



KEY INFORMATION ON THE NEW BRAZILIAN SPORTS BETTING LAW

TozziniFreire iGaming team prepared below an executive summary of the main aspects of the new Brazilian Sports Betting Law (Federal Law No. 14,790/2023) which brings new rules and amends the existing law on iGaming and lottery (Federal Law No. 13,756/2018). After a long period of discussion in the Brazilian Parliament, the Sports Betting Law was enacted by President Lula on December 30th, 2023, opening a new chapter for the gaming industry in Brazil.

/ WHAT DOES THE LAW AUTHORIZE?

As per article 3, fixed-odds betting in Brazil will comprise: (i) any real sports event or (ii) virtual online games.

/ HOW BETS SHALL BE EXPLORED IN BRAZIL?

Only operators authorized by the Ministry of Finance will be able to operate within the Brazilian territory, always in a competition regime. Further rules will be soon published by the Federal Government related to other matters involving the regulation of the industry.

/ REQUIREMENTS TO OPERATE IN BRAZIL

companies must set up headquarters in Brazil, abide by the new law rules, and further regulation to be issued on the matter. Foreign companies must set up a subsidiary in Brazil, and at least 20% of their share capital must be held by a Brazilian shareholder (either legal entity or individual). The partner or controlling shareholder of the company requesting the license may not have direct or indirect participation in any Brazilian Football Association or professional sports organization.

/ MANDATORY CORPORATE POLICIES

operators to abide by mandatory corporate policies to prevent fraud, by developing anti-money laundering, compliance/integrity, responsible gaming rules and ombudsman for bettors. Further regulation will be published in this regard.

/ TIMING

operators may request or apply for authorization at any time. Companies in the process of being granted a license will have up to 6 months (180 days) to adjust their activities and business to the law requirements.

/ MAXIMUM GRANT

Sports Betting Law established that the fixed grant shall be up to 30 million Brazilian Reals, for the use of three brands within five years.

/ ADVERTISEMENT

Specific rules for advertisement and marketing were also included in the new law. Although further regulation will be published by Ministry of Finance, it is already stated advertisements and marketing must consider, at least:

- Warning about possible harms arising from the gaming/iGaming practice.
- Advertisement must include warning to prevent pathological gambling disorder (ludopathy), as well as prohibiting the participation of minors under 18 (eighteen) years old.
- Advertisement must be focused on adults, so as not to have children and adolescents as the target audience.

/ SELF-REGULATION RULES

CONAR (Brazilian Self-Regulation Council), a non-governmental organization (NGO) that seeks self-regulation of the advertising sector, published Annex X right after the Sports Betting Law was enacted. The Annex X brings new guidelines for advertisement within the sports betting sector and iGaming industry. A summary of this Annex can be found [here](#).

/ PAYMENT METHODS

All payment transactions must be done by operators duly authorized by Ministry of Finance. Only financial institutions authorized by BACEN (Brazilian Central Bank) will be able to provide financial services within the sports betting industry. Further regulation will be issued to establish rules and effective systems and processes for monitoring bettor activity, to identify harm or potential harm associated with gambling and other matters as provided for in articles 21 to 25 of the Sports Betting Law.

/ INSPECTION BY GOVERNMENT BODIES

The Ministry of Finance will issue further rules on the inspection process of operators under this law. The regulations to be issued will provide the manner and procedure for operating agents to send or make available clarifications, technical, operational, economic-financial and accounting information, data, documents, certifications, certificates, and reports that are considered necessary to monitor the activities carried out by betting operators. A monthly inspection fee between R\$ 54,419.56 and R\$ 1,944,000.00 will be due, proportional to the GGR.

/ FORBIDDEN CONDUCTS

The Sports Betting Law forbids the following conducts that may result in imposition of sanctions to the operators, such as:

- granting, in any form, advance, bonus or prior advantage, even if merely as a promotion, publicity or advertisement, for placing a bet.
- entering any partnership, agreement, contract or any other form of arrangement or business adjustment to enable or facilitate access to credit or commercial development operations by bettors.
- installing or allowing to be installed, in physical establishments, any agency, office, or representation of a legal or natural person that grants credit or carries out commercial development operations for bettors.



/ PENALTIES

Sports Betting Law sets forth several mechanisms for imposing sanctions. Especially article 39 covers the hypotheses in which the government will consider an operator is in breach, such as: exploring fixed-odds betting lottery without prior authorization from the Ministry of Finance and carrying out operations or activities that are prohibited, unauthorized or in disagreement with the authorization granted.

/ TAXATION

Brazilian Sports Betting Law provided that net prizes obtained from betting on the fixed-odds betting lottery will be taxed the Individual Income Tax (IRPF) at a rate of 15% (fifteen percent) that will only be levied on the bettor's net gains. The form and period of calculation, however, will be regulated by the Brazilian Ministry of Finance internal ordinances expected to be released soon.

/ WHAT'S NEXT?

- The Ministry of Finance has just kickstarted the system testing period with the 134 companies that have formalized their interest in applying for a license.
- Recently, on January 31st, the very first Decree No. 11,907/2024 was published creating the Prizes & Betting Department will be the government body responsible for authorizing, allowing and granting, regulating, standardizing, monitoring, supervising, inspecting and sanctioning the segments of free distribution of prizes for the purpose of advertising, advance capture of popular savings, fixed-odd bets and all lottery types, including sweepstakes and other types of lotteries carried out by horse racing promoters.



- The Ministry of Finance is working on the wording of ordinances (Portarias) that will further regulate other aspects the Sports Betting Law, including those related to the process to obtain the license, requirements on minimum capital, mandatory internal rules, payment methods, among others.
- Since President Lula vetoed eight provisions of the Sports Betting Law, the approved provisions were already enacted, and the vetoed ones returned to the Brazilian Congress (a joint session of the House of Representatives and the Federal Senate) for further analysis. If these vetoes are maintained, the law remains as it is. If they are overturned, the previously vetoed sections become part of the law. The Brazilian Congress has up until March 3rd, 2024, to analyze the vetoes.
- Public hearings are expected to be scheduled for the Government gather contributions from the sector to improve the rule-making process.