

REGULATION AND TECHNOLOGY INSIDE LATIN AMERICA

joginvik, Tuesday 14 February 2012 - 14:47:23

Detailed analysis of the terrestrial and digital gaming markets throughout the region's countries. Here, we take a look at the current regulatory and technical environments for online gaming in selected markets.

Argentina

launching an online gambling website in Argentina is a complicated matter. This is due to the fact that, currently, there are no federal or provincial laws specifically regulating this activity.

There are two Laws that are currently affecting companies that have launched ; traline gambling sites. Law N0.25.295 grants Loteria National control over sportsberbing activities throughout Argentina and (in article 15) states that Loteria National can run sportsberbing games using all available media and technology including the Internet.

The other law is only applicable in the city of Buenos Aires where online gambling sites that have not been granted a licence in the city are considered to be violating articles 116,117 and 118 of the Buenos Aires 'Contravention Code". These articles forbid the local operation and promotion of gambling activities without a local valid license.

In Qi 2010, the Argentinean federal government announced plans to create regulations for online gambling activities throughout the country.

Brazil

As there is no federal legislation specific to online gambling, all such activities are considered illegal and fall under the scope of The Criminal Contravention Act. However, there have been no formal attempts by the government to stop Brazilians from placing bets on websites set-up outside of Brazil. In Q3 2007. Brazil's Chamber of Deputies submitted a bill (number 2429/2007) to prohibit Internet sportsberbing as an illegal activity. The bill was filed by Deputy Luis Carlos Haully and it proposes that bets on all types of sports events through any method of data transmission, especially over the Internet, in the national territory including sea and airspace, should be considered illegal.

The main claim is that all online betting activities are an infringement of the Criminal Contravention Act; article 50 establishes that anyone found guilty of publicly offering unauthorised wagers on sporting competitions could be sent to prison from anywhere between three and 12 months.

Similar to the model adopted in the US under the Bush administration (UIGEA), the bill places the greatest burden on Brazil's payment providers rather than on the website operators. The bill states that financial bodies would face a criminal offence but would also be subject to a fine 200 times the amount of the betting transactions processed.

Chile

Chile has a state-of-the-art telecom infrastructure and regulatory system, and the highest PC and Internet penetration rates in Latin America, reaching 50.4 percent of the population with 8.36 million users in 2009. The country's broadband market is a fast growing business, with cable modems growing by around 45 percent a year and ADSL access by around 108 percent.

Chile also has one of the highest mobile telephony penetration rates in Latin America at 89 percent and it is considered one of the six main markets in the region. Mobile penetration doubled between 2008 and 2009.

Telephones	3.5 MILLION (2008)
Mobiles	16.45 MILLION (2008)
Mobile penetration	89 % (2008)
Internet users	8.36 MILLION (2009)
Internet penetration	50.4% (2009)

Source: World Fact Book 2011, Internet World Stats 2009

Although online casino games are considered illegal in Chile, it has been estimated that they generate circa US\$12 million a year in virtual bets. In Q3 2006, the Casino Board issued an official statement clarifying that under the new casino law of 2005 all casino style games including roulette, cards, dice and slots are an illegal activity online.

However, the Chilean government has not made any measure to control or restrict online gambling and although there is no iGaming licence system within the country, players are free to play at foreign gambling websites.

Within the lottery sector, La Polla Chilena and Loteria de Concepcion have been granted an online remit under their existing licences. The Internet operations of both companies are estimated to account for circa 1.5 percent of their total revenues.

Polla Chilena has been the most successful online pioneer. It has incorporated new and more interactive games targeted at a young-adults segment of the population. The most successful of these games has been Xperto (forecast Sports Games). Today, five percent of its sales are through the Internet.

In November 2009, Loteria de Concepcion signed a seven year contract with leading gaming systems provider Intralot.

Columbia

Colombia has the fourth highest amount of Internet users in Latin America (20.7 million) as reported in Internet World Stats in 2009. This represents 47.6 percent of penetration based on its current population and has experienced a growth of 2.26 percent between 2000 and 2009.

Telephones	6.82 million (2009)
Mobiles	42 million (2009)
Mobile penetration	94% (2009)
Internet users	20.7 million (2009)
Internet penetration	47.6% (2009)

Source: World Fact Book 2011 Internet World Stats 2009

Online gambling in Colombia is available to all players. The Colombian government has not taken a stance one way or another regarding gambling over the Internet and do nothing to prevent players from gambling on foreign websites. In fact, every year in Bogota, the online gambling expo. Feria Andina de Juegos de Azar (FADJA) attracts industry executives from the surrounding Latin American countries. Perhaps ZADTA is a sign that Internet gambling will be formally legalised in Colombia in the near future. Also, the high popularity and success of this expo may be an indicator that online gambling in Colombia will be a key sector.

The main gaming activities taking place online are driven by the lottery sector which is trying to modernise its offering and to make it more accessible for people to play lottery games. Online sales of the Baloto game operated by ETESA with support from GTECH,

have continued to grow despite the decline of traditional ma provincial lotteries. ETESA believes the launch of second online game "Mini-Loto" will boost the national lottery sector further by appealing to a wider demographic.

Costa Rica

Although Costa Rica is home to more than 450 online gambling companies, it does not have legislation specifically designed to deal with gambling Ofer the Internet. The Costa Rican government's stance on Internet gambling is that as the act of wagering does not take place at the location of the operator's gaming servers then companies residing in the country are able to legally offer Internet wagers to customers all over the world as long as they refuse to accept wagers from individuals located in Costa Rica.

This means that as long as Internet gambling companies process bets in Costa Rica but none of the money collected enters the country, then they may operate freely. As a result, Costa Rica has become a haven for international iGaming companies. As there is no legislation for Internet gambling, operators based in Costa Rica are not subject to the usual regulations, monitoring, and testing procedures that offshore governments tend to subject their licensees to. Instead, these operators are self-regulated.

Also, since there is no official regime to recognise license holders, there are no betting or gaming taxes. Instead, companies operate under a 'data processing' licence. The government has been trying to profit from the revenues of this booming industry for a long time, and has been considering implementing new regulations where online casinos and sportsbooks would need to register with the Ministry of Economy and pay a license fee based on the number of employees. Some prominent online gambling businesses have intimated that they would leave Costa Rica if such measures were put in place.

Mexico

In 2009, the amount of Internet users in Mexico reached 27.6 million, representing a penetration rate of 24.8 percent. Although the amount is the second largest in Latin America, its penetration rate is lower than average. This has been hindered by the low penetration of personal computers and the poor telecommunications infrastructure, particularly in rural areas. As a result, most Internet users are found in urban areas. The profile of the typical Internet user has been described by VeriSign as "young people who enjoy a good economic situation and are ready to embrace new trends". They access the Internet predominantly from home (48 percent), Internet cafes (35 percent) with the workplace accounting for 18 percent.

Mobile phones, on the other hand, are used by 71.4 percent of the population (80 million people). The key mobile network operators are Telcel with 75 percent of the market, Movistar with 17 percent, Lusacell with 6 percent and Nextel making up the remainder.

On January 17, 2011, the Council of Guadalajara approved the Regulation for Online Betting Centers, Draw Halls and Casinos, on top of modifying the Regulation on Restricted Money Orders. Operating betting machines would not require a local authorisation, because these types of authorisations are issued by SEGOB.

Nicaragua

A mere 600,000 Internet users in were reported in Nicaragua in 2009, representing 10.2 percent of the population. In a country where more than half of the rural population are without regular electricity, there are surprisingly few regions that do not have access to a high-speed broadband connection. In Nicaragua, an astonishing 93 percent of the country's municipalities have the infrastructure necessary for a broadband fibre-optic or digital radio link. Credit is largely due to the cell phone network, Enitel, the national telecommunications carrier, which has been aggressively expanding in recent years. The quality of that extensive network could allow for affordable Internet in even the most underdeveloped and remote parts of the country.

However, although Nicaragua has a very good network infrastructure, it is not typically used to providing online services.

Telephones 250,000 (2009)
Mobiles 3.2 million (2009)
Mobile penetration 53% (2008)
Internet users 600,000 (2009)
Internet penetration 10.2% (2009)

Source: World Fact Book 2011 Internet World Stats 2009

Online gambling in Nicaragua is a good alternative for players who want more than what the limited land-based gambling venues currently offer. An important development in this respect occurred in July 2010, when representatives before the National Assembly gave their approval for the implementation of an Online Lottery in Nicaragua.

Panama

Panama has one of the smallest amounts of Internet users in Latin America, at just under a million users. However, this is good considering the size of its population which is only 3.3 million. Its mobile penetration, however, is very impressive with 5.7 million mobile phones in circulation.

Telephones 0.52 million (2008)
Mobiles 5.7 million (2010)
Mobile penetration 117% (2008)
Internet users 0.93 million (2009)
Internet penetration 27.8% (2009)

Source: World Fact Book 2011. Internet World Stats 2009

Online gambling is legal in Panama, and the government has been issuing licences to local and foreign companies since April 2002. iGaming law in Panama is extensive and complicated; all Internet gaming companies operated from or hosted in Panama have to be registered under the Online Gaming Act of 2002, which authorises them to offer gambling services over the Internet.

Ever since the first officially licensed online sportsbook appeared in Panama in 2003, a host of large international operators have set-up in the market, offering a wide range of sports betting opportunities to both locals and to their international audience. Key players include Bet365, Betsson, Bodog, BoyleSports, IASbet, Intertops, Ladbrokes, PartyBets, Unibet and VC Bet.

Online sports betting companies generated revenues of US\$26.3 million in 2007 - showing a growth of 87 percent when compared to 2006.

Paraguay

Online gambling in Paraguay is neither legal nor illegal. The government has recently tried to put online gambling into the same category as offshore banking which, to cut down on money laundering, is illegal. The definitions are not clear, however, and the law is proving hard to enforce.

The main issue is that offshore gambling websites are located outside of the Paraguayan government's jurisdiction. As a result online casinos in Paraguay are gaining popularity and should provide a lucrative incentive for any future regulation of the industry by the government.

With regards to online connectivity and access, Paraguay has the lowest fixed-line tele-density and also the lowest Internet user penetration in South America. The state-owned incumbent, Copaco, has a monopoly over the fixed-line market, and is known as being

inefficient and overstaffed. This has proved a bonanza for the four private operators that compete in the mobile market. Mobile penetration is about average for Latin America - which is an incredible achievement considering that Paraguay's GDP per capita is roughly 72 percent lower than the regional average.

Telephones 390,000 (2008)
Mobiles 5.6 million (2008)
Mobile penetration 89% (2008)
Internet users 900,000 (2008)
Internet penetration 14% (2008)

Source: World Fact Book 2011

Peru

According to Internet World Stats, Peru had an Internet penetration of 25.8 percent with 7.64 million Internet users by the end 2009. This places Peru at slightly lower levels of Internet users than those found in Chile and Venezuela.

As in most Latin American countries mobile phone penetration is considerably higher than land-line telephones. Therefore, it is not surprising to find that there are already important mobile gaming applications in Peru as it allows for a greater reach of the population.

Telephones 2.96 million (2009)
Mobiles 24.7 million (2010)
Mobile penetration 70% (2008)
Internet users 7.64 million (2009)
Internet penetration 25.8% (2009)

Source: World Fact Book 2011, Internet World Stats 2009

In Q2 2008, the Swedish firm Betsson became the first company to offer online gambling in Peru. According to Betsson's General Manager, Thomas Kalita, the company had explored several markets in South America but decided on Peru partly due to the growth of Internet penetration and the number of active users. Betsson offers casino and sportsbook online or via mobile.

Uruguay

Uruguay has an Internet penetration above the region's average, reaching 38.3 percent in 2009 representing 1.34 million users. Mobile penetration, on the other hand, reaches 100 percent of its population with 3.5 million users reported in 2008.

Telephones 959,300 (2009)
Mobiles 3.8 million (2010)
Mobile penetration 100% (2008)
Internet users 1.34 million (2009)
Internet penetration 38.3% (2009)

Source: World Fact Book 2011, Internet World Stats 2009

Despite the high penetration rates for Internet and mobile, there is little online gaming activity reported in Uruguay. However, Uruguay could soon become another popular base for international operators as its government works on a regulatory proposal similar to that in Panama and Costa Rica. The government is hoping that the country's competitive business tax regime and its advanced communications network will position the country as the hub of South American online gambling.

Venezuela

The best opportunities for remote gaming in Venezuela are to be found via the mobile channel, which boasts a 100 percent penetration rate compared to the Internet's 33 percent.

Telephones	6.9 million (2009)
Mobiles	28 million (2009)
Mobile penetration	100% (2008)
Internet users	8.84 million (2009)
Internet penetration	33% (2009)