

TRACKING THE PATH TO REGULATION IN LATAM'S TOP FIVE MARKETS

BIG EXPECTATIONS

for a big new betting and gaming market will inevitably lead to even bigger moves on the regulatory front, especially in the case of Latin America. Here we gain some indispensable insights into how legislation will shape up in the top five markets from Mike Vanaskie, Senior Vice President, Development & Economic Analysis at The Innovation Group

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As the world continues to re-emerge from the COVID-19 pandemic, global economies face a new set of challenges.

Rampant inflation, increasing government deficits and natural disasters are just some of the issues with which many nations, including several Latin American countries, now are grappling.

In response, governments throughout Latin America have been searching for ways to diversify and grow their economies, and fund public initiatives. At the same time, gambling in all its forms continues to grow and gain acceptance in the western world, leading many pundits to share the belief that the legalisation of gambling in most Western markets is not a matter of if, but when.

Whether the considerable amount of movement around Latin American gaming-related legislation is in response to current economic challenges or an embrace of the



inevitable, over the past 12 to 18 months there have been numerous significant legislative initiatives across the region. This article will detail the top five markets with the most meaningful Latin American regulatory changes and provide a brief overview of other "honourable mention" updates.

Brazil

Despite a gaming legalisation and regulation process that has been plagued by uncertainty and numerous false starts, Brazil continues to be one of the most anticipated and closely followed markets in Latin America. Some recent, promising movements indicate that the sleeping giant that is Brazil's gaming market may finally be waking - for some forms of gaming, at least.

The process to permit fixed-odds

sports betting in Brazil was first set in motion through the passage of a law in December 2018. While this created a grey market that is technically legal for online sports betting, formal regulations have yet to be rolled out. However, this soon could change as Law No. 13,756/2018 indicates that the regulation must be rolled out within a four-year period, with the final deadline occurring in December 2022.

In February 2022, the legalisation of other forms of gaming - including land-based casinos, among others - was set into motion with Brazil's Chamber of Deputies passage of Bill of Law No.442/1991 more than 30 years after it was first introduced. Following the Chamber of Deputies approval, the bill was sent to the Senate for the next step of the approval process.



More recently, in August 2022, Brazil's Chamber of Deputies advanced another bill that would legalise health and tourism lotteries, and provide a taxation and regulatory framework for sports betting within the country.

Despite this recent positive momentum and looming regulatory deadline, the final approval process, legalisation and regulation of the aforementioned types of gaming has been delayed because of, well, politics. Brazil's general elections will be held in October 2022. The Senate, as well as Brazilian President Bolsonaro, have been reluctant to formally approve any gaming legislation before then.

Recent reports suggest that at least one piece of gaming legislation will be approved after the General Elections. Our contacts in the market believe legislation related to sports betting regulation and lottery expansion are more likely to be approved than 442/1991. The coming deadline for sports betting regulations may make it the most likely candidate for approval; however, a pleasant surprise may be in order after so many years of waiting with bated breath.

Peru

While the future of Brazilian gaming legislation remains less than certain,

recent changes to Peruvian gaming legislation were comparably cut and dry. In August 2022, Peruvian President Pedro Castillo signed a bill into law officially legalising sports betting and online gaming in the country. The country's Congress of the Republic previously advanced the legislation with a unanimous vote. As part of the formal legalisation, the Ministry of Foreign Trade and Tourism was

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named the country's official gambling regulator. Moreover, a tax rate was set for operators at 12% of the "total tax base", which consists of net revenue less maintenance costs. An additional maintenance tax consists of 2% of an operator's income.

Despite being projected to generate roughly US\$40m in tax revenue for the government, the law has faced criticism from the Peruvian Sports Betting Association (APADELA). The association

issued a statement in July stating the language of the law suggests only betting companies with branches in Peru will be subject to taxation while the remaining companies operating digitally in the country will be exempt. At this point, it is unclear whether any amendments will be made to the legislation to address this potential issue.

Puerto Rico

Despite ongoing challenges presented by mother nature, the Puerto Rico Gaming Commission granted its first licence for legal sports betting to Casino del Mar at La Concha Resort, and its operating partner BetMGM, in early 2022. While the US territory passed sports betting-related legislation in 2019, the implementation process was slow moving. The Innovation Group was particularly excited to see the first bets placed in Puerto Rico given our involvement in the 2019 legalisation effort working with its Chamber of Commerce to help the government understand the sports betting market opportunity.

In February 2022, on the heels of awarding the country's first sports betting licence, the Puerto Rico Gaming Commission granted three new casino licences - authorising casinos in the

Aloft San Juan, the Hampton Inn in Dorado and the Tribute Portfolio by Marriott Hotels in Ponce. While ramping up the competitive environment, these new properties should help the casino market - which we estimate generated over US\$350m in gross gaming revenues prior to the pandemic - recover and grow in the post-COVID world, and on the heels of recent, historical weather events.

Chile

The Chilean government introduced a bill in March 2022 to regulate online gaming and sports betting, with a goal of launching the regulated market by the beginning of 2023. With the seventh largest population in the region and a large, unregulated black market for sports betting and online gaming, regulating these forms of gaming would create a significant legal market and, at the proposed 20% gross tax on licensed operators, be a boon for government coffers.

The legislation has stalled, however, with the most recently publicised update indicating that the Economic Commission for Chile's Chamber of Deputies was insisting on a review of the tax framework in August 2022. The Commission specifically noted that the tax structure lacked a regime for international operators. Perhaps Chilean politicians noticed APADELA's criticism of the Chilean government's recent legislation?

Uruguay

In August 2022, the country's Senate Finance Committee approved a bill that would legalise online gaming in the country. The bill has advanced to the Chamber of Deputies where upon passage it will advance to the Senate for a full vote. The bill first was introduced in 2021, but was met with criticism from some government officials for its lack of problem gaming provisions.

While an article has been added to the legislation to fund problem gaming programs, some government representatives feel that more still needs to be done to combat problem gaming, including advertising restrictions. On top of this, the bill has faced criticism from the private sector as well. The Italian hotel and leisure company Cipriani, which has publicly announced its intention to develop a

\$450m casino resort in Punta del Este, has spoken out against the legislation.

With opposition from both the public and private sectors, it appears Uruguayan lawmakers may be forced to rework the legislation yet again.

Honourable Mentions

A number of other legislative movements in the Latin American market warrant coverage. While not exhaustive, this "honourable mention" list highlights some of the more

Maduro issued an order enabling the country's casinos to reopen in late 2021, after their forced closure some 10 years ago by the late Hugo Chávez. The reopened casinos already are embracing the future with many now accepting cryptocurrency.

El Salvador has become the first country to welcome a casino built around non-fungible tokens (NFTs). In January 2022, Canada-based Astro Babies announced the development of its first physical casino, located in El



meaningful and interesting legislative updates in the market.

Paraguay's National Gambling Commission recently launched a tender for sports betting licences amid allegations of corruption within the regulatory body. On top of this, existing operators are criticising the government for not cracking down on illegal, unlicensed operators in the country.

Venezuelan President Nicolás

Salvador, where players can buy and sell NFTs.

Curaçao, a small island nation and online gambling hub, announced in July 2022 that it will implement significant reforms to its online gaming regulations. This includes the establishment of an independent licensing authority in an effort to shed its reputation as a reluctant leader of black and grey market online gaming. ■