Betting and Gambling Regulations Signed into Law

By sanction of the president, Bill No. 3626/2023 that regulates betting and gambling in Brazil was signed into law on last December 30th with minimal vetoes.







What was approved?

After a long legislative process, the following measures were approved:

1. A licensing regime for the exploitation of fixed-odds betting, also known as sports betting (which are based on predictions of real sports events);
2. Sports bets can be exploited in both online and physical channels, the latter through the printing of betting tickets;
3. The licensing act of the Ministry of Finance will stipulate whether the operator may act in one or both channels. Operators might seek for a Federal license or a local state license – however, state licenses will limit the operator to the state jurisdiction, and state operators will be prevented to engage in multiple states at the same time.
4. The licensing was defined as a discretionary act of the Ministry of Finance, following criteria of convenience and opportunity, and will not be subjected to a minimum or maximum number of operators;
5. A licensing regime for the exploitation of gambling including casino games, which may be operated exclusively through online channels with a clear prohibition of slot machines;
6. Operators are prohibited from conceding bonuses or advances to and from facilitating the obtaining of any type of financial credit for bettors and gamblers.

Taxation:

1. 12% on GGR (Gross Gaming Revenue, that is, the total value of bets minus the prizes paid), for both bets and online casinos;
2. 15% on the player's winnings - a provision for taxation in the same measure for winnings from fantasy games was also approved;

Companies that intend to exploit the games and betting market will need:

1. To constitute a Brazilian company with a minimum Brazilian capital of 20%;
2. To pay a concession fee of up to R$30,000,000.00 (thirty million reais), which will correspond to a maximum of 5 years of licensing;
3. To define up to 3 (three) commercial brands to be exploited on their electronic channels by each license;
4. To contract a betting registration entity, also authorized by the Ministry of Finance - only the games registered by these entities will be considered valid;
5. To contract a Brazilian entity registered before the Central Bank of Brazil to provide transactional accounts and other financial services offered to the bettor/gambler;
6. To adopt identification procedures for the gambler using facial recognition technology, among other obligations.

The provisions that had already been approved, such as (i) the need to adopt anti-money laundering policies and measures; (ii) regulation of betting advertising; (iii) prohibition of result manipulation; (iv) prohibition of co-participation between betting operators and football clubs (*Sociedades Anônimas do Futebol*) - also passed and must be regulated in the first weeks of 2024 by the Ministry of Finance.

With the presidential sanction, it is expected that the Ministry of Finance will act quickly to select the first companies that will be subjected to licensing from the 133 firms that expressed interest in the authorization process before a new round of concessions.

Therefore, it is expected that soon sports betting and online games offered from abroad will be considered illegal, which could expose gamblers, advertising companies, payment agents, and currency exchangers to criminal risks.

Veirano Advogados is closely monitoring the evolution of the regulation of the segment.



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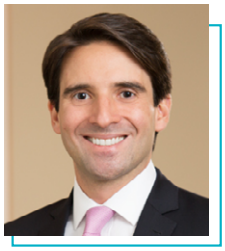

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