



Latin America

Land-based Sports Betting

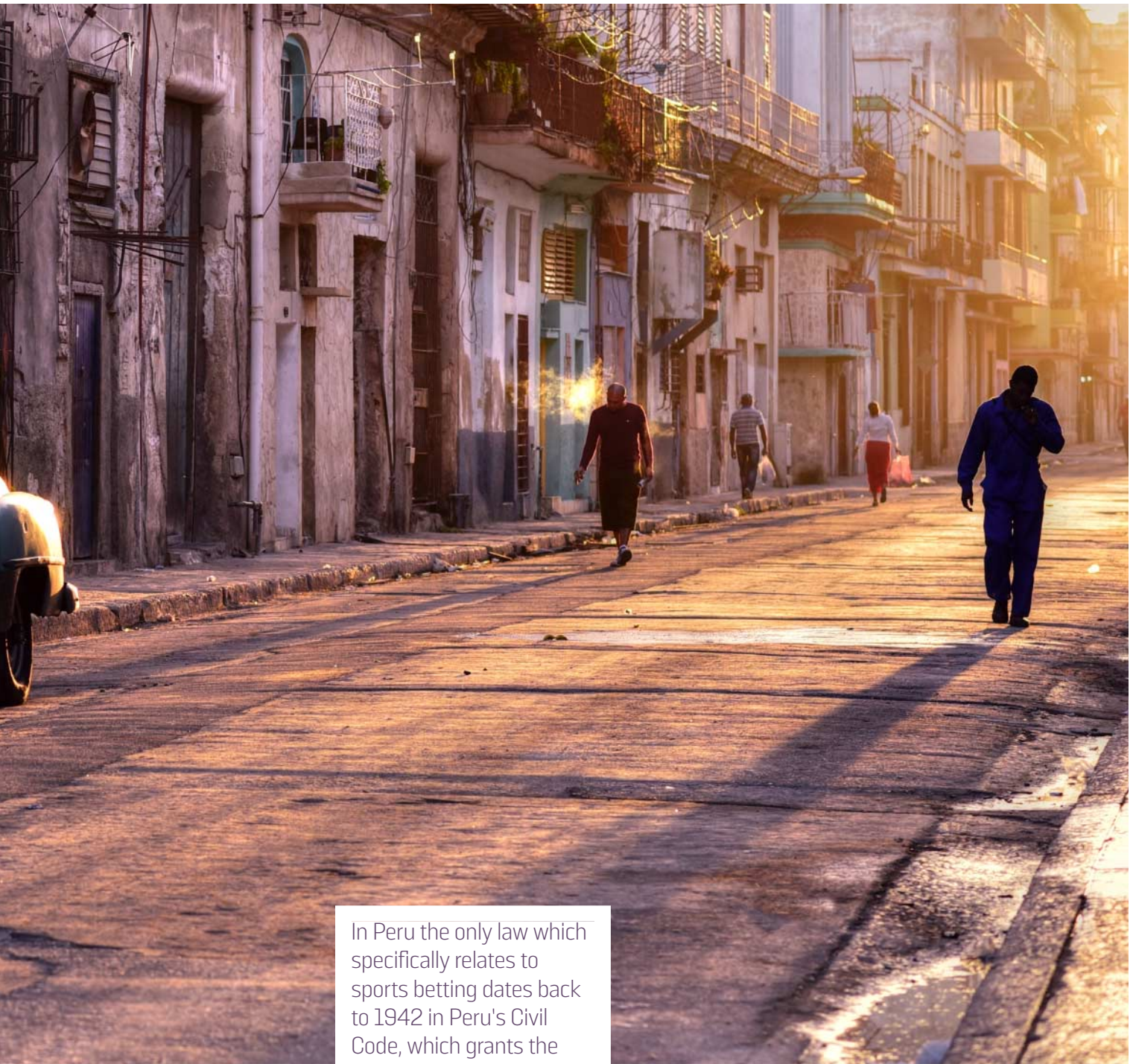
There have been a number of crucial developments of late in the online market in Latin America. Major changes are on the way in Brazil. In Argentina the tender is underway for the online licences for Buenos Aires province and the industry continues to record revenues in Colombia. But have there been any moves comparable in scope when it comes to the land based sports betting market? What is the actual size of some of the key markets, and what inroads are companies making when it comes to opening up sports betting shops in Latin America?

As usual Latin America offers an extremely varied picture when it comes to sports betting. However a number of patterns are emerging and the way land based betting can be placed in three broad categories. In the first there is no debate when it comes to allowing land based expansion. Instead the governments are focused on regulating the online market and any kind of

Brazil, Peru, Puerto Rico, Costa Rica, Dominican Republic, Paraguay, Colombia, Mexico and Panama. G3 explores the progress made in land-based sports betting sectors in 2019 across multiple markets in South and Central America

expansion looks highly unlikely in the short term at least. In the second sports betting shops are already present and will expand and in the third governments are passing laws that will allow for a land based sports betting expansion for the first time.

Falling into the first category are Chile, Uruguay and Argentina. Unfortunately for now a number of jurisdictions like these three remain closed to any kind of land based sports betting expansion as governments continue to protect state lotteries. This has been the case for many years meaning that in some countries such as Chile only off track horse race betting shops are allowed. While Polla Chilena, a Chilean state owned Lottery Company, has introduced a number of new innovative sports betting games onto the market such as Xperto bricks and mortar sports betting shops are a long way from becoming a reality. An expansion of land based sports betting also looks unlikely in Uruguay.



In Peru the only law which specifically relates to sports betting dates back to 1942 in Peru's Civil Code, which grants the private sector the right to enter the market as long as the company adheres to Peru's civil code and adheres to the terms of their licence as granted to them by the municipal government. Apart from off track horse race betting shops there are a small number of other sports betting locations in Peru (around 25) such as those run by Costa Rica International Sports (BetCris).

Apart from horse racing the only way for locals to place a legal bet is via the Codere sports betting shop linked to the Hipódromo Nacional de Maroñas racetrack as well as a few other outlets and via Supermatch the first and only officially sanctioned sports betting site in Uruguay. The site, which is locally run and was developed locally, allows Uruguayans to bet on a number of sporting events including football from a number of leagues around the world and is seeing rising revenues.

Like Chile, Uruguay seems much more focused on regulating the online space having blocked hundreds of offshore operators from offering their services to locals over recent months. The

government is also looking at possibly opening up the online market to foreign operators in a tender at some point in the future. Chile too is looking at ways to make fundamental changes to online rules.

A similar picture has begun to emerge in Argentina. While there is no federal gambling legislation each state regulates gambling as it sees fit. A number of Argentine provinces are looking at new regulations to allow for online gambling while eight provinces now all allow it. Again though there is a lack of impetus and interest on behalf of the public and lawmakers in allowing for bricks and mortar sports betting shops. Instead the focus for now is on regulating

online gambling with more provinces likely to give online sports betting the green light.

In other jurisdictions such as Peru, Paraguay and Colombia sports betting centres are already permitted and are expanding.

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In Colombia the sports betting offer used to be strictly limited to pari-mutuel betting via terminals located in lottery outlets. This was after the gaming regulator Coljuegos announced that it would allow pari-mutuel sports betting in 2013. However the sports betting market is set for expansion after Codere was granted a licence to operate sports betting by Coljuegos for the next five years. Codere has been present in the Colombian market since 1984. Codere currently operates 5,403 gaming machines, 54 Gaming halls in a total of 130 municipal districts throughout the country.

sports betting facilities would be permitted in annexes to already authorised casinos.

An expansion is also underway in Paraguay where sports betting used to be limited to a single location attached to a racetrack. The expansion began after the gaming control board CONAJZAR announced that a sport betting tender would be launched in the near future as the board began to look at opening up the market in 2015.

However the tender process was fraught with controversy. In February 2018, the Comptroller General of the Republic of Paraguay (CGR) even recommended that the bidding process for sports betting be declared void. The CGR argued that the tender was monopolistic in design and was therefore incompatible with the constitution. The CGR made its recommendations after finding a number of inconsistencies during the licensing process and asked

that the licence awarded to Daruma Sam (Apostala) be revoked. All the same Daruma Sam was granted the exclusive right to offer sports betting ahead of the last FIFA World Cup for the next five years. Under the terms of the contract Daruma Sam has the obligation to open as many as 200 sports betting shops throughout Paraguay.

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In 2016 Sirplay announced that it had opened a new administrative offices and a sport betting bar in Lima. Sports betting is also permitted via sports betting pools via the Intralot run games Te Apuesto and Ganagol and can be played either online or via one of the many Intralot outlets located throughout the country.

A much larger expansion of the industry is likely. New rules covering online gaming have been in development for two years and will probably be addressed by Congress this year. Proposals were also put forward last September which would see a larger land based expansion after a group of lawmakers, all belonging to the same political party, announced that they would push for new laws which would further regulate land-based sports betting. According to the proposals put forward by members of the right wing Popular Force Party (Fuerza Popular) new



operating sports betting establishments alongside its already existing gaming rooms as well as gaming rooms belonging to its partners via third party agreements.

According to a statement released by the company in November 2017, Codere Apuestas will initially start operations via 155 betting points through its own network of gaming rooms, as well as those operated by its partners and via third party agreements. 245 state-of-the-art self-service betting terminals will be available to customers. The company forecast that through the year that its sports betting offer will encompass 264 branches and that it would install around 385 sports betting terminals. Simultaneously, the company's objective will be to exploit other channels authorised by Coljuegos such as bars, restaurants and hotels.

Mexico has permitted sports betting since 2005 due to an amendment to Mexico's 1947

gaming laws which allowed the Secretary of State (SEGOB) to grant gaming licences at his or her own will. Since then sports betting has spread quickly and sports betting shops are often part of much larger gaming establishments. The leading operator in Mexico is Codere. In December Codere renewed the operating licenses of its gaming halls in Mexico, owned by its affiliate Administradora Mexicana de Hipódromo (AMH) and Operadora Cantabria for 15 years, until 2033, as well as the use of the land for the Hipódromo de las Américas racetrack for another 25 years, until 2048. Codere operates more than 19,600 gaming terminals, 95 establishments and 89 betting points, in addition to the activity of the racecourse, which represents 24 percent of the group's total turnover.

Sports betting is also increasingly visible via sponsorship deals in Mexico. Around 13 of the 18 teams that make up the top flight of Mexican football are now sponsored by betting companies.

Most recently Mexican casino group Corporación Caliente inked a deal with top flight football team Club Deportivo Guadalajara. As well as operating one of the most popular online gambling sites in Mexico Caliente also offers sports betting in all of its many casinos nationwide.

Meanwhile sports betting continues to be popular in countries such as Panama and the Dominican Republic where sports betting has been permitted for many years. In Panama sports betting revenue is down following the overall downward trend in the sector. The industry is still struggling to recover from a 5.5 per cent tax which now applies to all cash withdrawals made in casinos, slot parlours, bingo halls and sports betting shops and tracks. Overall, during the first 11 months of 2018 the board registered a decrease of 12.3 per cent in government revenue from sports betting and gambling year on year.

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Brazil is now moving forward with bill 846/18. The bill deals mainly with how lottery funds are distributed giving more priority to National Security. A much larger proportion of resources operated by Brazil's largest state owned bank and lottery operator –the Caixa Econômica Federal (CAIXA) will be earmarked for public security while the bill seeks to raise additional income for the government by green lighting sports betting and gives the Ministry of Finance initially just two years to get sports betting up and running. However this can be extended for another two years.

government placed sports betting under the supervision of the Sports Ministry in 1991 which was granted permission to grant licences and oversee the industry. Today there are around 1,800 sports betting shops nationwide. The number of sports betting shops has remained largely unchanged for over ten years due to government policy put in place in 2016 which banned the opening of any more sports betting shops until 2021.

Meanwhile lawmakers in other jurisdictions are drafting new laws which will usher in major expansions of the sports betting market. Crucially after years of failed initiatives to get any kind of pro sports betting bill off the ground Brazil is now moving forward with bill 846/18 that will allow for both online and land based sports betting as well. The bill found overwhelming support and was passed through both chambers in record time. The new government, which will come into power on January 1, is firmly behind the new distribution of

lottery funds and the new act.

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Sports betting and online gaming is covered in only the most generalised terms however in Chapter V of the new bill - Betting on Fixed Odds. Indeed not much is known when it comes to the specifics only that in land based sports betting establishments a minimum of 80 per cent will need to be awarded back to the player while this will stand at 89 per cent

for online betting. Horse racing laws covered by article 14 of the new law remain basically unchanged but when it comes to land based sports betting the regulation will allow for the collection of taxes and an inspection fee. However many questions remain unanswered regarding the deadlines for regulation, how sports betting will be regulated and exactly how licences will be awarded under the next administration.

All the same, the government is making progress on the issue. In May Pedro Trengrouse a lawyer specializing in sports law and Vice President of the Special Law Commission of Sport, Lotteries and Entertainment for the Brazilian Bar Association (OAB) said that for now the Ministry of Economy is focused mainly on other more pressing matters such as social welfare reform. However he told Sputnik Brazil that sports betting legislation is already quite advanced and said that "the Ministry is still aiming for the



regulation of sports betting this year.”

There are also two other major bills which could also give sports betting the green light. PL 442/91 in the House of Deputies and bill PLS 186/2014 in the Senate both seek to allow for a major expansion of the gaming industry in Brazil. Both bills would allow for interactive gaming and land based sports betting although neither bill provides much detail as to how online or sports betting would be regulated.

Neither bill has been rejected completely. PLS 186/2014 is still under review in a senate committee although the House Committee on Constitution, Justice and Citizenship (CCJ) rejected the bill in March 2018. In April it was announced that PLS 186/2014 had resurfaced once again after the Senator responsible for drafting the first version of the bill resubmitted it for consideration before the full house. Meanwhile, members of the Parliamentary Front for the

Legalisation of Gambling in the House of Deputies still argue that PL 442/91 should be put before the full house for a vote rather than allowing a more piecemeal expansion of gambling via the new sports betting bill (bill 846/18).

Puerto Rico is another jurisdiction which has been looking at changing its sports betting laws. With the initiative coming from the governor's office in June members of the House of Representatives reached consensus over how sports betting should be regulated after more than two months of negotiations. In April 2019 The governor of Puerto Rico, Ricardo Rosselló said that a study carried out by the government showed that a newly regulated sports betting industry could bring in between US\$44m and US\$66m per year.

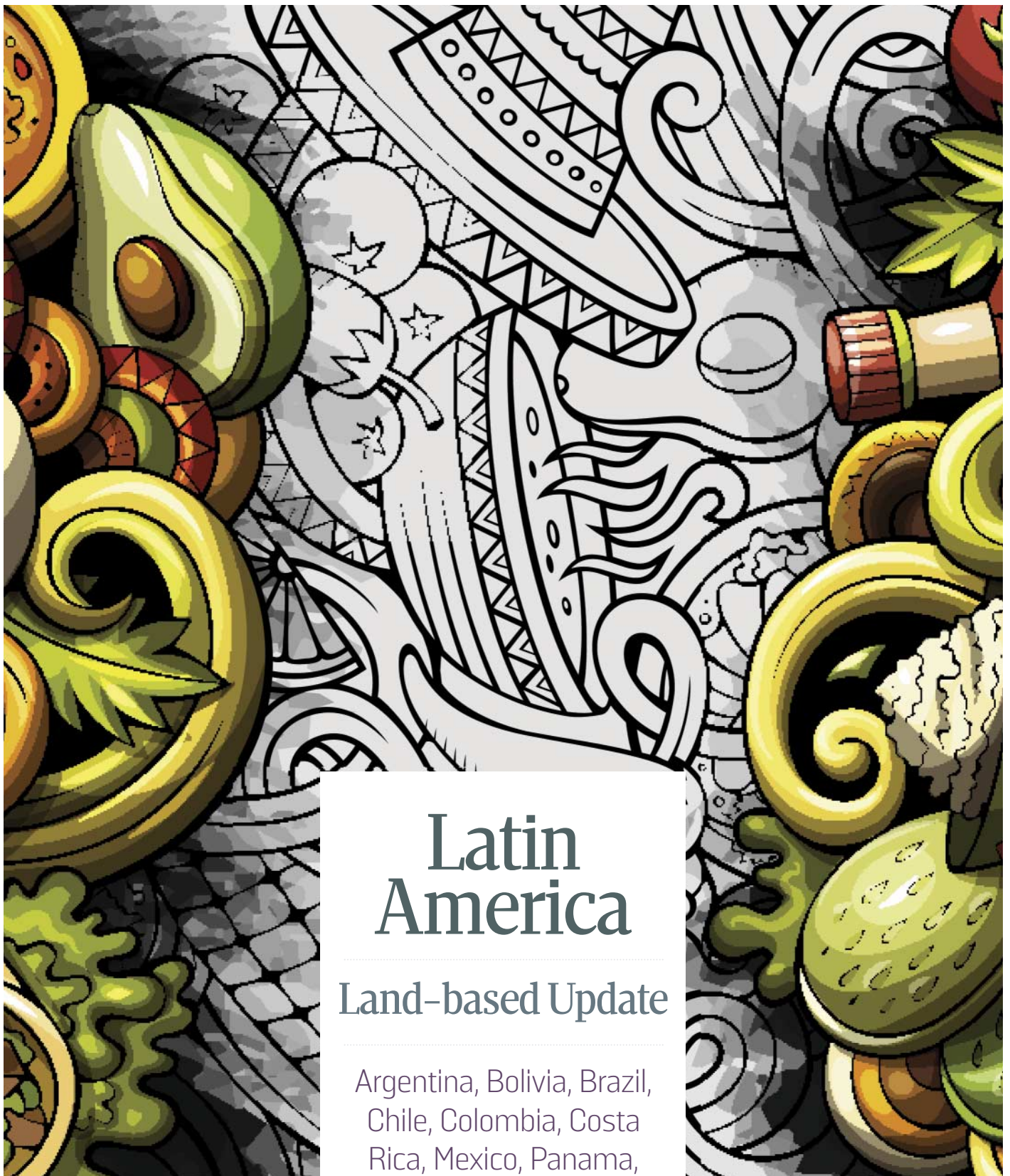
The purpose of the legal initiative was to establish the "Law of the Gaming Commission of the Government of Puerto Rico" and puts in place new policies regarding betting on sporting

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events, eSports and fantasy sports.

No specific cost for licences have been set as this will be left to the gaming commission to decide but the new measures establish a minimum license fee for large scale sports betting operations at US\$50,000, but this stands at just US\$2,500 for individual sports betting points of sale. The law establishes a tax of 7 per cent on income on bets made via land based facilities and 12 per cent online.

Overall the sports betting market in Latin America is continuing to expand and growth will be especially marked in Brazil once the Ministry of Finance lays down the framework for land based sports betting. While a number of jurisdictions lag behind they could well follow suit in the long term once regulations are in place for the online industry. As a result the land based sector will undoubtedly continue to play an increasingly important role in the gambling landscape in the future.



Latin America

Land-based Update

Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Mexico, Panama, Paraguay, Peru, Puerto Rico and Uruguay. G3 explores the difficulties faced by gaming in 2020 across multiple markets in South and Central America

The number of casinos in Latin America could expand in many key markets while in others their future looks less certain. Major changes look likely in Brazil for instance with the government veering towards Integrated Resorts. Meanwhile casinos are becoming the battleground for an increasingly acrimonious battle between state and federal lawmakers in Mexico.

Changes to the industry, however, need to be understood in the much wider context of increasing political instability throughout the region, including: Peru, Bolivia, Colombia and

Chile. Most jurisdictions affected by political unrest are incapable of reversing the underlying causes of conflict, meaning that the region will not be particularly attractive to investors in the short-term.

Governments will in all likelihood have more pressing matters to deal with while ideological changes in some jurisdictions could mean less support for the gambling industry in general. Instability caused by widespread corruption, increasing inequality and economic decline as well as dysfunctional political systems means further turmoil could well lie ahead this year.



Uruguay

Tourism was up slightly this summer season. Uruguay welcomed 135,400 tourists in the first 10 days of this year, 3.4 per cent more than in the same period in 2019. However Uruguay has been affected by the new tax imposed by the Argentine government on those travelling abroad. Uruguay is traditionally a popular tourist destination for Argentines.

The Ministry for Tourism indicated that there was a fall in tourist spending: 18.6 per cent less going from US\$2,154,770,925 in 2018 to US\$1,753,781,316 in 2019. This data goes hand-in-hand with a decrease in the number of tourists who entered the country, especially Argentines and Chileans compared to the previous year. The total number of visitors that arrived in Uruguay in 2018 was 3,711,948, while in 2019 that number decreased to 3,220,602.

The income generated from Argentine tourists, meanwhile, was 24.8 per cent lower, while that from Chileans also decreased by 12.2 per cent. However there was an increase in Brazilian visitors, which grew 4.9 per cent, while Paraguayan spending increased by 5.4 per cent. Income generated by American visitors increased by 0.8 per cent and Europeans 1.3 per cent.

When it comes to casinos there have been a number of significant developments of late in Uruguay, especially in popular tourist resort Punta del Este. In February, the tender for the new casino licence for the Cipriani in Punta del Este was temporarily postponed after Enjoy blocked it at the last minute. The San Rafael hotel in Punta del

Codere is reportedly looking for a partner to expand into the market. As acknowledged at the end of September, the company has had a number of conversations with potential partners to establish a possible joint venture or the sale of a non-controlling interest in the market. In Uruguay, the group already has operations through 2,252 gaming terminals, six gaming rooms, 26 betting venues, the Maroñas National Racecourse, Las Piedras Racecourse, as well as the Sofitel Montevideo Casino Carrasco & Spa.

Este, has been closed since 2011, but was acquired by the Cipriani Group for more than US\$40m in February 2018. According to local law, a private casino in the popular tourist destination is only allowed, if an investment equal to or greater than that of the former Conrad hotel casino is made.

As a result, the clause that exists in favour of Baluma S.A (owner of the private casino at Hotel Enjoy) is being taken into account in the tender. In the terms and conditions, rules state that the amount to be invested in the construction of the new luxury hotel must be equal to or greater than US\$160m, without taking into account the value of the land of the infrastructure for the new facility.

Representatives of Enjoy issued a brief statement saying that the legal move had been made with the purpose of "safeguarding their rights" when it comes to the contract between Baluma SA and the state. However, the government has since overturned the appeal.

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Brazil

Integrated Resorts look like the future for the casino industry for now. In January, a number of lawmakers went to Las Vegas in order learn more about casinos and cruise ships in what could prove to be a significant step.

Senator Flávio Bolsonaro, (son of the President) President of The Brazilian Tourist Board Gilson Machado (EMBRATUR), a number of Senators and sports personalities held meetings with Sheldon Adelson, as well as members of The Nevada Gaming Control Board. The delegation gathered information on a possible legal framework that would allow for the installation of casinos in resorts.

While there has been a lot of speculation on the issue and significant coverage in the press, one should always err on the side of caution when it comes to Brazil. Lawmakers for years have tried to change the country's gambling laws which are intrinsically linked in the popular perception with organised crime. In addition, religious groups still play a crucial role in Brazilian politics.

Despite growing international interest from China and the US, Bolsonaro's dependence on evangelical lawmakers means that he could continue to skirt around the issue. Bolsonaro has only and very tentatively come out in support of casinos, but this has been met with a fierce response from his base meaning that he will in all likelihood stay clear of the issue altogether.



Argentina

The industry faces many obstacles, top of which is the adverse economic climate. Today, Argentina has one of the highest rates of inflation in the world after Venezuela and Zimbabwe and has been in recession since 2018. Inflation continues to soar under the newly elected left wing government of President Alberto Fernández.

Argentina recorded its biggest increase in prices last year since 1991, when the nation was recovering from hyperinflation. Consumer prices rose 53.8 per cent in 2019. In addition, there is increasing speculation that Argentina could default, as it did in 2001, leading to another financial collapse.

The crisis has already affected revenues for many land-based operators, including Codere. In November, the company reported that operating revenue in Argentina in Q3 2019 decreased by €83.6m or 25.7 per cent compared to Q3 2018, due to the significant devaluation of the Peso (67.4 per cent). Gross win per slot per day in local currency grew 24.9 per cent (27.8 per cent including clients' withholdings), well below year-on-year average inflation of 54.2 per cent.

In addition, a new government could bring with it an anti-gaming policy. The newly elected head of nation's most-populous province, Governor Kicillof, has remained tight-lipped on the issue of casinos.

In February 2017, ex-Governor of the province of Buenos Aires María Eugenia Vidal announced that she would cut subsidies to horse racing tracks completely. For more than ten years, the province of Buenos Aires has subsidised the activity of racetracks along with different trade associations. While it has a long and illustrious history, horse racing will continue to lose millions and will also cost millions for the state as there is almost no chance of any kind of resurgence no matter how much money the government pours into it.

However, during the recent election campaign he expressed his desire to support the horse race industry in Buenos Aires in order to guarantee jobs. This is a complete reversal of his predecessor's policy.

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In addition, if online sports betting is allowed to go ahead this could have a negative impact on the land-based sector. Vidal had put the tender for online gambling licences on stand by while she sought re-election. A total of 14 companies are scheduled to

contend for the seven online gambling licenses for the province. International interest had been high with a number of well known international companies teaming up with local companies in order to make a bid.

However, Kicillof, a far left-wing (arguably socialist) economist, is yet to say if online gambling will still be permitted by licensed operators and made no mention of the pending licence process as he was sworn-in as the region's new governor.

In the long term, Kicillof could lean towards a more practical approach like others have before him. Vidal also said she was against an expansion of gambling in principle, but renewed and in many ways expanded land-based licences while governor. Whether Kicillof - arguably one of the most far left leaning governors in many years - will do the same, remains to be seen for now.

Meanwhile, in the capital, incumbent Horacio Antonio Rodríguez Laretta was re-elected, meaning that the online gaming licences process is likely to go ahead. This could affect revenues for the floating casinos in Puerto Madero and the casino under the racetrack in downtown Buenos Aires, all of which are doing a brisk trade. However, in November it was



revealed that the future of the two casino ships moored to the harbour in Buenos Aires has now been left to the Supreme Court. The court must decide whether to accept a complaint, filed by the Government of Buenos Aires, against a judicial measure that allows the operating company of the floating gambling halls to continue operating the business, even though their contract expired in October.

The Supreme Court has no set deadlines as to whether it will decide whether or not to accept the complaint filed by city hall. As a result, the situation could last for years. The casinos provide work for nearly 3,500 people and offer more than 1,400 slot machines and 120 gaming tables.

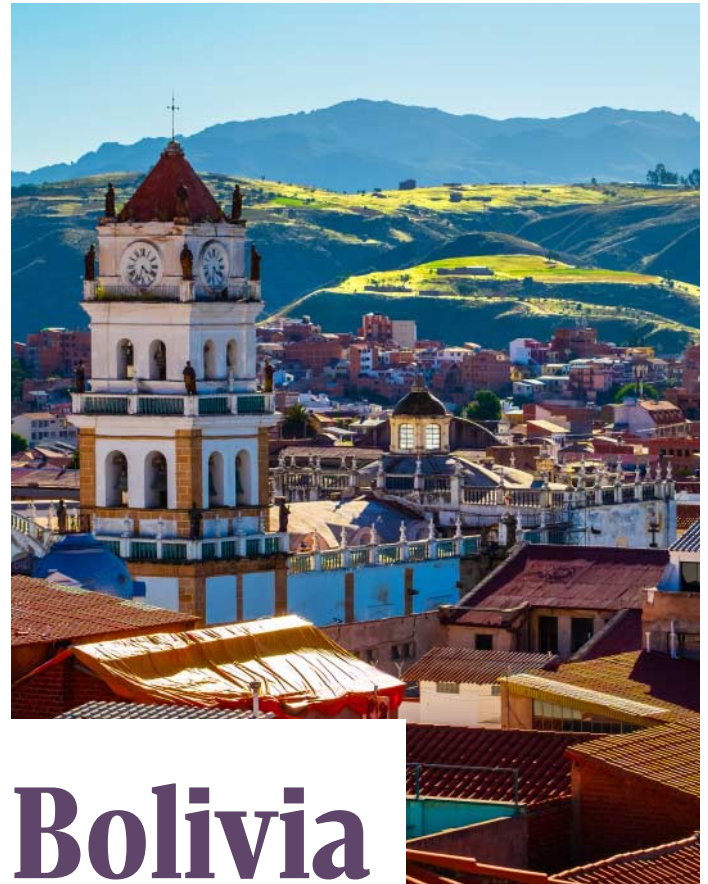
Elsewhere, the industry is regulated by provincial governments and has registered slow growth in a number of

Once more Argentines are being practically forced to take their holidays in Argentina as Argentina has returned to a "tourist dollar" policy, under which foreign transactions face a 30 per cent surcharge over the official rate. The credit card charge aims to help prop up the local peso and was introduced by the new government as part of an "economic emergency" law passed by Congress in December 2019.

provinces. All the same, a new large scale casino is under construction in Río Negro. Another bright spot for the local industry is the boom in domestic tourism.

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This means that the Argentine coast has seen a record number of visitors. This is already having a positive impact on casinos in the area such as the Casino Central in Mar del Plata, which has recorded a significant increase in footfall this year.



Bolivia

In a number of markets, including Bolivia, there has been practically no change when it comes to any expansion of the land-based market. While the regulatory body Bolivia's Authority of Taxation and Social Control over Gaming (AJ) has made significant progress when it comes to the control of illegal gaming, the gaming industry in Bolivia is still largely unregulated with illegal gaming widespread. There is only one licensed gaming operator in the entire country. Furthermore, there is little chance that this will increase anytime soon.

Evo Morales, who governed Bolivia for nearly 14 years, resigned from the presidency in November when the police and army withdrew support after several weeks of demonstrations that erupted over allegations of fraud in the presidential election that Morales said he had won.

The country is now ruled by Jeanine Áñez, who replaced Morales as the country's interim president in November. A member of the conservative opposition and the deputy head of Senate, she heads a caretaker government ahead of elections scheduled for

last month which, long-term, could see an end of anti-market policies depending on the result.

While Morales cannot stand for re-election, members of his Movement to Socialism (MAS party) will take part in what is likely to be a closely fought race.

However, Áñez is a religious conservative. In fact she even held up a large bible while declaring herself the interim president. Consequently the end of 14 years of leftist rule, even if it does come, is unlikely to bring a change to gaming policy in the region.



Colombia

In Colombia, tens of thousands of anti-government protesters took to the streets and demanded the resignation of President Iván Duque Márquez. Colombians are angry about possible changes to the minimum wage, pension and tax reforms, as well as the privatisation of state companies.

Revenues for the land-based industry for the government seem not to have been that greatly impacted by the upheavals. Indeed, taxation and fees generated by gambling in Colombia have increased by 75 per cent, meaning that Colombian gaming regulator Coljuegos said that it expected to end 2019 with a collection of \$664.83bn (US\$197,042,980).

In its financial summary for 2019, Pérez Hidalgo, President of Coljuegos, also highlighted the work carried out alongside local governments to help stamp out illegal gambling. In January, Hidalgo announced that the board had collected a record one billion dollars since 2012 in license fees – an increase of 124 per cent since 2012.

Local lawmakers and members of the board continue to sign pacts for the “Legality of the Gambling Sector” a strategy with which Coljuegos aims to combat illegal gaming. The pacts also aim to promote the “Playing Legal is Betting on Health” public awareness campaign.

Codere and Cirsa Winner Group are market leaders with four per cent and seven per cent of market share according to local reports. There are 358 operators in all. In total there

are 86,629 slot machines authorised by Coljuegos, operating in 2,719 establishments countrywide.

However, while the gaming board might paint a somewhat positive picture, the number of casinos and slot parlours have remained pretty much the same as Coljuegos has not issued new land-based licences for some time. According to local reports, operators blame this situation on high taxes as well as illegal gaming, which is still widespread.

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Mexico

Latin America's second-largest economy, has struggled to gain traction under President Andres Manuel Lopez Obrador. Obrador took office in December 2018 promising to increase growth to four percent per year. Instead, the economy went into a mild recession in the first half of 2019.

Obrador has publicly come out against the granting of new casino licenses during his six year term as president in Mexico (until 2024). In January, Obrador said that the government will obstruct licences that are being granted by local governments in court emphasising the fact that “the federal government had control over casinos.” However, the lack of a federal policy has meant that the industry is becoming increasingly chaotic as each state sets out its own additional charges and rules. Only recently taxes have been raised in Baja California, which has the most casinos in the country. Of the 344 casinos that exist throughout Mexico, 44 casinos or 12 per cent of the total are located in Baja California.

Crucially, Obrador's statements in January came after lawmakers for the state of Quintana Roo completed their fiscal measures for 2020, which included an exemption of taxes on the establishment of new gaming rooms for new investors, meaning that all companies that set up a casino would not have paid taxes this year. This new rule, however, has already been revoked after a growing public outcry.

For now it is unclear just how far Obrador intends to oppose

gambling expansion. State governments continue to grant licences without the authorisation of the Ministry of the Interior (SEGOB). In Chihuahua, for example, the number of casinos continues to grow without administrative procedures or registration with SEGOB.

In many respects, Obrador will not be able to restrict gambling as SEGOB still allows existing permit holders to continue to expand their operations. In its nine month report issued in November 2019, Codere emphasised that while the President's decision may affect new licenses, it does not prevent it from using already existing ones (35 + unused licenses) “or continue acquiring halls from small and medium sized operators.” Although 850 rooms are authorised in Mexico for 37 permit holders, so far only 379 are in operation.

In addition, in August 2019 it was revealed that Codere had signed an agreement with Hard Rock to grant it some land in Mexico and build a tourist complex valued at close to US\$1bn. Codere will receive 40 per cent of the project in return. According to sources close to the talks, Codere has agreed to transfer land in Mexico City for the US group to build their second guitar-shaped hotel.

Costa Rica

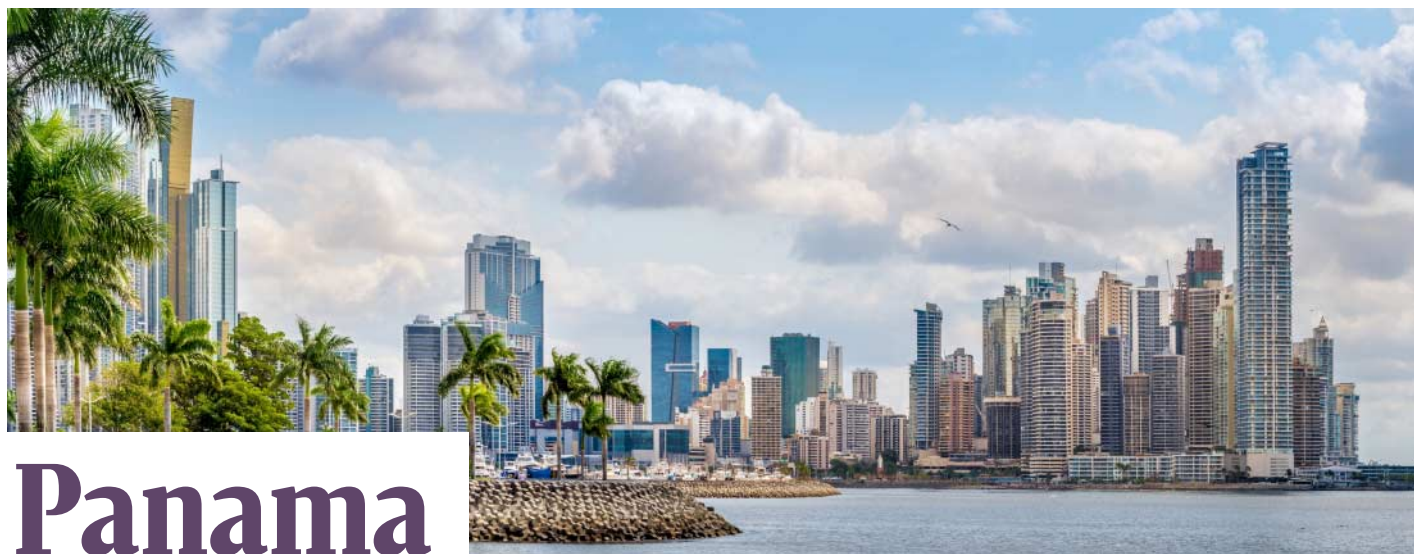
Costa Rica attracts more than 1.7 million tourists each year and generates \$1.7bn per year from tourism. The majority of casinos in Costa Rica have around six table games and between 50 and 100 slots. The vast majority are located around the most well known beaches with another handful located in the capital. There are around 50 casinos in total across the country.

In 2008, the government passed the revised "Law on Casino Taxation" which regulates both casinos and betting call centres in Costa Rica. According to the law, new casinos are only permitted in hotels rated four stars and above.

The industry will receive a major boost with a new casino-resort planned in Limon Province. The \$400m Casino City Caribe was first announced in April 2018. Once

completed the resort is set to feature three casino hotels, a riverboat casino and a conference centre. In addition, the casino will be built near a new international airport now under construction.

The new project has already been approved by the local municipality and is supported by the Costa Rica Tourism Board as well as the Ministry of Environment. The casino is set to open in 2027.



Panama

While the government remains stable, economic growth slowed in the third quarter of last year recording nearly the slowest rate of growth in nearly 10 years in the country. A decline in tourism has also had a negative effect on the gaming industry.

Between January and August 2019, approximately 1.5 million tourists arrived in Panama, generating revenues of close to \$3,314 million – 1 per cent less than the amount reported in the same period of 2018. However, the economy is expected to accelerate this year by 4.4 per cent in 2020, and 4.6 per cent in 2021.

The casino industry continues to

decline due to increased taxes as well. The industry has seen falling revenues and thousands of layoffs over recent years due to a 5.5 per cent tax on payouts that was established in 2015. Operators say that the tax has discouraged international investment and players. As many as 7,000 people have already lost their jobs due to the increased taxes and decreasing tourist numbers.

In the first eight months of 2019, US\$50.8m was raised by the gaming industry for the government, representing a 33.2 per cent decrease compared to the US\$76.1 million received in the same period in 2018.

Change could finally be on the way though as the government finally looks into the rate as the industry currently owes \$1.5m in back taxes to the treasury. According to the gaming control board the tax could be scrapped this year.

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Puerto Rico

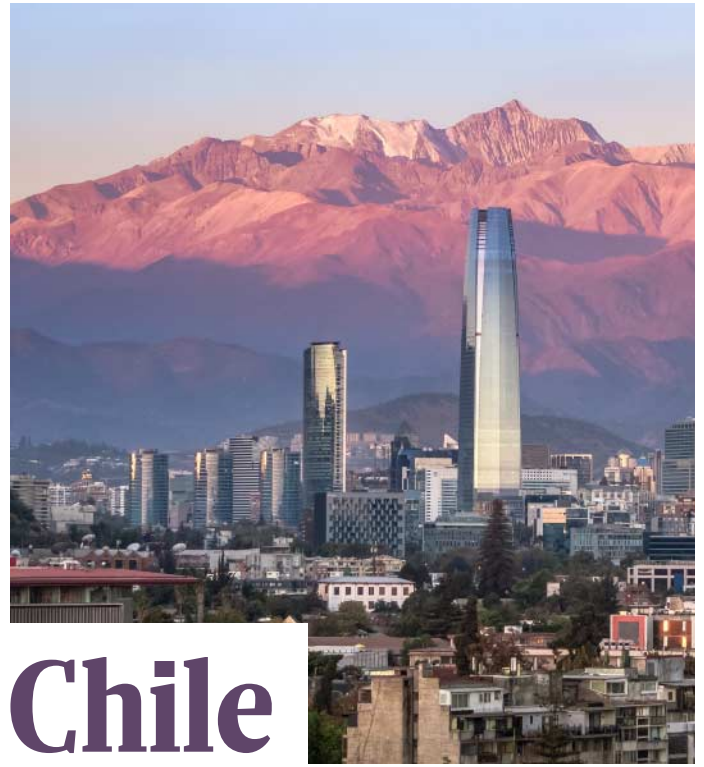
Puerto Rico's tourism sector is currently booming. According to newly-released data, airport arrivals to Puerto Rico's San Juan, Ponce and Aguadilla airports totalled 1.67 million in the first four months of last year, the highest-ever total in that period in Puerto Rico's history. Between January and April 2019, occupancy spending for hotels and independent rentals combined reached \$373.6 million, the highest in eight years, and an increase of 12.4 per cent compared to 2017 pre- Hurricane Maria levels.

The increase was accompanied by US\$445m in tourism revenue through May, another record total for the period. The boom goes hand in hand with a number of new resorts including a \$1.5bn destination resort development tied to a new Hyatt Regency as well as other developments.

This is good news for the casino industry, which has reported years of decreased revenues. The Chief Financial Officer of the Tourism Company of Puerto Rico (PRTC), Luis Umpierre, reported last year that the entity's revenues had

increased in the last three years due to higher revenues from income generated by slots in casinos. Umpierre said the government received US\$148m in 2018-19, an increase of almost US\$6m compared to the 2017-18 period, during which time US\$142m was raised.

The results obtained in the last period also reflected an increase of US\$7m when compared to the US\$14m that the casino slots generated in 2016-17. Revenues will continue to go up as Puerto Rico's tourism boom continues.



Chile

Chile has long been an oasis of stability in the region, but this came to an abrupt end last year when two months of violent protests left 26 dead. Protests began over a price increase for subway tickets in the capital Santiago, but escalated quickly. Economic inequalities, living costs and rising debt caused anger in one of the most prosperous and stable democracies in Latin America. A number of cities in Chile were placed under a state of emergency while protestors took to the streets.

President Sebastian Piñera tried to ease tensions by announcing a plan to end a highly unpopular state of emergency and night-time curfews.

As well as other reforms including a minimum wage, increased state pensions and stabilised electricity prices, crucially the government also agreed to a vote in April on possible changes to the 1980 Chilean Constitution.

The constitution was put in place during the dictatorship of Augusto Pinochet and ensured that economic and political power remained concentrated in the hands of the few.

With this in mind it is unlikely that there will be any major changes in the casino sector as the country readies itself for a referendum and possibly a new constitution. In addition, more protests could be forthcoming if the new constitution does not go far enough and the government fails to address the underlying cause of the protests.

The first month of unrest caused an estimated US\$4.6bn worth of infrastructure damage, and cost the Chilean economy around 1.1 per cent of its GDP. Instability has already taken its toll on casino revenue. Gross gaming revenue for the 19 casinos operating in Chile combined with the seven municipal casinos reached \$32,036m Chilean pesos (US\$41.6m) in October. This represented a drop of 22.3 per cent from the same month in 2018, while accumulated real growth stood at -3.7 per cent, over the previous 12 months.

In January the board reported that Gross gaming revenue for November 2019 stood at \$35,357 million Chilean pesos (US\$ 45,778.470), a negative monthly variation of minus 6.5 per cent when compared to the same month last year, while accumulated real growth stood -4.5 per cent over the last 12 months. Revenues decreased again in December by -4.1 per cent when compared to the same month in 2018.

Paraguay

Paraguay is set to retake its position among the fastest-growing South American economies in 2020. Monetary stimulus and public investment will allow it to expand the most in three years. Conservative, Mario Abdo Benítez, was elected president of Paraguay in April 2018, meaning that the right-wing Colorado Party (which has governed the country nearly continuously since 1953) will continue in power.

Paraguay could prove to be an area of significant growth in the long-term when it comes to casinos. The Ministry of Tourism (Senatur) is looking at Integrated Resorts as they would increase tourism in the area and improve local infrastructure. Casinos have been permitted in Paraguay since 1997, but the casino industry is still extremely underdeveloped and has been slow to get off the ground.

The path to the building of large scale casinos is, however, proving particularly bumpy. A number of tenders have had to be cancelled due to irregularities and a lack of transparency over the years. In

November 2018, the National Gambling Commission of Paraguay (CONAJZAR) cancelled the public bidding for a casino in the Department of Alto Paraná. Plans for the large scale casino and hotel in Ciudad del Este had to be abandoned over claims that lawmakers had unlawfully paved the way for the use of government land. A number of operators were believed to have been interested in opening a casino in the city, including Hard Rock International as well as other operators from the United States and Chile. According to the terms of the bidding process, total investment would have stood at between US\$50m and US\$70m.

Controversy now surrounds a new mega complex planned for San Francisco Island with the head of the gaming board saying that the licence was granted for too long and restricts competition.

The casino marks the most highly significant development for the industry in many years.

The investment envisaged for the new complex stands at around US\$150m and includes the construction of a five-star hotel, including a convention centre for 2,000 people, restaurants, a casino, luxury shops and an amusement park.

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Peru

In Peru, President Martin Vizcarra dissolved congress in an attempt to force new parliamentary elections in the worst crisis in decades. Despite political unrest Peru continues to be one of the fastest-growing economies in the region although it has slowed slightly

The casino industry is well regulated and a number of foreign operators are already well positioned in the market including Thunderbird Resorts and Sun Dreams. In June, Sun Dreams announced that it would invest US\$250m in the Peruvian market.

Peru was seen as a key market for the new company once it had merged.

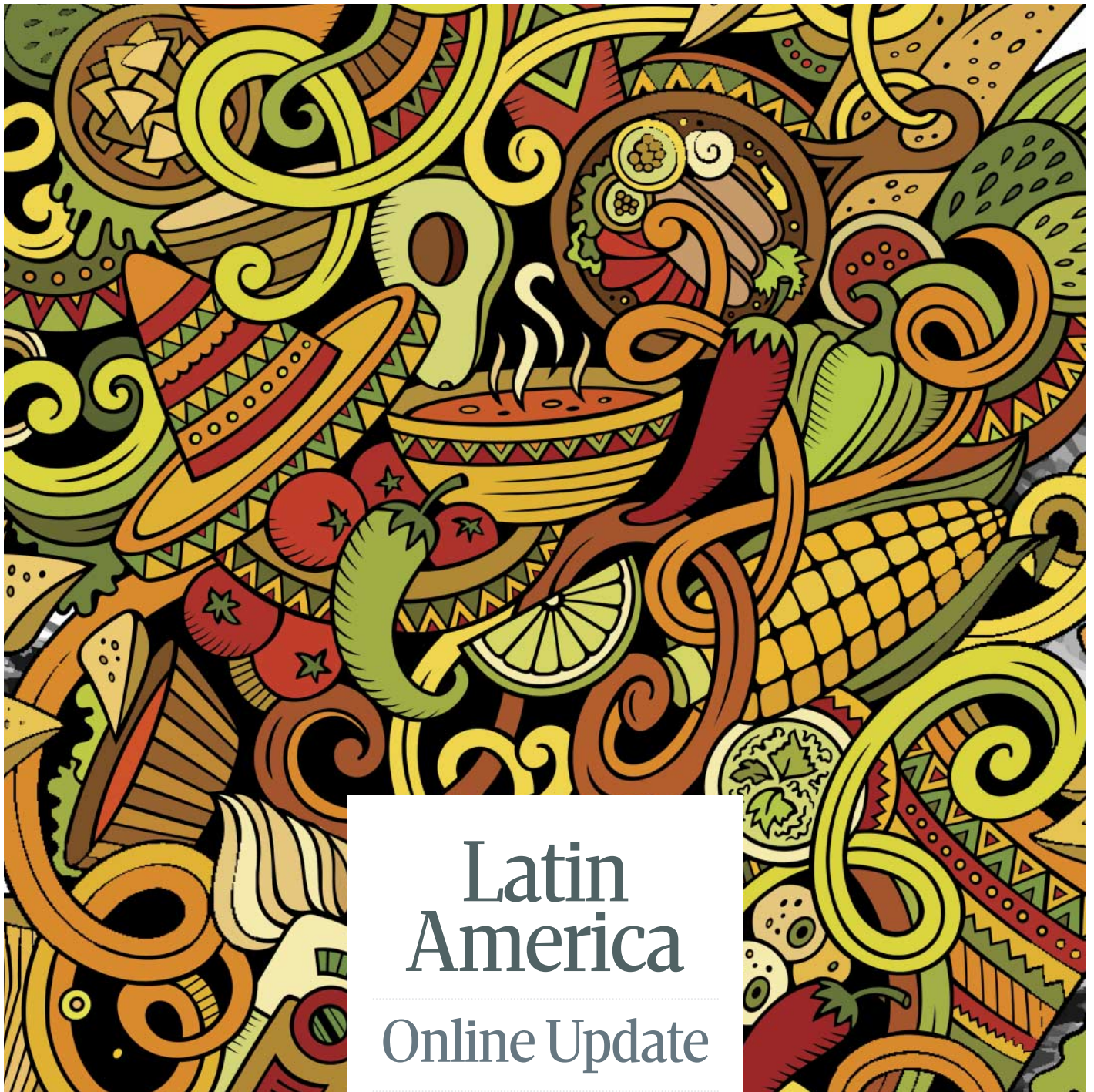
In January 2019, the Ministry of Economy and Finance (MEF) published new rules covering new taxes on the gaming industry. The new measures apply the Selective Consumption Tax (ISC) on casino games and slot machines and went into effect on January 1st. The tax has until now been imposed on the sale and import of certain goods such as fuels, cigarettes, beer, liquor, and soft drinks. The

government has already admitted that new taxes on gaming establishments could lead to closures.

The Peruvian Association of Entertainment and Gaming (APEJA) plans to fight the imposition of the new tax in the courts as they argue it will damage

Peru's growing gaming sector and is illegal. Constante Traverso, President of APEJA commented that the new rate, in effect, raised taxes from 12 per cent to 17 per cent. Overall, the industry has reacted to the new taxes by reducing the number of machines and there has been a general downturn in the market.

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Latin America

Online Update

Legislators in a number of jurisdictions in Latin America are making significant headway in regulating the online market. In a surprise development major changes are on the way in Brazil while in Argentina the government of Buenos Aires province has given online gambling the green light in order to generate much needed additional tax revenue. Meanwhile the regulated online market in Colombia has proven to be one of the industry's bright spots in the region. But while progress has been made in some countries others lag significantly behind and Latin America continues to present an extremely varied picture when it comes to online regulation. In addition currency devaluation, rising inflation and growing economic as well as rising political uncertainty often makes it hard to predict how governments will regulate the market.

However, the potential of the market is undeniable and governments are starting to

Argentina, Bolivia, Brazil, Chile, Colombia, Mexico, Paraguay, Peru, and Uruguay. G3 explores the progress made in online gaming sectors in 2019 across multiple markets in South and Central America

regulate the space more closely. While customers are increasingly better served by a more closely regulated land based casino industry there is still plenty of room for government sanctioned online gambling. Gambling as an entertainment option has gained considerable ground over recent years and attitudes to the industry are far more open than they used to be. Demand is particularly high due to the huge local passion for sports while awareness is being driven forward by increasing presence of online gambling companies via sponsorship deals with football clubs as well as in local media.

So what inroads are legislators making? Where is progress being made? Which jurisdictions look likely to continue to lag behind? What are the most important developments of late and what can we expect to see from the Latin American online gambling market going forward?

Insight

LATAM ONLINE

Uruguay



Uruguay

According to the most recent studies around 91,000 Uruguayans gamble online. It is believed that offshore operators generate millions a year in Uruguay although the exact amount is unknown. However, according to the Luis Gama the head of The Uruguayan Board of Lotteries and Pools Betting (DNLQ), Uruguayans gamble between at least US\$10m and US\$20m a year online

The government has taken a number of measures of late in order to protect the state-run monopoly over online gambling and bolster revenues. In February 2018 the DNLQ announced that the government agency was working together with a number of different organisations to detect online gambling sites. Regulations in force in the country prohibit any type of betting not specifically authorised by law.

The working group is made up of members of the Communications Services Regulatory Unit (URSEC), telephone companies, credit card companies and the Central Bank of Uruguay (BCU).

The DNLQ has compiled a list of sites that will be blocked. Although the prohibition of bets not authorised by the state derives from previous legislation this was reinforced in 2017 via both an executive decree as well two articles included in the new Accountability Law, which was put forward by the Executive branch. The law is designed to balance the federal budget and support the country's projected growth, and impacts both individuals and companies. According to the law

In July 2018 it was revealed that The World Cup along with the blocking of offshore betting sites had led to a significant increase in sports betting via the only authorised sports betting site in Uruguay. According to Gama there was an increase in sports betting of over 50 per cent in June compared to May via Supermatch in 2018. In May sports betting stood at \$200 million pesos and in June the figure reached \$290 million (around US\$9.1m).

“the provision of services through the Internet, technological platforms and computer applications, referred to online gambling or betting” is illegal.

The only online gaming platform currently allowed is via Supermatch. Supermatch, which went live in October 2005, is the first and only officially sanctioned sports betting site in Uruguay.

The site, which is locally run and was developed locally, allows Uruguayans to bet on a number of sporting events, including football, from a number of leagues around the world. The Supermatch game achieved the most growth for games run by the DNLQ in 2017: a total of \$1,700m (US\$59.3m) was bet on the game, tripling the record for previous years.

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In February 2018, 17 offshore gaming sites found to be operating illegally in Uruguay were blocked after they had been identified by the DNLQ. 178 sites have been blocked so far and the DNLQ is moving to block 40 more in the near future. The blocking of sites is

Most of Uruguay's landmass is too far away from cities to have wired Internet access. For customers in these rural and low density suburban areas, fixed wireless ISPs provide a service. Wireless Internet service has also provided city Internet users with some degree of choice in a country where private companies have not been allowed to offer wired alternatives (e.g. cable TV Internet, fiber to the home) to the state-operated ADSL service. Internet access via cell phone networks is probably the most vibrant and competitive Internet marketplace in Uruguay. All the Uruguayan cell phone companies (Antel, Claro, Movistar) offer data plans for their smartphone users as well as USB modems for personal computers.

carried out once the DNLQ publishes a notice in the Official Government Gazette. When no one comes forward and provides credentials when it comes to the company offering its services in Uruguay then the government notifies URSEC, which then blocks access to the site via the three cellular telephone service providers in Uruguay (Antel, Claro and Movistar).

However, the market could open up slightly long term. Mr. Gama said recently that after blocking illegal websites and “cleaning up the offer” of online betting, the government might look into the possibility of a tender process for more online gaming licences.

2019 will see a number of improvements with games being fine tuned and the board is hoping for steady growth for this year. In December 2018, Supermatch and the National Basketball Association (NBA) announced a new multiyear partnership that will make Supermatch the first official gaming partner of the NBA in the country and the league's first in this category in Latin America.

The partnership will be promoted in more than 6,000 retail locations in Uruguay, on Supermatch's and NBA's online platforms, including NBA.com, the NBA App and NBA Latin American social media platforms. As part of the partnership, Supermatch will use official NBA data and branding across its land-based and digital sports betting offerings throughout Uruguay.

Insight

LATAM ONLINE

Colombia & Mexico



Colombia

Colombia was the first country to pass a comprehensive online gambling law. Since passing the law in 2016, the Colombian gaming regulator, Coljuegos, has now granted 17 online gaming licences. Both local and foreign companies currently offer their services online to Colombians, while the land-based sector will also see an expansion in this growing gaming space

The market has shown rapid growth reflecting the potential of a well regulated market in other jurisdictions and there are now over 1.9 million online registered players nationwide. In February 2019, Coljuegos reported a record collection of revenue from online gaming licensing and exploitation rights during 2018.

Operator rights for online gambling reached over \$37bn (US\$11.8m), as reported by the President of the organisation, Juan B. Pérez Hidalgo. Going hand-in-hand with licensing, the government has also cracked down on illegal online and land-based gambling leading to a much more strictly regulated market and a more even playing field for licensed operators.

In 2018, the board seized 2,813 illegal slot machines as well as a large haul of other illegal gambling equipment. It also blocked, with the help of other government bodies, as many as 2,616 unauthorised online betting sites and signed a number of pacts with regional governments in order to clampdown further and coordinate efforts on a national level.

According to new regulations, operators granted a licence must adhere to a number of strict obligations and meet the technical requirements as per the terms granted to it by the state. Meanwhile, Coljuegos, with the help of the National Police, has continued to manage the blocking of unauthorised web pages strengthening the sector even further.

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Mexico

Online gaming has been permitted via special license in Mexico since 2000, but only land-based operators have been allowed to offer their services locally. As land-based operators may offer online services via a licence granted to them by the Interior Ministry (SEGOB), a number of foreign operators have signed agreements with local operators

Online gambling via licensed sites in Mexico currently accounts for a small proportion of casino revenue. Currently, the online operations generate minimal income for the land-based gaming and betting companies.

Overall, the gaming market is dominated by casinos, where slots account for 80 per cent of revenue, 15 per cent is generated by games such as bingo and table games, while online gaming is estimated to contribute just five per cent.

Offshore operators continue to target the market operating in a grey area as there are no specific rules in place on a federal level when it comes to online gambling.

According to the Mexican Gaming Association (AIEJA) the online gaming sector is up to three or five times bigger than the land-based sector, but the vast majority of the online market comes from offshore operators.

According to some reports the online sports betting market could be growing by as much as 50 per cent per year. According to a report

commissioned by local operator, Caliente, the value of the online betting business in Mexico could be worth as much as US\$2bn. Of this, however, 90 per cent of the US\$1,800m is generated via illegal sites.

A new gaming law which would replace Mexico's Raffles and Gambling Act, and which covered online gambling, was passed in the Chamber of Deputies in December 2014. However, it looks increasingly less likely that the law will be enacted as it has been stalled in the Senate for years.

Online gambling regulation could well come under the scope of new rules and regulations now being considered by senators belonging to the left wing party the National Regeneration Movement (MORENA).

Lawmakers have put forward an initiative to increase taxes on gambling and change online gambling rules. The new law also seeks to give the central government more say when it comes to establishing tax rates over the industry.



Argentina



In Argentina online gaming has been permitted since 2006, but only on a province-to-province basis and there is no national law in place that regulates online gaming. Nor is it likely that a nationwide policy will be enacted anytime soon. Instead, provinces will continue to decide on the future of online gambling in each jurisdiction. At present, seven Argentine provinces are looking at new regulations, while Chaco, Misiones, San Luis, Tucumán, Neuquén, Río Negro, Entre Ríos and the province of Buenos Aires currently allow online gaming

The governments of Misiones, San Luis and Tucumán run their own online gambling sites (MisionBet, Jugadón and Pálpitos²⁴).

Meanwhile Neuquén and Río Negro allow their land based casinos to run online casinos Magic and Del Río). Meanwhile, online gambling is limited in Entre Ríos as the province only allows online gambling via an online version of quiniela. In addition, almost all government sanctioned sites only offer online casino and not sports betting. The only exception is Pálpitos, in the province of Tucumán, which offers a wide variety of sports betting options from all over the world and allows betting on domestic football matches as well.

Generally speaking, private operators trying to offer their services have not met with much success. For example, in Formosa, Formoapuesta went online in March 2006. Initially a joint venture between Argentine investors and UK-listed company BetonSports, Formoapuestas obtained the licence in the province of Formosa through a government agency called the Institute for Social Assistance in

In 2018, in the province Buenos Aires, prosecutors secured a three-year prison sentence for the person responsible for the organisation and running of the online betting websites Miljugadas.com, Miljugadas2.com and Miljugadas55.com. In addition, the government of the province has obtained more than 130 court orders to block illegal sports betting sites. It has also achieved the blocking of credit cards, virtual wallets and bank accounts.

Formosa (IAS). However the IAS revoked its licence shortly afterwards.

Provinces in the future will probably opt to run online gaming services themselves via provincial lotteries or via a third-party.

CONTROVERSY CONTINUES

Online gaming continues to be a controversial issue. In 2017, the Buenos Aires prosecutor's office ordered that the online gambling site in Misiones be closed, arguing that it operated in contravention of local gaming laws. Authorities had requested the closure after a bet had reportedly been made via the site within the city limits of Buenos Aires, whereby a total of \$460m pesos was embargoed in the bank accounts belonging to those responsible for the site.

In December 2017, a court in Buenos Aires unblocked the website as experts were able to prove that the site blocked bets made outside of the province and was able to locate precisely where in the country, or in the world, the bet was being made and block it when appropriate. Specifically, the judge also found that there were

sufficient player identification measures in place to identify that the player was not making bets from within the city limits of Buenos Aires. The site is now open, but may only be accessed via computers located in the province.

In addition, local authorities have been cracking down on online operators operating without a licence. In 2018, in the province Buenos Aires, prosecutors secured a three-year prison sentence for the person responsible for the organisation and running of the online betting websites Miljugadas.com, Miljugadas2.com and Miljugadas55.com. In addition, the government of the province has obtained more than 130 court orders to block illegal sports betting sites. It has also achieved the blocking of credit cards, virtual wallets and bank accounts.

BUENOS AIRES

Significant process is being made in the province of Buenos Aires and the capital with online gambling scheduled go live in both soon.

The government has historically been opposed to opening up the online gaming industry but needs to raise additional income in the face of another economic crisis. Argentina's currency crisis is getting worse despite action by policymakers and a \$50bn financial package from the International Monetary Fund (IMF). The peso has devaluated over 100 per cent over the last year and in November Argentina's Senate approved an austerity budget that slashed social spending and raised



In December the legislature of the Autonomous City of Buenos Aires authorised online gambling. The local government expects to raise \$500m through the new initiative. The law was passed by 34 votes in favour and 22 against. The new bill allows for online sports betting and online casino. In the same month the Legislature of the province of Buenos Aires approved laws that permit online gaming throughout the province.

debt payments to meet the demands of the IMF bailout.

In order to raise money the governor of the Province of Buenos Aires María Eugenia Vidal and Horacio Rodríguez Larreta the mayor of City have both pushed through online gaming laws in their respective jurisdictions.

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The province of Buenos Aires was the first to officially put new rules in place. According to the Official Gazette of the province of Buenos Aires the province will grant up to seven licenses in all. Only one licence will be granted per operator. The operator may be either based in the province of Buenos Aires or be a foreign legal entity (legally registered to operate in the province) and will be permitted to advertise its offer (with certain restrictions in place). The government will set up a commission that will be responsible for granting the licences and will take into account 20 minimum requirements, including the financial background, technical know how as well as data security measures, and the number of events and sports the potential licensee plans to offer. The player must be located in the province while making a bet online according to the new law.

The companies that operate online gaming in the province must pay 15 percent of gross income, eight per cent in the form of a specific tax on online gaming as well as a two per cent fee. The newly regulated industry will be run by the

provincial Executive Power, through the Provincial Institute of Lottery and Casinos (IPLyC).

International interest in the new licences has been high. In June the government announced that seven operators had put forward bids in order to offer online gambling in the province with more likely to follow before the deadline lapses on June 25.

Crucially a number of international companies have teamed up with local partners in order to take part. Atlantica de Juegos has put forward a proposal with Stars Interactive. ArgenBingo are working with William Hill. Bingo Pilar with PPB Counter Party Services (Flutter Entertainment, the operator formerly known as Paddy Power Betfair). While local operator BinBaires is teaming up with Intralot. Meanwhile, Hotel Casino Tandil-Dynamo Tyche is making a move into the market with Playtech Software Limited. However two local operators: Biyemas and Slots Machines have opted to take part without a foreign partner.

A similar licensing model has been put into place in the city of Buenos Aires. At the end of May the Legislature of the City of Buenos Aires approved the final regulation of online gambling, which specifies that the Lottery of the City of Buenos Aires (LOTBA) will be the supervisory body over the industry.

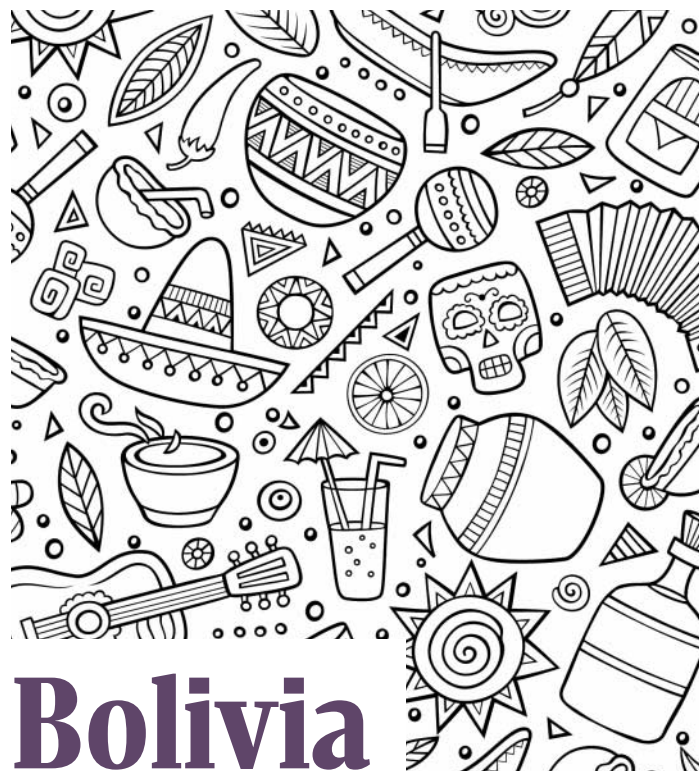
Resolution No. 80/19, put forward by LOTBA, was endorsed with the votes of the ruling bloc and the rejection of other parties, winning 34 votes in favour from the ruling party and 26 negative votes from other parties. The regulation covers "all online games of chance and / or skill, sports betting, virtual games and non-sporting events, made through the use of machines, instruments or supports, or any type or technology." This includes online casino and sports betting.

However, the tender for the new licences in the city of Buenos Aires has not yet been launched.

Insight

LATAM ONLINE

Bolivia



Bolivia

Bolivia still continues to lag behind both in the land-based gaming space as well as online. The gaming industry in Bolivia is still largely unregulated with illegal gaming widespread. There are currently no laws in place when it comes to online gambling

In October 2016, Bolivia's Authority of Taxation and Social Control over Gaming (AJ), announced that new rules to control online gaming were needed, but no action was taken.

In July 2018, an investigation carried out by the AJ revealed that players in Bolivia use at least seven online casinos operated by web pages hosted outside the country. According to the study, between 2013 and 2017, \$b2.6m was gambled via offshore betting sites. The report advises "establishing a responsible legal framework" to regulate online activity in Bolivia, so that it more closely reflected the current gambling landscape.

According to the study the most visited online casino websites are Casino Estrella, Slots Magic, Bet 365, Exbet, BWIN, and Fortuna Juegos. All of these are illegal, since there is no legislation for online gaming in place. By analysing the transactions of the credit cards used, the regulator

concluded that online gambling has been steadily increasing between 2013 and 2017.

From 2011 to August 2017, 1,413 government interventions were carried out on illegal gambling websites in Bolivia. In addition, the report found it important to note the high number of Internet searches "related to online gambling, which shows that the Bolivian population is interested in pages that allow them to bet and play virtually, whether via online casinos or through sports betting."

The study recommended the "establishment of a responsible legal framework" to regulate online gambling in order to more accurately reflect the gambling landscape in Bolivia "especially after the development the sector has experienced since 2011 with the growth of unlicensed companies which offer (casino) games and also online bets." However it is unlikely that any real change to the online gambling market will happen anytime soon.

The Internet in Brazil was launched in 1988. In 2011 Brazil ranked fifth in the world with nearly 89 million Internet users, 45 per cent of the population. In 2010, Brazil had 13,266,310 fixed broadband subscriptions, 6.8 per 100 residents; broadband Internet access was available in 88 per cent of Brazilian cities, surpassing all expectations for its expansion. By 2017 this value had risen to 64.7 per cent. In 2016 and 2017, major internet providers announced their interest in introducing data caps, a decision that was met with major backlash. Many technologies are used to bring broadband Internet to consumers, with DSL and cable being the most common (respectively, about 13 million and nine million connections), and 3G technologies. 4G technologies were introduced in April 2013 and presently are available in over 90 per cent of the country.



Brazil



Under Brazilian law any game involving a bet is a crime according to the Criminal Contravention Act of 1941. As this law still stands, any type of gaming activity that does not have its own regulations is considered to fall under the Act. Consequently, sports betting and online gambling remains banned for now. In fact, sports betting is still only allowed via horse races at official racetracks and via a number off-track betting shops. Major changes, however, are on the way with the impetus coming from the newly elected government

With no bricks and mortar betting solution on offer the online market in Brazil has grown considerably and it is now estimated that Brazilians gamble as much as US\$600m a year via offshore sports betting sites.

Two major gaming bills – one in the Senate and the other in the Chamber of Deputies – both cover online gambling to a limited degree, but the Brazilian government now looks set to allow online gaming and sports betting via another legislative route.

PROVISIONAL MEASURE 846/18

Rising crime and security played an important role in shaping the outcome of the recent Presidential election. One of the newly elected Jair Bolsonaro's flagship campaign issues had been to increase security for Brazilian citizens. Increased lottery income is expected to foot part of the bill. In a move that took many by surprise the National Congress of Brazil approved new gaming legislation that will allow for both online and land-based sports betting.

The bill, Provisional Measure 846/18, deals mainly with how lottery funds are distributed giving priority to National Security. A much larger proportion of resources operated by Brazil's largest state-owned bank and lottery operator – the Caixa Econômica Federal (CAIXA) will be earmarked for public security, while the bill seeks to raise additional income for the government by green lighting sports betting and gives the Ministry of Finance initially, just two years to get sports betting up and running. However, this can be extended for another two years.

As far back as 2012, CAIXA, along with the Ministry of Finance, has been looking at ways to offer sports betting in a limited way online and via sports betting shops, while lawmakers, as well as a number of other government departments, including the Sports Ministry, had unsuccessfully pushed for changes to Brazil's gambling laws. Not only did the bill find overwhelming support, but it also passed through both chambers in record time.

The bill was originally published in

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August 2018 as a new version of MP 841/2018. The new text comes from proposed changes put forward by the Ministries of Culture and Sports so that they receive a higher percentage of revenue. The bill is mainly focused around how lottery resources are to be distributed in the future. The federal government anticipates that the newly approved lotteries legislation will guarantee annual revenue of about R\$1bn for public security, R\$63m for sports and R\$443m for culture.

Sports betting and online gaming is covered in only the most generalised terms in Chapter V of the new bill – Betting on Fixed Odds. According to article 5: "The fixed-rate betting lottery shall be authorised by the Ministry of Finance and shall be operated exclusively in a competitive environment and may be marketed in any commercial, physical and electronic distribution channels."

In land-based sports betting establishments, a minimum of 80 per cent will need to be awarded back to the player, while this will stand at 89 per cent for online

