



Public Law and Regulation

# Sports Betting

Lefosse

On May 22, 2024, the Secretariat of Prizes and Betting ("**SPA**") of the Ministry of Finance ("**MF**") published **SPA/MF Ordinance No. 827/2024**, with the purpose of establishing rules and conditions for obtaining authorization for the commercial exploitation of the lottery modality of fixed-odds betting by private economic agents throughout the Brazilian territory.



The rule establishes the necessary **procedures for obtaining authorization from the MF for the operation of popular sports betting in Brazil**, considering the guidelines and general rules already established in Federal Law No. 14,790/2023. SPA's initiative, included in its Regulatory Agenda for 2024 and widely expected by economic agents interested in exploring fixed-odds betting in Brazil, will allow not only the provision of this lottery modality by new interested parties, but also the regularization of legal entities that already operate the activity today.



Thus, legal entities that were already in activity at the time of the publication of Federal Law No. 14,790/2023 must obtain authorization from SPA by **December 31, 2024**, so that they operate on a regular basis. From January 1, 2025, legal entities that exploit fixed-odds betting in Brazil without authorization from the SPA will be subject to penalties.





For legal entities that **submit the authorization request within the first 90 days from the date of publication of SPA/MF Ordinance No. 827/2024**, the authorization must be granted by SPA by December 31, 2024, provided that all legal and regulatory requirements are met.

In addition to the rules and criteria for obtaining authorization, SPA/MF Ordinance No. 827/2024 is also composed of several annexes, which include **drafts and guidelines to be followed by the requesting legal entities**, to facilitate the authorization process, including the application drafts, declarations, and forms to be completed.

It is also worth noting that, on May 23, 2024, **Interministerial Ordinance No. 28/2024** was published, prepared by the MF, the Ministry of Sports and the Attorney General's Office, to establish the attributions of such bodies in the process of analyzing requests for authorizations for the exploitation of fixed-odds betting. In addition, it assigns to the **Ministry of Sports** the competence to define and keep updated a public list of sports modalities and sports entities that can be the object of bets on real sports-themed events.





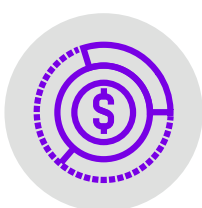


## Relevant Concepts



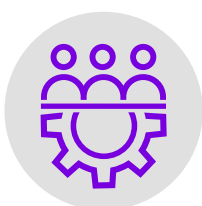
### Directors

Occupants of management positions and the members of the applicant's board of directors.



### Economic group

All individuals, legal entities or investment funds involved in the applicant's chain of ownership.



### Controlling group

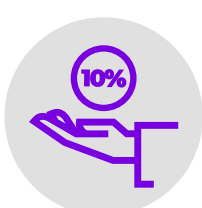
A group of persons bound by voting agreement or under common control who assume the condition of controlling shareholder of the applicant, directly or indirectly.



### Controllers

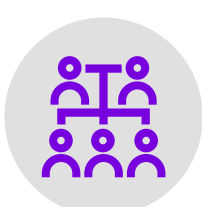
Members or shareholders who, individually or jointly with the other members of the controlling group, individuals or legal entities, directly or indirectly:

- A. Hold or exercise rights that ensure, on a permanent basis, preponderance in corporate resolutions and the power to elect the majority of the applicant's directors; or
- B. Effectively direct the social activities and guide the operation of the applicant.



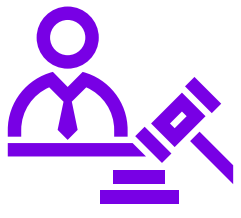
### Qualified ownership interest holders

Members or shareholders, individuals, legal entities or investment funds, not controlling shareholders of the applicant, who, directly or indirectly, individually hold a portion greater than 10% of the voting stock, when a corporation, or more than 10% of the applicant's capital stock, when a limited liability company.

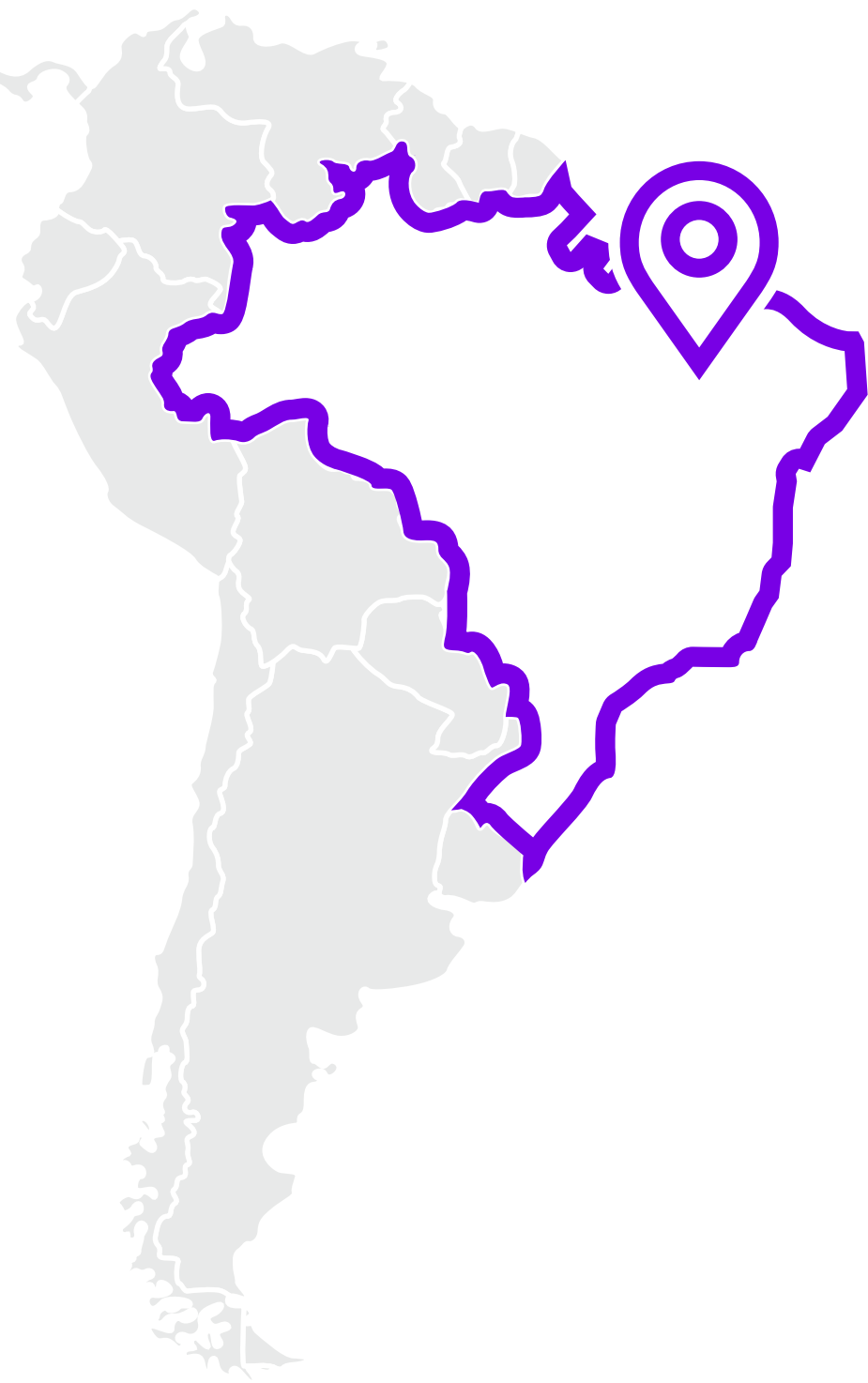


### Final beneficiaries

The members or shareholders, individuals, who are classified as controllers or qualified ownership interest holders and are in the last instance of the chain of equity interest of the economic group.



## Agents Eligible to Obtain the Authorization



Legal entities incorporated under Brazilian law, in the form of **a limited liability company** or **a corporation**, with headquarters and management in the national territory, which meet all the requirements set forth in federal legislation and MF regulations.



The subsidiary legal entity **of a foreign company**, incorporated under Brazilian law, with headquarters and management in Brazil, may be authorized, **subject to the mandatory participation of a Brazilian as a partner (natural or legal person) holding at least 20% of the capital stock of the legal entity.**



### Prohibitions

A legal entity that is a subsidiary, branch, agency or representation, in Brazil, of a legal entity headquartered abroad may not obtain authorization to operate fixed-odds bets.



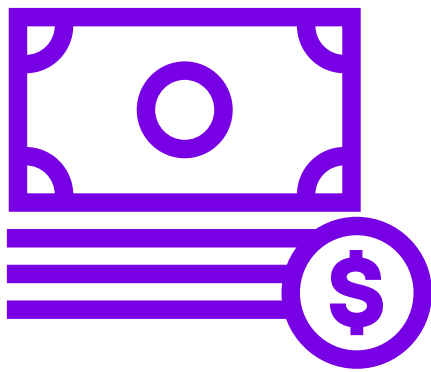
## Characteristics of the Authorization

### Duration



To avoid the interruption of its activities, the authorized operating agent must submit a new authorization request at least 180 days prior to the expiration date of the authorization.

### Grant consideration



**BRL 30 million**

### Trademark limit



By act of authorization, **up to three trademarks** may be exploited by the legal entity in its electronic channels, which must use "bet.br" domain registration, as required by SPA/MF Ordinance No. 722/2024.

### Nature



The authorization will be **personal, non-negotiable and non-transferable.**



## Criteria for Obtaining Authorization

The application for authorization of the interested party must be accompanied by documents and declarations proving its:



The operating agent shall communicate to the SPA, within 10 days of its occurrence, any changes in the conditions that justified the approval of the authorization act.



### Language

Documents originally produced in a foreign language must be translated into Portuguese by a Brazilian sworn public translator.



### Legal Qualification

Among other documents and legal qualification information, the following must be submitted:

- A. Identification form for controllers, qualified ownership interest holders, directors and final beneficiaries;

The form must designate those responsible for the following areas, and the accumulation of functions is prohibited:

- I. Accounting and financial\*;
- II. Processing and security of personal data;
- III. Operational security of the betting system;
- IV. Integrity and compliance\*;
- V. Assistance to bettors and ombudsman\*; and
- IV. Relationship with the MF\*.

*\* Must hold the position of director or equivalent*



- B.** Registration form of the financial and payment institutions authorized to operate by the Central Bank of Brazil that will provide financial services to the operating agent;
- C.** Organizational structure of the economic group to which the applicant belongs; and
- D.** Registration with the Registry of Commerce with the main corporate purpose of "Exploitation of Fixed-Odds Betting", using CNAE 9200-3/99, subclass "Exploitation of games of chance and bets not previously specified".



### Tax and labor compliance

The proof is made by the presentation of usual certificates in contracts business with the Government, at the three federative levels, in addition to the Certificate of Regularity of the Length-of-Service Guarantee Fund – CRF and the Clearance Certificate of Labor Debts – CNDT.



### Reputability

The demonstration of suitability is done by means of:

- A.** Declarations of suitability, in a model provided by the Ordinance;
- B.** Clearance certificates issued by the Office of the Comptroller General of the Union and the Federal Court of Accounts;
- C.** Declarations, by the controllers and qualified ownership interest holders, when legal entities, on the lawful origin of the share capital, **which is relevant to the prevention of money laundering**; and
- D.** Clearance certificates of general and specific records of the absence of conviction for administrative misconduct, of conviction with a criminal penalty that prohibits, even temporarily, access to public office, by a final and unappealable decision, or of conviction for the practice of bankruptcy crimes, tax evasion, against the public administration (corruption, concussion, embezzlement, malfeasance), against the popular economy, against public faith, industrial property or the National Financial System.



### Economic and Financial Qualification

In addition to bankruptcy certificates and financial statements, the following must be submitted, among others:

- A.** Proof of constitution of financial reserve, in the minimum amount of **BRL 5 million**;
- B.** Proof of payment in local currency of the minimum capital stock of **BRL 30 million**;





**C.** Proof of minimum net worth of **BRL 30 million**.

*NOTE.: If the legal entity requires **additional authorizations**, aiming to operate **more than three trademarks**, the following will be required:*

- I.** The payment of the granting of authorization, in the amount of BRL 30 million, per authorization;
- II.** The constitution of the amount of BRL 5 million, as a financial reserve, by authorization; and
- III.** The payment in local currency of the capital stock of BRL 15 million and the maintenance of net equity in an amount not less than the capital stock, by authorization.



## Technical Qualification

The applicant's technical qualification will be evidenced by, among others:

- A.** Application protocol or **technical certificate** of the betting system;
- B.** Declaration of **adoption and implementation of policies, procedures and internal controls** for, among others, the prevention of money laundering and the funding of terrorism, responsible gaming and prevention of pathological gambling disorders, code of conduct and dissemination of good practices in advertising and betting integrity and prevention of match-fixing;
- C.** Description of the structure of the bettors' service system, **based in Brazil, operating 24 hours a day, seven days a week**, able to respond to complaints, doubts and other problems related to betting;
- D.** Proof of knowledge and experience in gaming, betting or lotteries of **at least one of the members** of the applicant's controlling group who attests:
  - I.** In the case of individuals, have a minimum of three years' professional experience in the areas of gaming, betting or lotteries or related; or
  - II.** In the case of individuals or legal entities, be or have already held a qualified equity interest in legal entities whose corporate purpose is gaming, betting or lotteries;
- E.** List of **all licenses for the operation and marketing** of fixed-odds betting in other jurisdictions and States, in the name of the applicant or its controllers, including abroad.

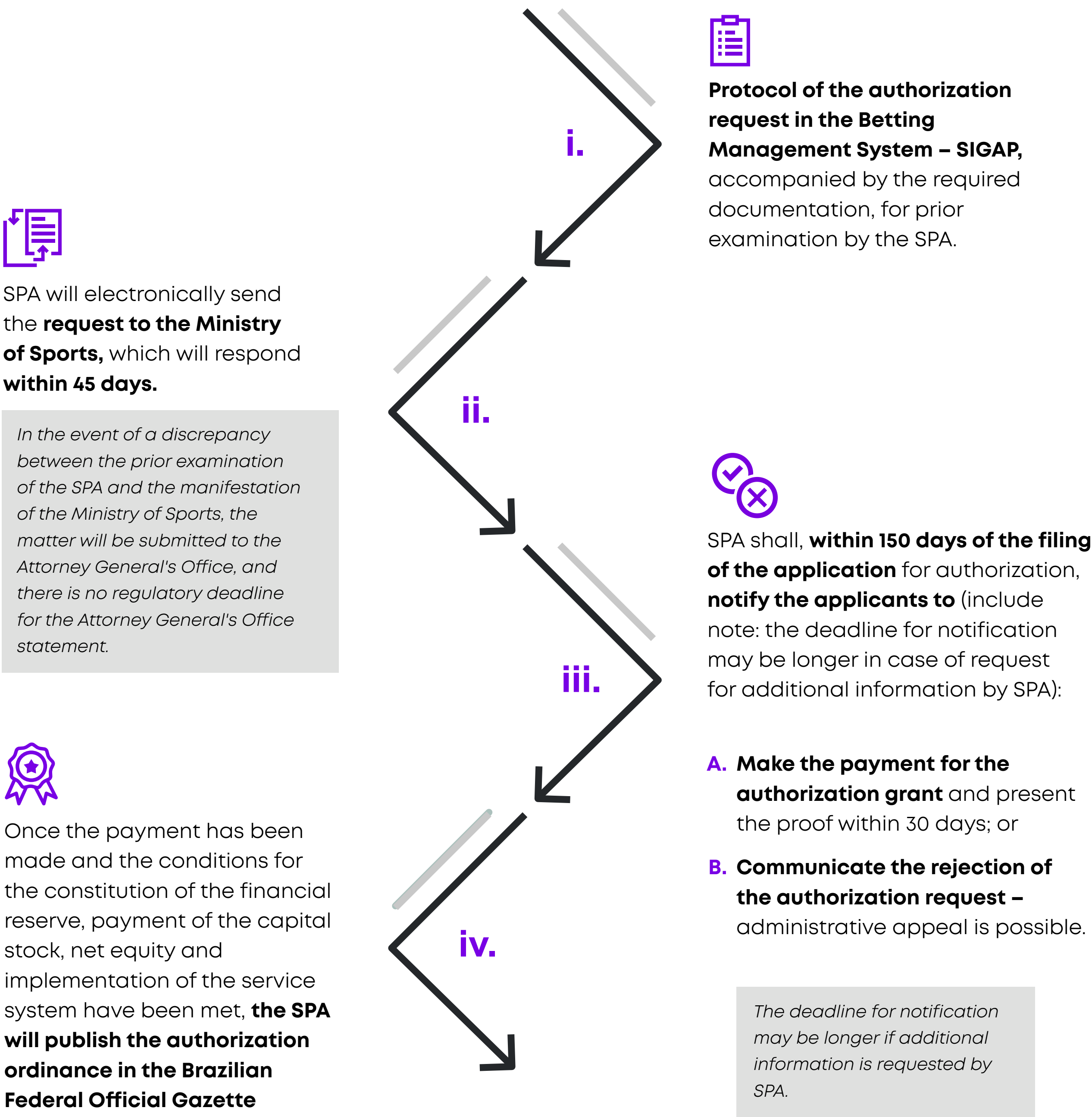
The directors of the applicant legal entity must have (i) at least **three years professional experience** in an area related to the one in which they will act as directors; or (ii) **higher education** in an area compatible with the position to be held.





## SPA Analysis Procedures

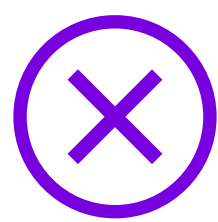
The procedure for **obtaining authorization from the SPA for the operation of fixed-odds** betting will follow this procedure:



### Rejection causes

Requests for authorization from **legal entities will be rejected:**

- Whose **documents presented are**, in SPA's assessment, **insufficient to prove compliance with the requirements set** forth in the applicable rules; or
- Considered fraudulent** or **containing adulterated or untrue information**.



## Termination of Authorization

The authorization will be terminated by:



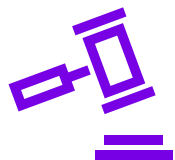
i. **Expiry** of the 5-year period.



ii. **Revocation**, for reasons of opportunity and convenience, to better suit the purposes of public interest arising from a supervening fact duly proven, pertinent and sufficient to justify such conduct.



iii. **Annulment**, when there is a defect in the legality of the act of authorization.



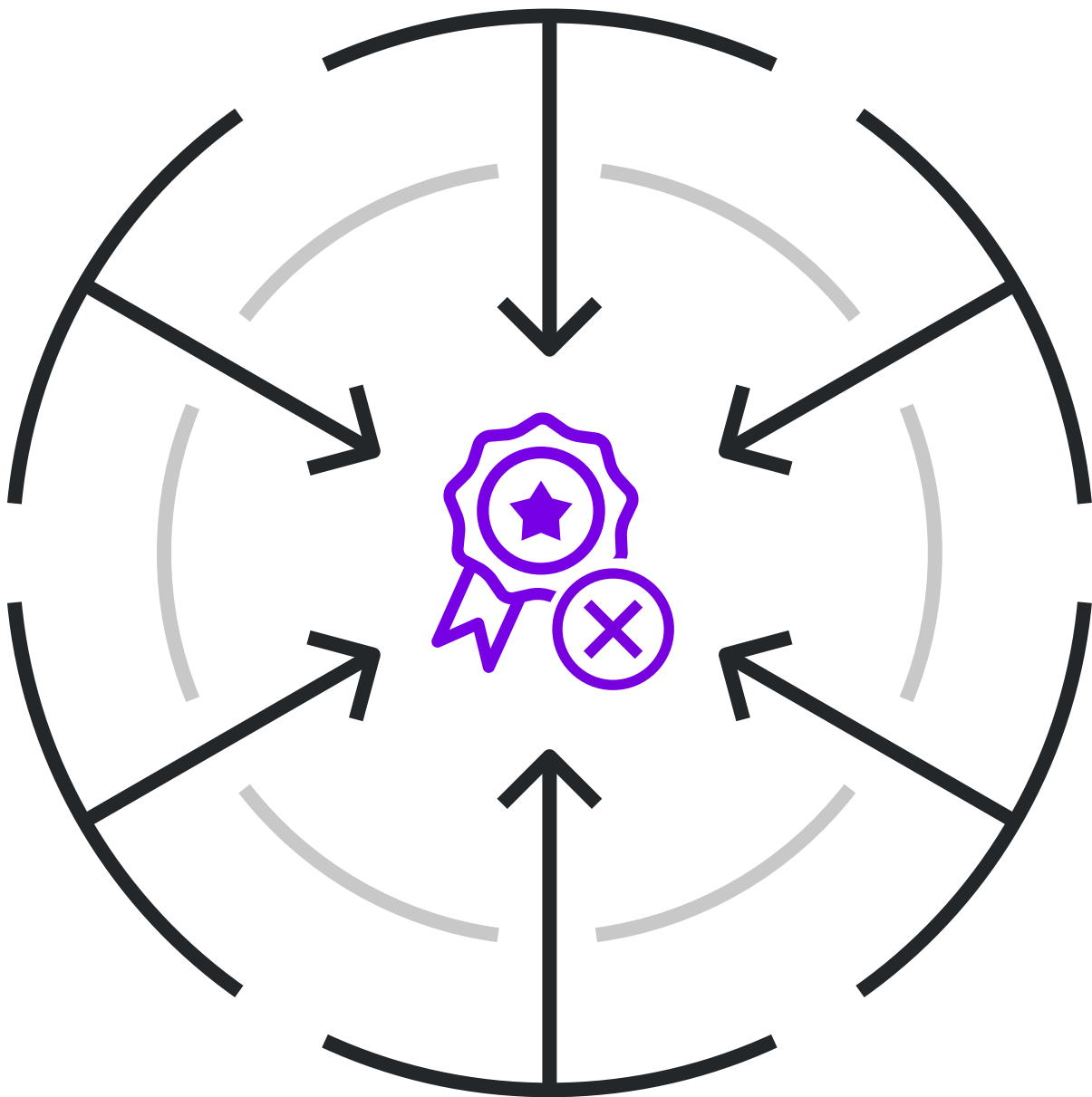
iv. **Nullification**, when there is non-compliance with the requirements and conditions established for the authorization and exploitation of fixed-odds betting.



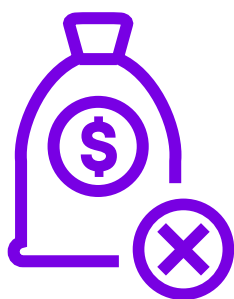
vi. (vi) **Decree of bankruptcy or extinction** of the operating agent.



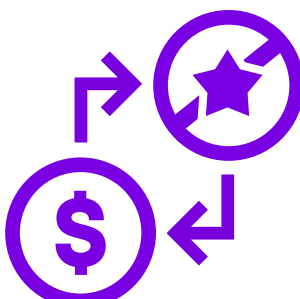
v. **Waiver** at the request of the operating agent.



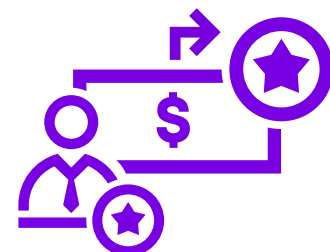
### Consequences of termination



**No compensation of any kind shall be owed to the authorized operating agent** in the event of the termination of the authorization.

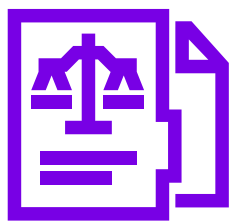


**Open bets** on real sports-themed events that have not yet taken place **must be cancelled**.



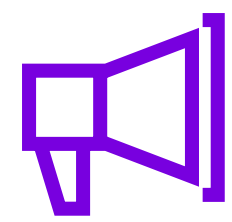
The operating agent **shall refund to bettors** the funds held in the transactional accounts, **as well as any prizes not yet paid**.





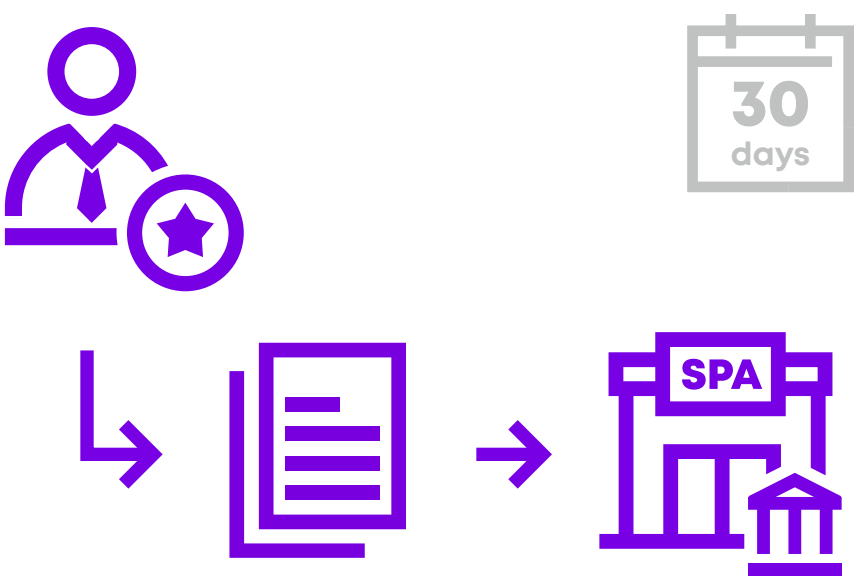
## Corporate Transactions and Change of Corporate Control of the Authorized Company

In the event of a **consolidation, spin-off, merger, conversion**, as well as **transfer** or **modification** of **direct or indirect corporate control** of the operating agent, the authorization may be reviewed by SPA, through a specific administrative proceeding.



## Subsequent Communication

The operating agent must forward to SPA the documents that **prove compliance with the rules and conditions established in the regulations**, within **30 days** of the occurrence of any of the corporate transactions described.



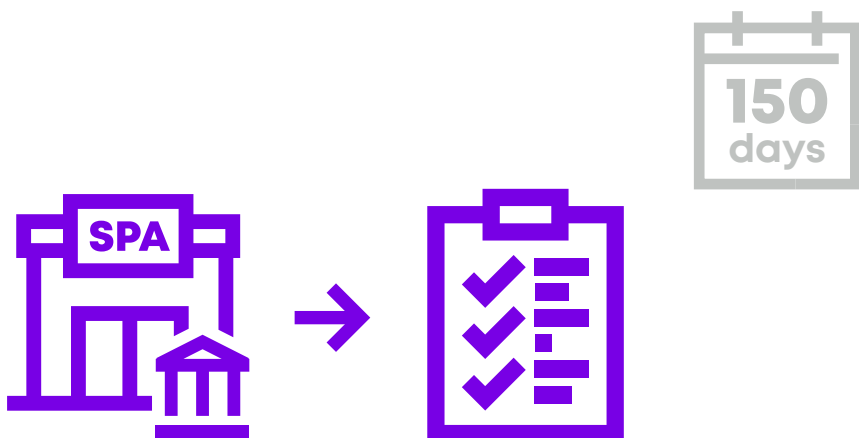
## Prior Consultation

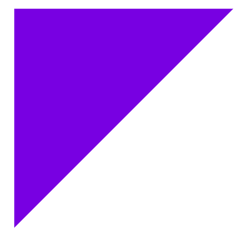
The operating agent may carry out prior consultation with the SPA, **to ensure that the intended corporate changes will not result in a review of the authorization**.



## Analysis Deadline

SPA must **conclude its analyses within 150 days** from the date of submission of the documentation or formalization of the consultation.





## About us

With in-depth knowledge of the sector, our team follows the market closely, accumulating experience and expertise on the particularities, demands and needs of companies.

Our active participation in the most complex cases and operations, combined with our specialized multidisciplinary approach to **Public Law**, allows us to advise clients on all their challenges, whether regulatory, contentious or transactional. Our extensive experience makes us fully equipped to **boost companies' business** throughout the life cycle of cases and projects.



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