



# Sports betting: The legal and financial rise of the industry in

# LATAM



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**Sports betting:** The legal and financial rise of the industry in LATAM.

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# Introduction

For many decades, Latin America was on the back burner for investors in the **sports betting** sector for two main reasons:

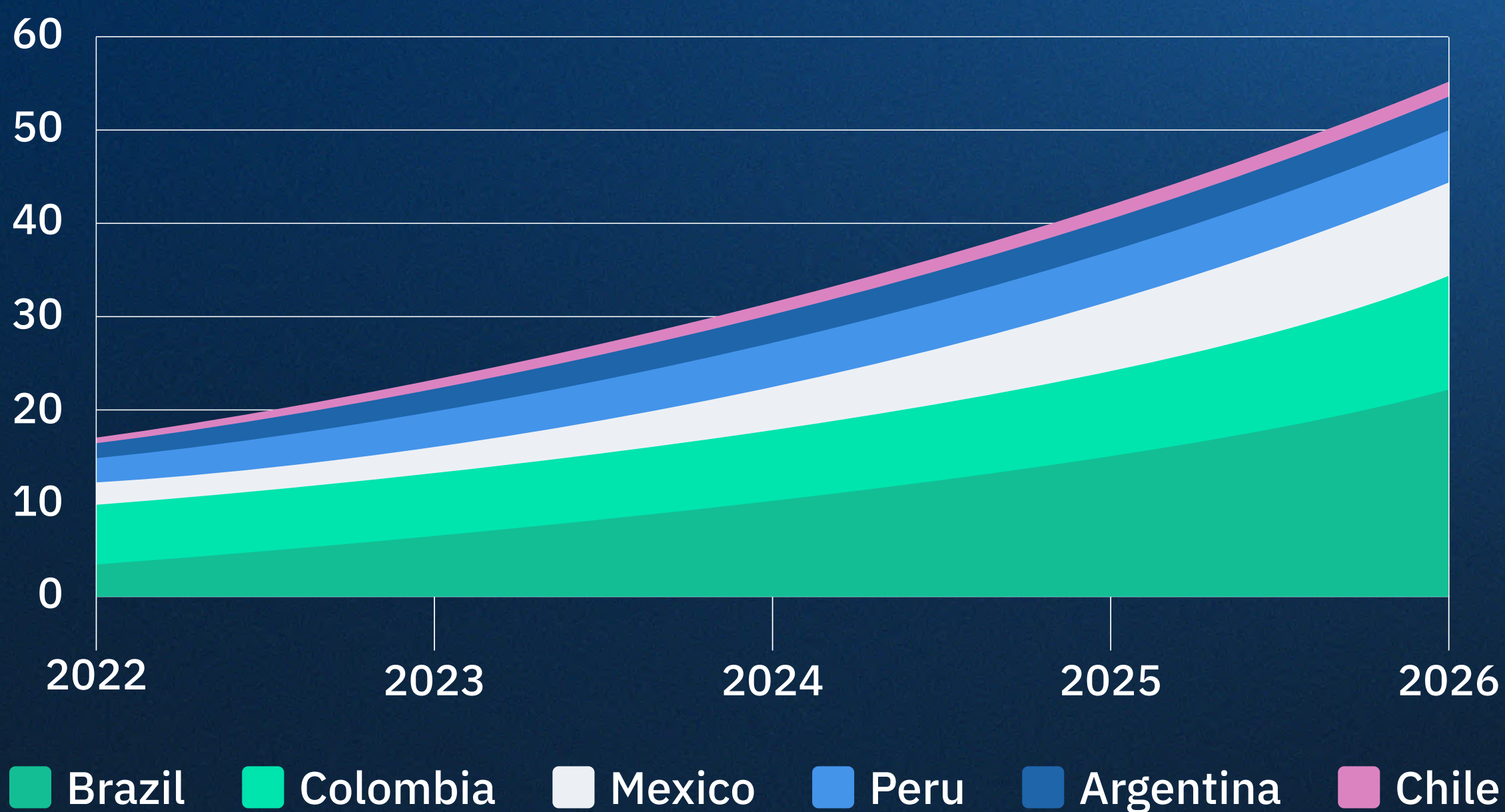
**1.** The European market, the traditional cradle of the sports betting industry, was still performing at high margins, so expanding into other regions was not attractive to the sector.

**2.** To make it even less striking, the Latin American regulatory scenario prohibited or greatly limited the potential of the sports betting market. **In 2023, these two reasons were no longer valid.**

Now, the **European market** has grown at such a speed and magnitude that it **has become more competitive over the years**, and players in the sector are looking for new growth markets, which is why Latin America is making them turn to the West.



## Total volume of the online betting market in the six largest countries in Latin America (\$ billion)



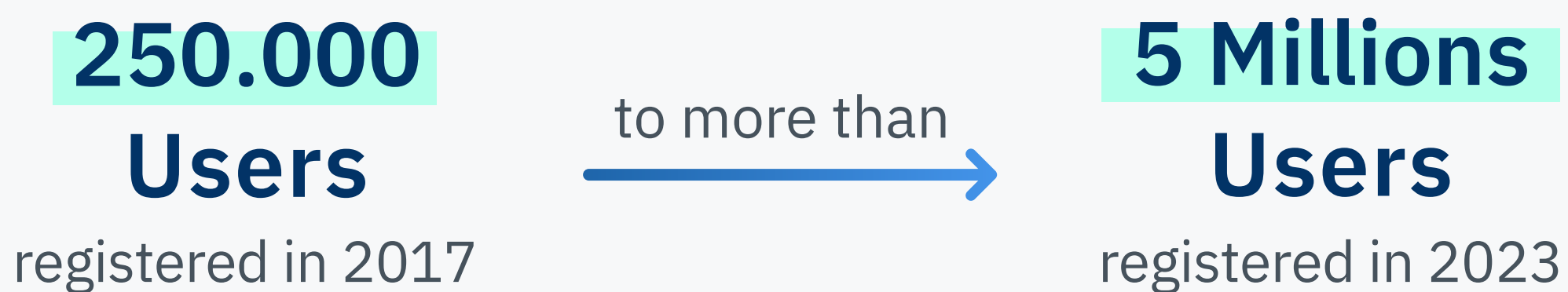
**Game On:** Latin America enters the sports betting arena with a bang.

**LATAM** began to attract attention for its growing virtualization in the region, its passion for sports, the transformation of lifestyles, the increase in purchasing power per user, **and a new era in the regulation of the sports betting market** that has benefited several countries. This is without taking into account that the secure payment alternatives play one of the most important **roles in the growth** of the **online gaming gambling market**. The combination of all these factors estimates a market projection **CAGR** of more than **18%** between **2022** y **2028**.

# Colombia —

The country that sweeps the board in its sports regulations.

Gambling in the region was banned in most countries for several decades, until **Costa Rica and Panama** put the pedal to the metal to be the first to legalize online gambling. But **Colombia** was not left behind; by **2016**, it **legalized the online gambling market**, which resulted in growth from:



**Coljuegos**; the entity in charge of regulating games of chance in Colombia, reported that the **total tax revenues** of the gaming industry in **2022** grew by **18%** compared to the previous year, reaching approximately **\$200 million dollars**.

The games operated through the Internet reached **\$65,000 dollars** in revenues. For its part, **Baloto Revancha** reported earnings of almost **\$14,000 dollars**; **SUPER astro** with **\$31,700 dollars** and **promotional games** exceeded **\$1,200 dollars**. All authorized by **Coljuegos**.



The activity in which Colombians bet the most is **soccer**, representing **90% of the bets**. Certainly, this is a trend that will not change much in the coming years, considering that **eSports** (electronic sports/video games) have been gaining momentum.

Having in-depth knowledge of laws such as **Law 643 of 2001** and the payment of taxes on games of chance or sports games in Colombia, are essential to **avoid penalties that would result in payments much higher than those originally** established for each percentage. These penalties **apply to both companies and client beneficiaries** who evade their respective contributions. For **foreign investors**, this type of regulation is **very complicated for them to handle**, so a **regional player**, with a strong Colombian team that knows every step of the way, **is extremely important to consider**.



## + Taxes collected from the sports betting industry

The creation of **Coljuegos** was thanks to decree 4142 in 2011. It is directly linked to the **Ministry of Finance and Public Credit**. The impact of the taxes collected from the gambling and sports betting industry in Colombia, mostly destined to the **health sector and other entities**, has led Colombia to become a model to be followed by several countries:

- + Local Health Funds in the municipalities.
- + Departmental Health Funds in the departments.
- + ADRES (Social Security General System Resources Administration).
- + FONPET (National Pension Fund for Territorial Entities).
- + Ministry of Science and Technology (formerly Colciencias).

“ We are pleased to inform that, so far in 2022, the gaming industry reported a **growth in betting and in exploitation rights**, where the World Cup in Qatar fulfilled the expectations drawn in the games operated by Internet, mainly benefiting the health of Colombians.”

Cesar Augusto Valencia Galiano, *President of Coljuegos*





# Mexico

A market full of sports betting, as well as regulations.

In **2023**, the country ranked **third** in terms of volume, with an estimated processing value of **US\$4 billion**, and despite being in a great position, **illegality, culture and the use of cash as the main means of payment in gambling** has left Mexico behind countries such as **Brazil and Colombia**.

In Mexico, to say that operators in the sports betting market must be **licensed** and have an **established entity in the same country** is actually quite an understatement, as it takes a whole chapter to unravel how, when and where to get a betting license depending on the nature of the activity. Some types of licenses are:

Licenses for the opening and operation (temporary or fixed) of **racetracks and greyhound tracks, jai alai fronton arenas, remote betting centers and betting centers or rooms for drawing numbers**, under which live gaming, slot machines and **online gaming activities** are classified.

License for the opening and **operation of gaming facilities** for games of chance at national fairs (example: National Fair of San Marcos).

License for **raffles**.

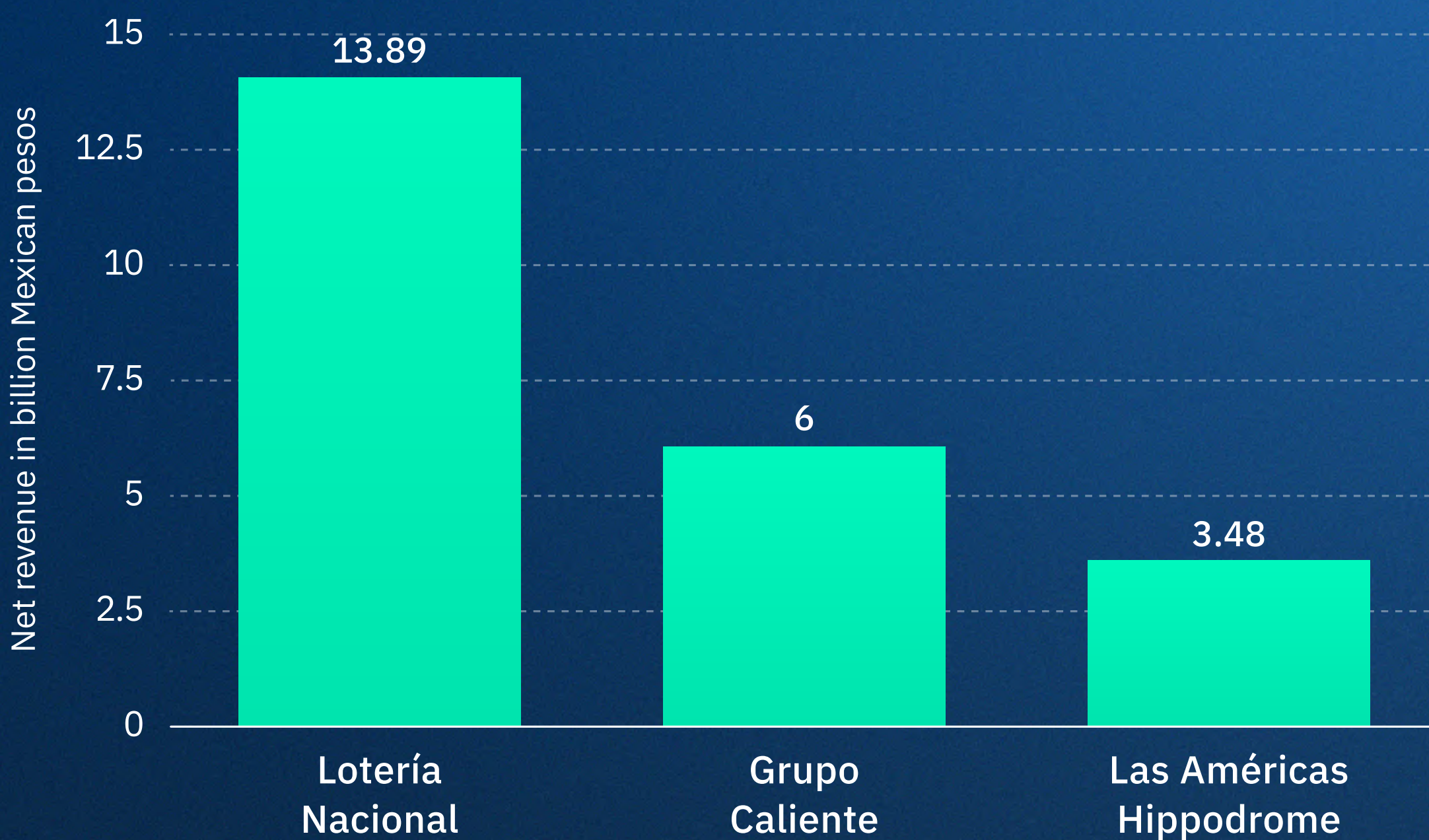
**Applying for a license** and carrying out everything related to sports betting in Mexico is a challenge, **but not for a legal team that is knowledgeable and local**. To begin with, the Office of the Ministry will evaluate a series of factors ranging from the **applicant, experience in the industry, the principles of good corporate governance in the applicant's bylaws, among others**. And, to make it more complex, having the license and the entity based in Mexico does not assure you a good legal compliance; since the Aztec country has many restrictions for **initiate the process, contract durability and advertising issues**.


The good news is that, in accordance with the Gaming Regulations, the Licensees with **On-Premise Casino** Licenses may be authorized by the Office of the ministry to **develop, operate and collect bets through the Internet, cell phones or electronic devices**.

There are **several entities that authorize betting** depending on their nature. In the case of **sports betting** such as **horse racing, soccer, basketball and other sports** matches, in addition to **fantasy sports betting** which can be described as a strategic wager coupled with the thrill of chance.

Example; choosing between possible player injuries, performance trends and so on, but in an imaginary team or rather, *the dream team* of a user with real players. This conglomerate of sports **betting** is regulated by **The Ministry of the Interior**, an area of the executive power that is mainly in charge of public policies related to citizen security, and according to the Organic Law of the Federal Public Administration in its Article 27, it is in charge of **regulating, authorizing and overseeing gambling, betting, lotteries and raffles, under the terms of the related laws.**

## Leading companies in the gambling market in Mexico in 2022, by net revenue (in billion Mexican pesos)





In **2022** alone, **The National Lottery** had a total revenue of **\$13.89 billion Mexican pesos**, leaving its competitors *Grupo Caliente* and *Las Américas hippodrome* far behind. One of the main reasons why The National Lottery doubles the revenue of its second competitor is the issue of **physical and cash payments**. There are several ways to bet when it comes to the National Lottery:

**1.** Acquire a ticket in person at one of its more than 2 thousand points of sale, including outlets, local and foreign organizations, street vendors and more. Among all these options, there are those who **accept card payments and those who do not**.

**2.** The second is online (*web and app*), where the **means of payment expand**, in addition to cash, to **card payments, transfers** and others, opening space for another segment of younger users or those with more experience in the digital world.

In other articles we have mentioned that Mexico has a **banking index far below that of countries such as Colombia and Chile**, and the sports betting system managed by the National Lottery works very well for the majority of the population, so there is a **huge opportunity** to enter the market with **technological devices for card payment present among the many points of sale available**.

# Brazil

A case of success in sports betting and its means of payment.

Brazil is currently the largest sports betting market in the region by volume, at \$7 billion in 2023, and recorded an impressive 135% growth of the sector in the country through 2022. In addition to the growing social legitimacy of online betting, especially sports betting, the evolution of Pix has been fundamental to the success of the sports betting market, helping to facilitate instant payout of bets, payout of winnings and the security of winnings.

“Today we have the perfect example of the success of RTP SYSTEMS at Brazil with Pix. Everyone loves it, payment is immediate and extremely easy, and the levels of charge-backs or problems with transactions are extremely low. This is certainly also one of the factors why the LATAM market is now more strategic for companies in the gambling sector.”

*Anschana Caravaca; VP Specialist Markets at Kushki*



Beyond **cultural** and **industry** changes, **regulatory** changes in **Brazil** will be a boon to the industry. A **bill** regulating **sports betting** was **passed** by the **Senate** in early December **2023** and is expected to be sent for **presidential approval** in **2024**. This bill establishes the **legal limits** to operate in the **sports betting** market, as well as the specifications to be followed by operators, such as:

- ✚ Taxation of 12% of net income for operators.
- ✚ 15% of the prizes for consumers.
- ✚ Advertising standards.

The evolution of the regulatory scenario of this market in the country will allow the **formalization of the sector** and will probably promote the **consolidation of betting market operators** in the country, since the operating license will cost approximately **US\$6 million** to operate for up to **five years**.

# Chile

## Illegality, lawsuits and sports sponsorships.

For Chile to join its neighboring countries with the "complete legality" of **sports betting**; blocking progress is the **state monopoly of lotteries**; or perhaps the **Superintendence of Gaming Casinos (SCJ)**. Since in the first case, the monopoly sued the **five main online gambling operators**, and the **SCJ** sent letters to the TV channels, ordering them to **stop broadcasting** advertisements of **online gambling** companies.

Andean media reported that **online sports betting sites** were declared "*illegal*" by the **Supreme Court** of the southern country. The judgment, which was published in September 2023, was issued following a lawsuit filed by the company **Polla Chilena de Beneficencia** which is the **only company authorized** to carry out this kind of **games within the aforementioned territory**, since the **Supreme Court** reversed the Court of Appeals of Concepción and the power to **block** the operation of this kind of games within the aforementioned territory. **block** access to more than **20 sports betting sites**, with the operators arguing for net neutrality.



“These sites carry out gambling activities within the borders of Chile, **without legal authorization or from any national tax authority**, and are therefore illegal according to national regulations,” **ruled the Chilean Supreme Court.**”

Although, the **online gaming operators** alleged that they had a **restriction** to the access of the **digital platform** to the **Value Added Tax (VAT)**, only to be accused by the authority of **not having paid taxes for their operations in the country**. They claim that this contradiction is an **ulterior motive** to discredit the argument that they are not paying the corresponding taxes.

This resolution is a **hard blow for the economy** of Chilean soccer, whose **National Championship** has as its main sponsor **Betsson**, one of the world's leading bookmakers, with a contract of around **\$2.5 million dollars for five years**. Meanwhile, more than **90%** of the **first and second division clubs** are **sponsored** by one of these companies.





Currently, **online gambling** is considered prohibited under **Law 19.99/2005** and, despite its **legal status**, has become **one of the main sources of sponsorship deals for sports in the country**, therefore, **legislation** that would establish a licensing regime for online operators, such as casino games and sports betting, **is still pending**.

The next steps are uncertain, but although this sounds daunting for foreign investors, local bookmakers and users who enjoy online sports betting, this is one of the **first moves** that signals a **likely formalization of the industry** to put an end **to illicit sites** and begin a new era where **online sports betting** moves from being an almost harmful act, to one where you can enjoy playing and winning with **full confidence that your winnings** and above all, **your sensitive user data**, are protected under the relevant law.



# Peru

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**A regulation riddled with errors puts online gaming operators against the clock.**

In August 2022, Peru's President Pedro Castillo signed the statute to regulate **online gambling and sports betting**. The euphoria of the fans and, above all, of the betting houses, quickly dissipated when it became evident that the document **presented considerable errors and contradictions**, especially in article 40 of the text, since it **excluded operators** incorporated **abroad** from **paying the 12% tax on gross income**, even if they were authorized by the **Peruvian authorities**.


The text was drafted **so hastily that**, in addition to rushing all **online gaming and sports betting** operators to get any documents needed to meet the margin of the new regulation in order to comply, it was necessary to **draft a new bill** to amend the numerous errors and contradictions. The legislative project was proposed **last November** (Bill 3595/2022) and was well received by stakeholders.

The Peruvian Ministry warns of heavy fines in case of non-compliance with this regulation, which will come into force on **February 9, 2024**. **Operators** currently operating in the Peruvian gaming market **will have one month to apply for a license**. This gives online gaming companies a deadline of February 10 until March 10, 2024.



**+ Virtual currencies, real incomes:** The perfect sector for instant means of payment in sports betting

The trend in the region to increasingly base its payments on **RTP (Real Time Payments) systems** is both **an opportunity and an expected outcome** for the gaming sector. **RTP systems facilitate the payment of bets placed during sports matches**, which meets a specific industry requirement: **instantaneous and spontaneous payments that are quickly staggered at a given time, i.e. during a sports match**. This requires betting platforms to have the **technical sophistication** to handle a **huge volume at once**.



At the same time, payments through RTP systems facilitate the **process of paying out winnings**, offering the **best possible experience to the user** who wishes to receive his winnings as soon as possible.

With **regulation of the gambling market under way** in most Latin American countries, **global traders have new opportunities in the region**. The combination of financial and digital inclusion, the instantaneity and low cost of RTP systems, and the maturation of the Latin American market with ongoing regulations are the main factors to consider for the betting market.

A **cross-border approach remains viable**, but with **impending regulation**, operators may soon need to operate locally. This requires **betting operators to look for payment partners** to help them **scale effectively in the region**, with **cross-border and local processing**.



# Kushki

Kushki guides you through this complex world of regulations to expand your online gaming and sports betting business.

## Make your transactions with us and get:

**A Latin American team** with a strong presence in Mexico, Colombia, Chile, Peru and Ecuador.

**Direct relationship with brands:** Enabling the resolution of disputes and handling of chargebacks.

**All means of payment:** National and international cards, wallets\*, bank transfers, cash, QR and contactless payments, in addition to offering months with or up to 24 MSI with participating institutions\*.

**Our own acquirer:** Direct connection with VISA and Mastercard facilitates the flow of transactions.

**Instant digital payments:** Tokenization service for automatic recharges, to improve recharge speed.

**High transaction volume:**

Up to 75,000 processing per second.

**State-of-the-art**

**technology:** We own the code, so we can innovate and adapt to our clients' challenges. In addition to serverless infrastructure and high-level security certifications, such as PCI DSS.

**High availability:** with direct and redundant connections to payment networks.

**Multichannel solution:** If you already have digital payments, do not stop selling in person.

**Secure sales:** With online and offline electronic signature (PIN) for present and digital payments with OTP authentication\*.



**Payment splits:** We distribute the collection of your sales, according to your line of business.

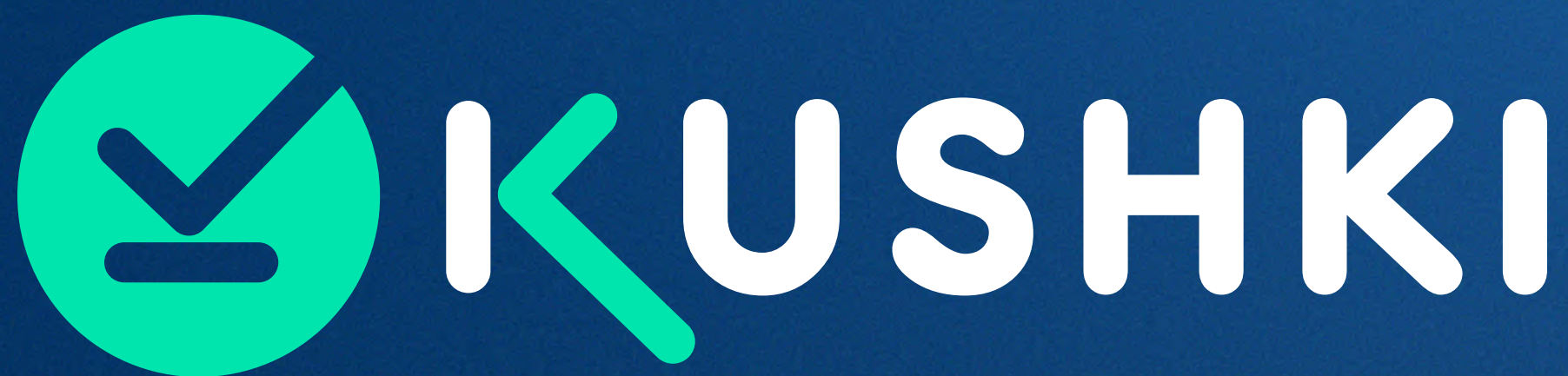
**Service uptime:** POS devices with 99.9% high availability service.\*

**Dispersion of payments to your users:** We guarantee that the end user receives their earnings in their bank account, with our API dispersion method.

**Constant support in your onboarding:** Personalized treatment and fast access to support.

**Access to our own technological platform:** Centralize all your collections, manage terminals and devices, consult movements and generate reports in real time to obtain key data and make better decisions.

*\*Payments with POS exclusively for customers in Mexico.*



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