	If the appointment has not been agreed upon in the arbitration agreement, the arbitrators will be chosen by lot from the list of the corresponding chamber of commerce.	The parties are free to agree on the procedure for appointment of the arbitrator(s). If the parties do not reach an agreement, the appointment will depend on the number of arbitrators. Where it has been agreed that the dispute will be resolved by a sole arbitrator, he or she will be appointed by the relevant judicial authority. Where it is agreed that there will be three arbitrators, each party will appoint one and the third will be chosen jointly by the arbitrators selected by each of the parties.
Arbitrators	Arbitrators must be Colombian lawyers.	Nationality will not be an obstacle to act as arbitrator. Arbitrators may or may not be lawyers. It depends on the parties' choice.

	Domestic arbitration	International arbitration
Grounds to set aside an award	Non-existence, lack of validity or unenforceability of the arbitration agreement. Expiration of the action (*caducidad*), lack of jurisdiction or lack of competence. Failure to constitute the tribunal in a lawful manner. The appellant is involved in a case of improper representation or lack of notification or summons, if the nullity has not been cured. Refusal to consider evidence requested without a legal justification. The award or the decision on clarification, addition or correction is issued after expiration of the established deadline for the proceedings. The award was made in conscience or equity when required for it to be in law. The award contains contradictory provisions, arithmetic errors or errors due to omission, change or alteration of words, provided they are included in the resolutive chapter or have an influence on it and have been alleged in due time before the tribunal. The award is issued on aspects not subject to the arbitrators' decision, having granted more than was requested or does not rule on issues subject to arbitration.	At the request of a party, upon proof of: Lack of capacity of a party. Improper service of the arbitrator's appointment, of the commencement of the proceedings or that the applicant was unable to assert its rights. The award deals with a dispute not provided for in the arbitration agreement or contains decisions that exceed the terms of the arbitration agreement. The composition of the arbitral tribunal or the arbitration proceedings was not aligned with the agreement between the parties. Ex officio, when: The subject matter is not arbitrable. The award is contrary to Colombia's international public order.
Language	The proceedings must be conducted in Spanish.	The parties may freely choose the language of the proceedings.
Law applicable to the contract	Arbitrators are subject to Colombian conflict rules.	The parties may freely choose the law applicable to the contract.
Remedies against the award	Set-aside of the awards	Only award set-aside is admissible.

Colombia is a State Party to the New York Convention for the recognition and enforcement of international arbitral awards.

14.5. Enforceability of foreign arbitral awards in Colombia

Enforceability of foreign arbitral awards requires a prior request to the competent authority—the Supreme Court or the Council of State, depending on the subject matter.

Colombia is a party to the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards, so the grounds on which the recognition of an arbitral award may be refused in Colombia are in accordance with international standards: (i) that, at the time of the arbitration agreement, the party against whom the award is invoked was affected by some incapacity or that the agreement is not valid under the law to which the parties have subjected it or, regarding a lack of indication in this matter, the agreement is not valid under the law of the country where the award was granted; (ii) that the party against whom the award is invoked was not given proper service of the appointment of an arbitrator or the initiation of arbitration proceedings or could not, for any other reason, assert its rights; (iii) that the award deals with a dispute not provided for in the arbitration agreement or contains decisions that exceed the terms of the arbitration agreement; (iv) that the composition of the arbitral tribunal or the arbitral proceedings was not in accordance with the agreement between the parties or, failing such agreement, the law of the country seat of the arbitration; (v) the award has not yet become binding on the parties or was revoked or suspended by the judicial authority of the country seat of the arbitration tribunal; or (vi) the competent judicial authority finds that, under Colombian law, the subject matter of the dispute was not arbitrable, or that the recognition or enforcement of the award would be contrary to Colombia's international public law.

Awards issued in Colombia are considered national awards, so they do not have to go through the recognition procedure.

Awards that go through the recognition procedure may be enforced upon recognition by the corresponding court. Recognition may take up to 10 months, and enforceability, both domestic and foreign, from one to three years.

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