



GAMING:

The guide to growing your gaming business across Latin America



E-book

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CHAPTER 1:

INTRODUCTION

Introduction

The US, Europe, and Asia have long been front and center for the global gaming industry. But as operators look for growing markets and a level playing field for new entrants, Latin America is coming increasingly into focus.

The term Latin America describes a massive area – the combination of two continents and more than 30 countries, with a population of well over 600 million. Given this geographical and demographic diversity it is perhaps counter-productive to view it as a single market; instead, it is a region of multiple opportunities for operators, which must be treated on an individual basis.

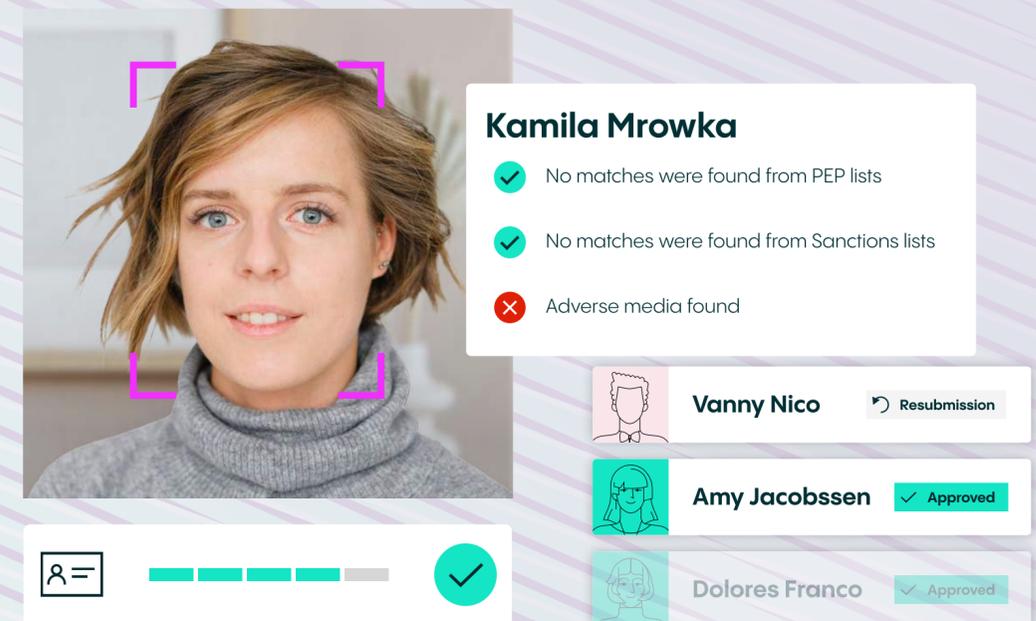
Gaming regulations have changed across the region in recent years, with high hopes that Brazil in particular will further liberalize its approach under its new president.

Additionally, technological advances give more of these customers the means to access online gaming and betting, with smartphone penetration set to reach 73% in 2025 and internet penetration rising to 74%, according to data from GSMA and the World Bank.¹

Across the region, the market is valued at perhaps \$15bn, discounting the lottery markets and the illegal markets. There are hundreds of operators, both local and from the top 10 globally.

This presents great opportunities for operators who may be considering entering or expanding in the Latin American market. **Data from Americas Market Intelligence** suggests that the online gaming and betting sector had a turnover of about \$10bn in 2022, with Colombia a particularly strong performer and Brazil a key focus for growth.

However, Latin America is a complex market; would-be operators must carefully adapt their approach depending on the country in question. In particular, they must navigate a tricky regulatory landscape, while embracing the potential of technology to provide a personalized service and address challenges around AML and beyond.



CHAPTER 2:

A DIVERSE MARKET

A diverse market

Operators within the sector see huge potential in the region, with countries and sub-regions looking to liberalize their gaming frameworks. The market is huge, with Brazil alone boasting a population of more than 200 million.

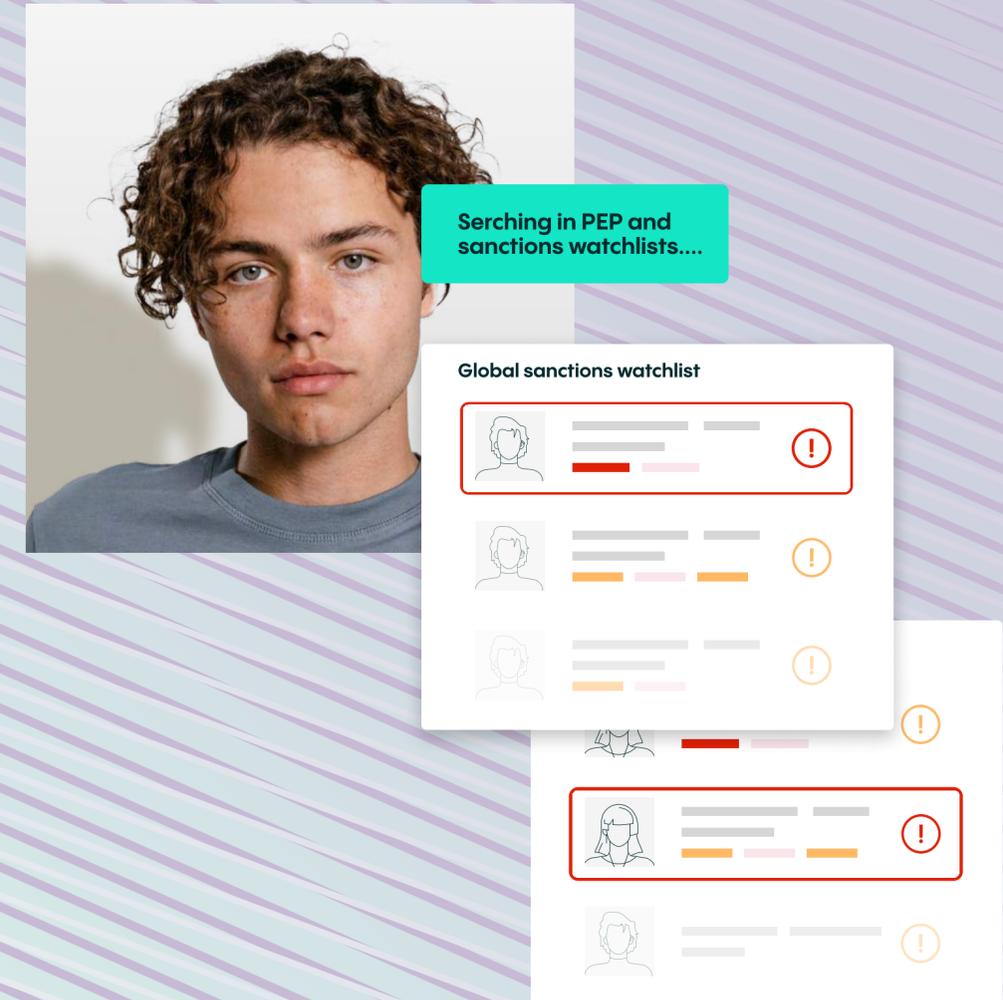
While there are a number of common challenges across the market, it is vital to consider the nuances related to a particular country before an operator launches into the market. Brazil is a natural focus. In 2018, online sports betting was legalized in the largest country in South America², and the opportunity has not been lost on the major brands. Entain's revenues in the country doubled in 2021, it said, while Flutter chief executive Peter Jackson said the country offered "a very significant opportunity".

Offshore operators are already operating in the market. According to KPMG, the country's iGaming market is estimated to grow from \$2.1bn to \$2.6bn by 2026³.

Meanwhile, legislation related to other types of gaming could also open the potential for a range of Las Vegas-style integrated resorts and other land-based infrastructure.

However, Brazil is a 'gray' market for betting, with a complex regulatory setup. While sports betting in the country is technically banned, it is permitted when it comes to online betting from international servers, which operate in a kind of gray area. New regulations are required before it is fully opened to customers, which is set to further fuel the market (see more details on the regulatory situation below).

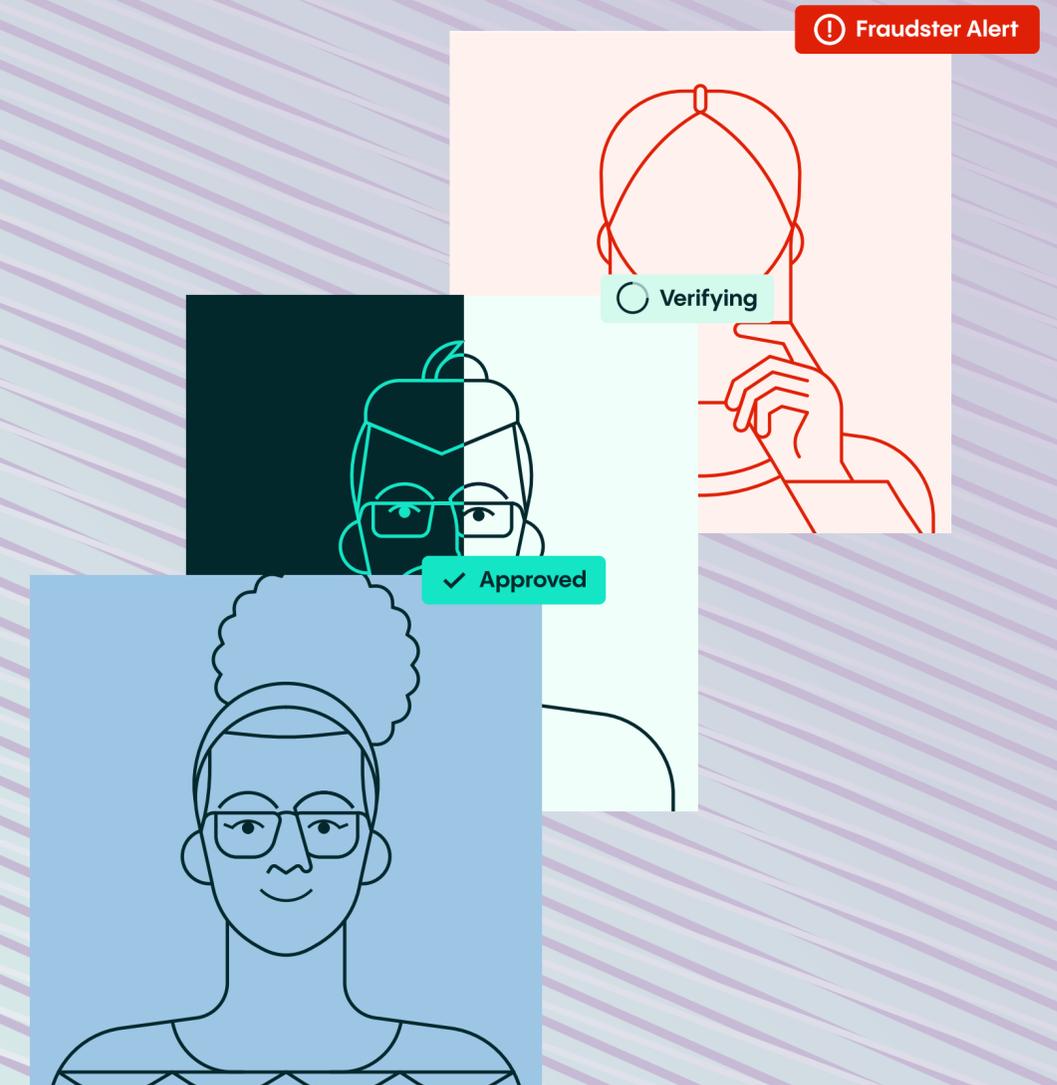
Similarly, the Chilean market remains restricted, with the Chamber of Deputies **introducing a ban on sponsorships** in 2022. There is also a move towards a regulated online sector, with a number of online players already working in the gray market there; there could be further moves towards detailed regulation in 2023⁴. But even with the current scenario, there are more than 900 websites and other platforms – hosted abroad – allowing online betting in the country, according to the Superintendency of Gaming Casinos⁵.



There are two major markets in the region that are fully regulated. There is great interest, for instance, in the Mexico gaming sector, particularly when it comes to the potential for online; while this is not controlled through the Federal Gaming and Raffles Law 1946, it is considered legal⁶.

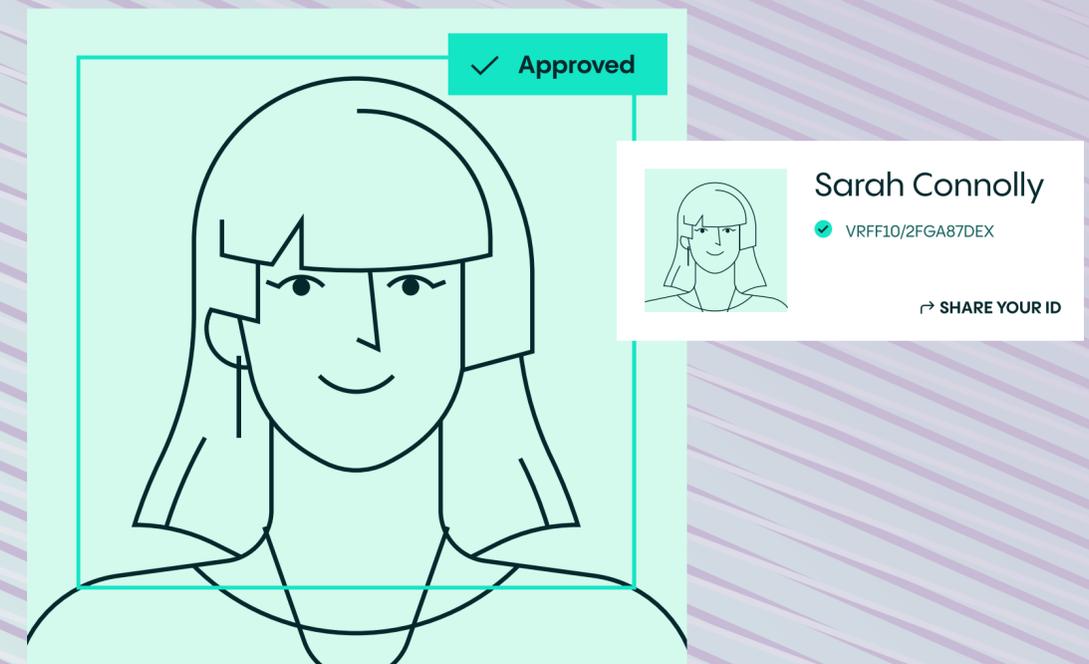
The country boasts dozens of sports betting providers and online casinos, as well as international operators; according to Delasport, the market is valued at \$500m GGR, 10% growth year on year.

Industry experts praise Colombia for its regulatory regime, with a smooth system for operators who have a clear idea of their duties and rights. Perhaps that helps explain the sector's growth in recent years, with gaming revenue hitting \$175m in 2022, an 18% leap compared to 2021. Casinos and bingo halls grew 33% to \$70.3m, while online gaming netted \$56.1m⁷.



While there are many markets offering potential for operators, Peru is perhaps worth a special mention, having last year enacted a law to regulate online and sports betting in the country⁸. It is thought the regulation will bring in \$40m annually for the government, through a 12% net income tax.

Argentina has also made positive moves forward, with the province of Mendoza moving forward with online gaming late in 2022. This follows similar moves from Cordoba⁹.



CHAPTER 3:

BUILDING PARTNERSHIPS

Building partnerships

Through close partnerships – always maintaining the right balance – the industry can help establish a level playing field for all operators in Latin America.

On a more practical level, external operators should consider the benefits of working with local operators when they first enter the market. This can help external operators to avoid potential cultural clashes and such an approach has been tried and tested both in Latin America and in other global emerging markets.

Why is this so important? There is the need to navigate the rich cultural diversity of the market; it is difficult to come in with a business model that may have worked in Europe, for example, and assume it will apply to such a complex region.



! New User Alert

Vanny Nico

- ✓ No matches found in PEP watchlists
- ✓ No matches found in sanction lists
- ✗ Adverse media found

○ Searching in PEP and sanctions watchlists

! Adverse media found



Beyond this, there are practical considerations. There can be a high learning curve in Latin American markets, in terms of understanding regulatory issues, cultural demands, spending habits, and customer gaming profiles and behaviors.

Operators must learn how to manoeuvre this environment successfully, a process that could take as long as three to four years. They must look for the right partner, one with the same ideology, vision, and investment appetite, to tackle the market successfully.



CHAPTER 4:

REGULATORY HEADACHES

Regulatory headaches

As with many parts of the world, it is the regulatory environment that poses the greatest complications for operators looking forward. This is something they must learn to navigate.

Some examples from the region show the potential on offer if regulators get it right. As mentioned above, Colombia and Mexico are rapidly developing as booming markets for both land-based and online operators.

Peru has expanded as a focus for online gaming in recent years, with the new legislation showing the importance of the industry working closely with government and regulators and becoming an active part of the process. This is not always easy, but it is clearly vital for operators in the region to maintain strong relations with government organizations, trade bodies, and regulators.



Brazil presents a highly complex picture, with the difficulties largely stemming from national political issues. The focus for now is on the passage of bill PL 442/91, which legalizes land-based casinos, sports betting, bingo halls, and *jogo do bicho*, a kind of lottery game that is highly popular throughout the country but only legal in the state of Paraíba¹⁰. The bill would create the legal basis for 30 casinos throughout the country, as well as riverboat casinos.

However, the bill still needs to be approved by the country's Senate; this has been an arduous path, with a significant evangelical push against the law, supported by President Jair Bolsonaro. It remains unclear how new President Luiz Inácio Lula da Silva will impact the sector, though there are renewed hopes that the industry will move out of the gray zone and into the light.



-  **Vanny Nico** ✓ Approved
-  **Lucia Marco** ✓ Approved
-  **Maria Clark** ✓ Approved
-  **John Smith** ⌚ Verifying

The situation in Brazil could be frustrating for operators, who are impatient for the establishment of a fair field of play with clear rules and taxation. Only when all operators deal with the same levels of enforcement can the market function as it should.

This frustration could also pose problems for the long-term viability of the market. Even in a country with a population of about 210 million people, a slow pace of development could see operators lose interest if matters continue to stall.

However, there are reasons to be hopeful when it comes to regulations, at least in the medium to long term. Given the prevalence of illegal gaming, it is clear that prohibition does not work. Through taking a proactive but cautious approach, operators can help governments and regulators to seize the financial benefits of the gaming sector.

It is vital, however, to approach this in the right way; again, partnering with local operators could provide necessary insights.

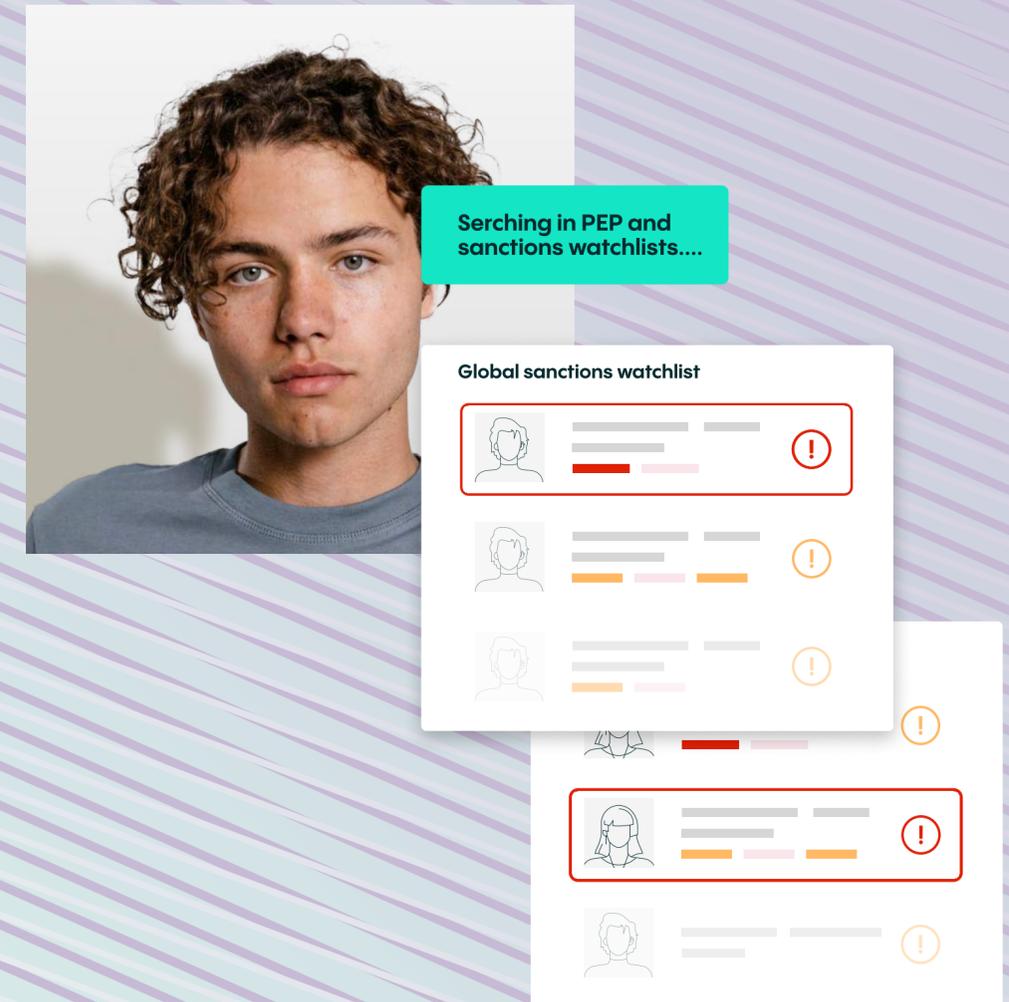
CHAPTER 5:

WORKING WITH GOVERNMENT AND REGULATORS

Working with government and regulators

While it is vital to secure the right business partner, it is also important that operators can work closely with authorities and regulators to provide feedback and raise awareness of the sector's needs and the benefits it can bring for government revenues and beyond.

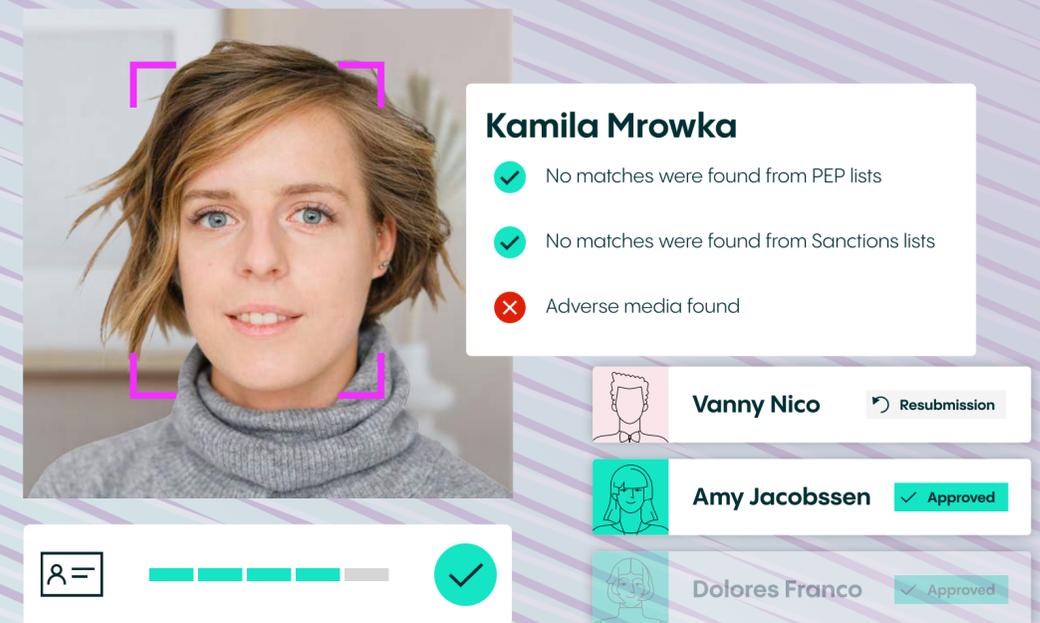
Of course, it is important that operators strike a fine balance here. There must not be a suspicion of conflict of interest, for example if operators are seen as influencing the direction of taxation or regulations. In countries where even land-based casinos have been forbidden for decades, it is vital to raise awareness, but this must be done in a way that does not raise the slightest hint of corruption.



A degree of collaboration between different national regulators would be beneficial, although it has not occurred to any substantial degree beyond a fairly standard approach to politically exposed persons (PEPs). Still, operators can work with regulators and with specialist technology providers to raise awareness of particular challenges.

Technology is a good example of how this might function in real terms in Latin America and beyond. Government officials are often not well-versed in technology and can be reticent to bring technology in.

By representing best-of-breed practices, operators could help dispel incorrect notions about the dangers of gaming, and help address the challenges of practices such as channelization, whereby onshore and offshore operators are treated differently.



CHAPTER 6:

KNOW YOUR CUSTOMER

Know your customer

It is vital that operators meet regulatory demands when it comes to verifying customers and ensure those customers have the smoothest possible experience. However, each market brings its own challenges.

For example, in Brazil, fraud is an issue for operators, regardless of whether the operator concerned is onshore or offshore. Industry insiders point to issues around payment slips, for example. However, in general customers are willing to provide their taxpayer number, which can be more of a challenge in other markets; there are a number of companies with databases capable of verifying this information.

Again, it is vital to remember that such fraud can take highly localized forms. For example, insiders point to the prevalence of bonus abuse in Brazil, whereby a fraudster might sign up to the same promotional offer on multiple different occasions.

Chargeback has also typically be an issue in this market, though that is likely to change if and when regulation is passed, because credit cards are unlikely to be accepted as a payment method for gaming.

CHAPTER 7:

PERSONALIZATION

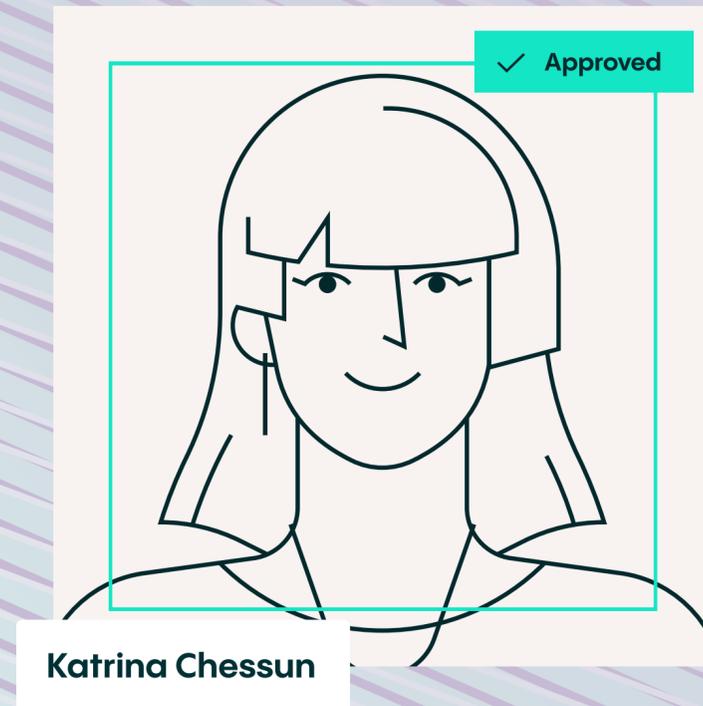
Personalization

As noted above, Latin America is not a single entity; it is a complex region of many countries and varying cultural and economic demands. In this landscape, differentiation and personalization are key.

A 'one size fits all' approach will not work for global operators entering these markets. Many of them are already operating in countries like Brazil, in the gray market; however, as regulations open, they must build out a strategy that engages directly with individuals in the region.

In the Brazilian market, for instance, customers do not play the same games that they do in the UK or the US. It is vital to focus on building a brand that speaks to Brazilian customers, with the right language and imagery.

It is important to think about this from the perspective of identity verification, a very practical concern. There are different ID documents in different jurisdictions, with different types of data being extracted and different demands to meet an AML or KYC process.



Appreciating these demands is key to supporting efforts against fraud and other criminal activities, but it requires an appreciation of individual market needs, with some jurisdictions demanding many times more documents than others. Operators must work to ensure they build out a process specific to individual markets and jurisdictions.

The age of players is a key focus for regulators and customers the world over, and Latin America is no exception. In Brazil, for instance, it is important that operators make use of and fully verify documentation such as the Individual Taxpayer Registry – known as the Cadastro de Pessoas Físicas (CPF) – to ensure that minors cannot access their online platform.

There are various technical approaches that operators can take to help meet demands around responsible gaming. However, they must also keep in mind the need for an almost educational approach, through which they inform potential customers that gaming and betting are not investments and that they are only to be engaged with disposable income.



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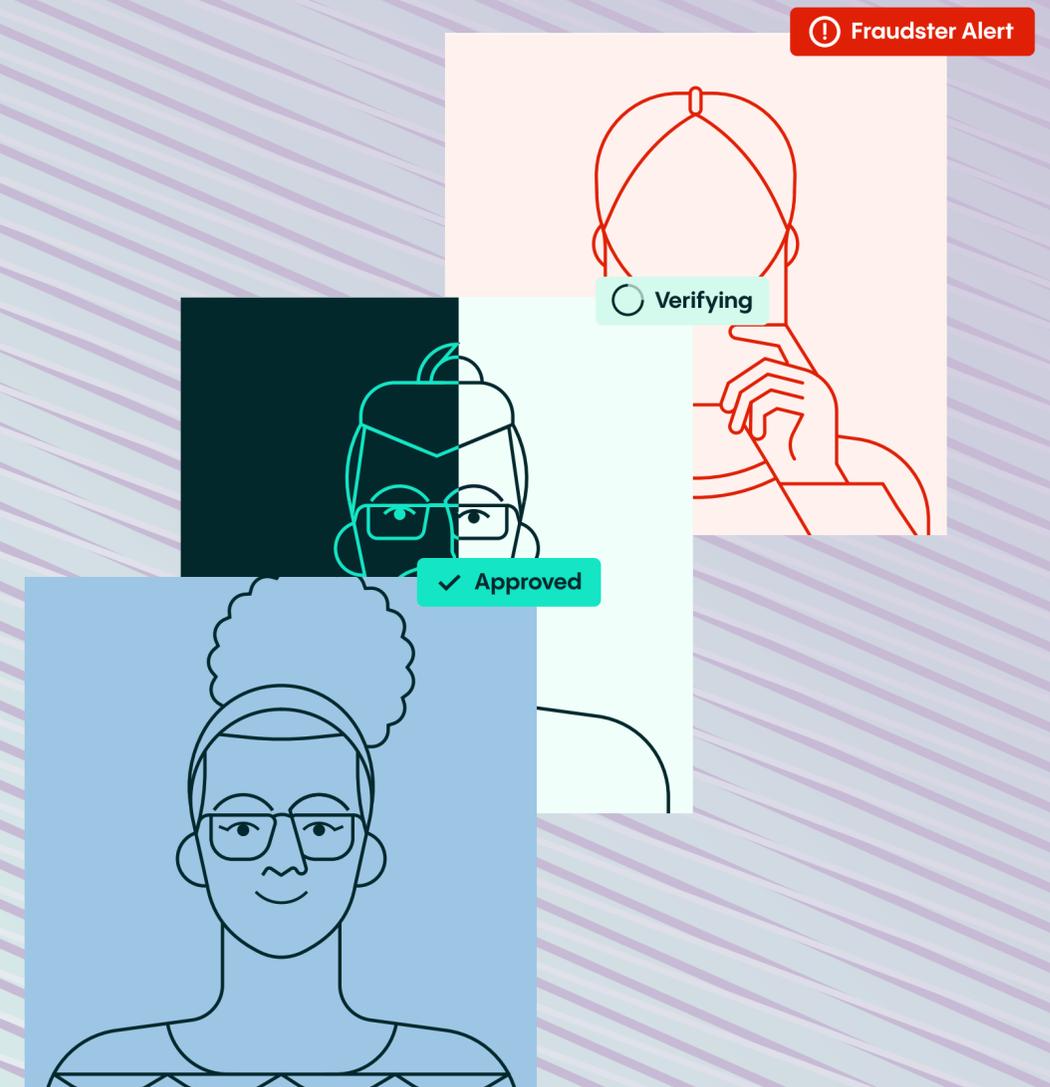


This challenge has evolved with the market, in Latin America and beyond. While the land-based casino industry in the past was associated with a model where the gaming customer was almost a VIP, that can no longer be the case.

Countries such as Colombia are now increasingly focused on responsible gaming. Operators in some areas are adopting a self-regulating approach; while many in the industry doubt the long-term success of such an approach, at least assuming this position would make it easier to adapt to regulations when they are imposed by an external body, as seems increasingly likely in major markets such as Brazil.

This is once more tied to personalization and the need for operators to truly understand their customers, beyond simply assuring the person is not underage or otherwise barred from playing.

Through the right type of marketing, for instance, operators in Latin America can guide customers to spend an appropriate portion of their entertainment spend on gaming; this could be supported through KYC and through rapidly evolving technologies, notably AI and machine learning algorithms, as well as basic deductive reasoning.



CHAPTER 8:

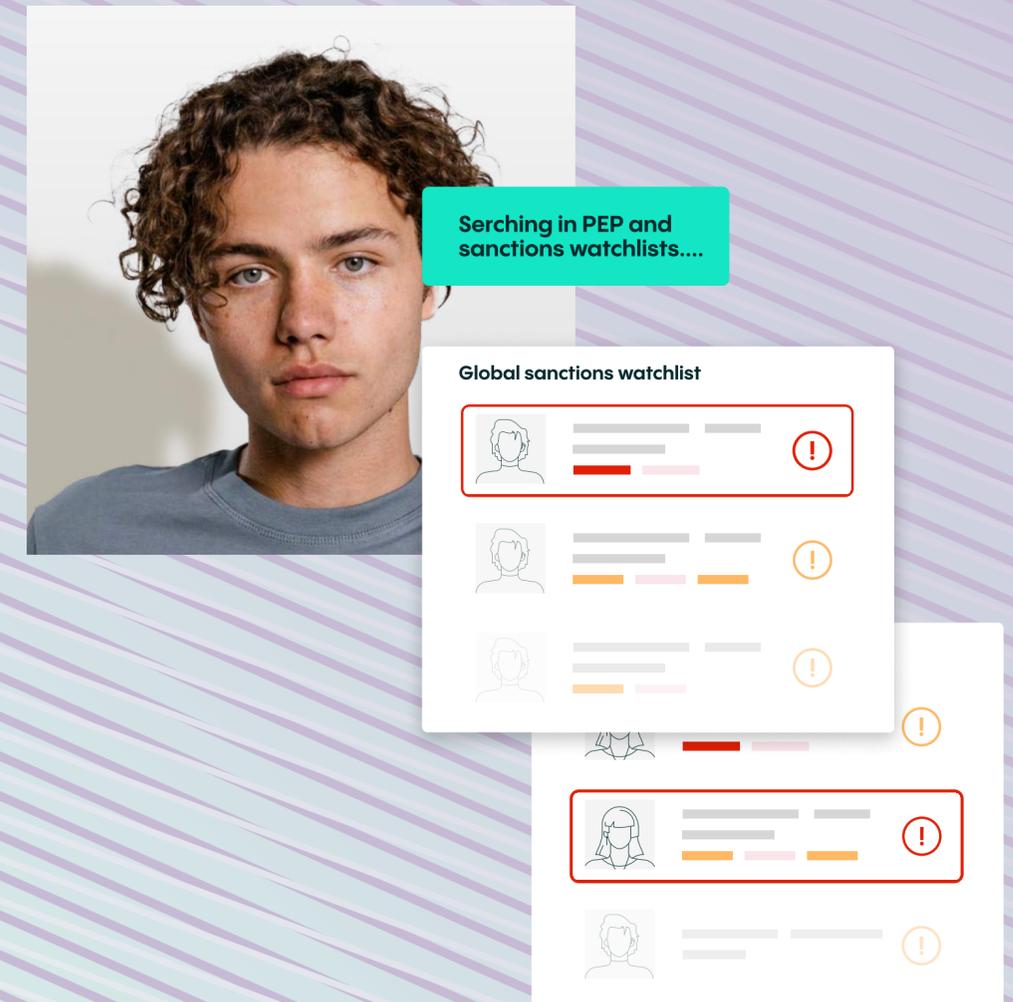
TECHNOLOGICAL BENEFITS

Technological benefits

Along with India and Africa, Latin America is the key focus for operators as they seek growth beyond the saturated markets. Against a complex and tough regulatory climate and in a market with diverse customers and varying demands, the onboarding, verification, and KYC processes are crucial.

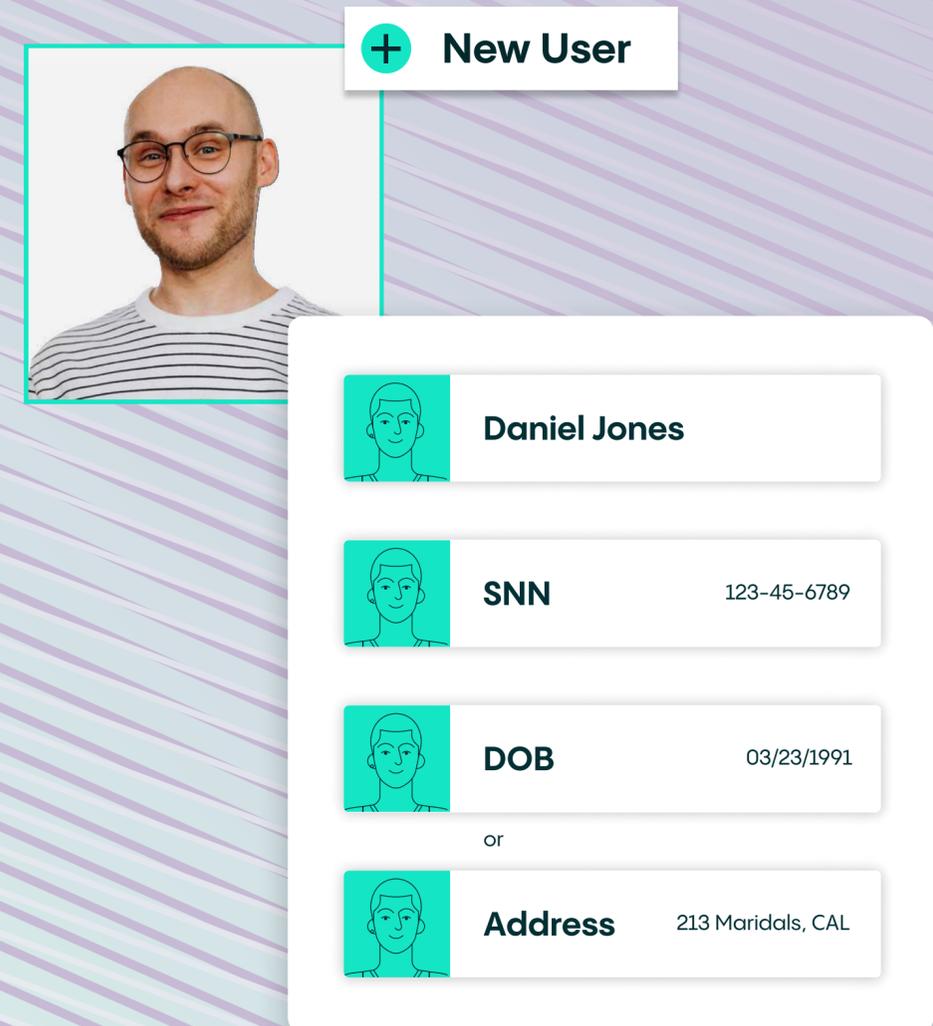
This works on several levels. First, it is vital new players have the optimum user experience, so you must differentiate your brand with the best onboarding process, ensuring customers come to you and not one of your competitors. Second, it is important to bring players onboard compliantly and through all necessary regulation.

Operators must therefore look to what regulations are demanding, what other providers can do, and what sets them apart. They must deliver speed and low friction for the user through a KYC, AML, onboarding and verification process that makes things as fast and as accurate as possible.



At its core, this is about trust. **This is a key priority for Veriff, both in terms of customers and operators, through maximizing transparency and protecting data.**

Our identity verification (IDV) solutions aim to enable operators to identify genuine players anywhere in the world, including Latin America; such an approach will be vital for new and existing operators in the region, as they seek to satisfy the evolving demands of regulators in a highly complex area.



A user profile card for Daniel Jones. It features a photo of a man with glasses and a striped shirt. The card displays the following information:

- + New User**
- Daniel Jones**
- SNN** 123-45-6789
- DOB** 03/23/1991
- or
- Address** 213 Maridals, CAL

CHAPTER 9:

HOW VERIFF CAN HELP

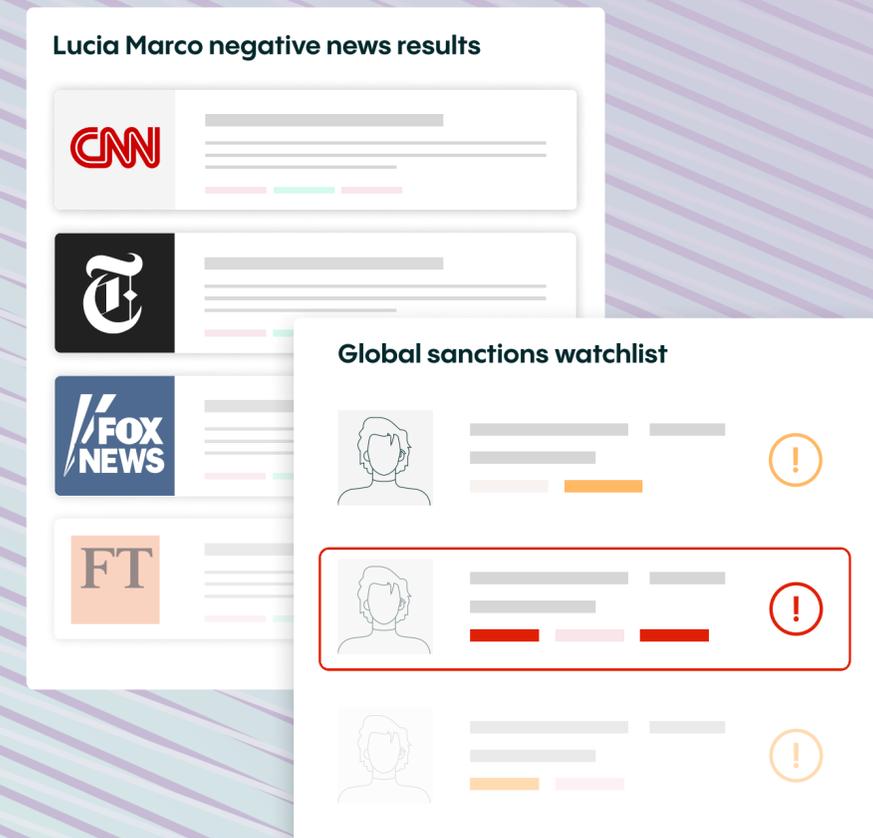
How Veriff can help

Identity Verification - check that the player is who they say they are by verifying the ID document is valid and that the player is the same as the one on the ID document, using a selfie.

Sanctions and PEP screening - Check that the player doesn't appear on a Sanctions or PEP list. This check needs to be performed on a regular basis not just at onboarding.

Age Validation - Enables Operators to seamlessly confirm whether or not a player is above a minimum age threshold and automatically decline those who are underage. Veriff extracts the date of birth from the ID document, the calculated age is checked to see if it is above the predefined threshold. The calculated result is returned to the Operator and any players below the threshold are automatically declined.

Proof of Address - additional check to confirm that your players live where they say they live.

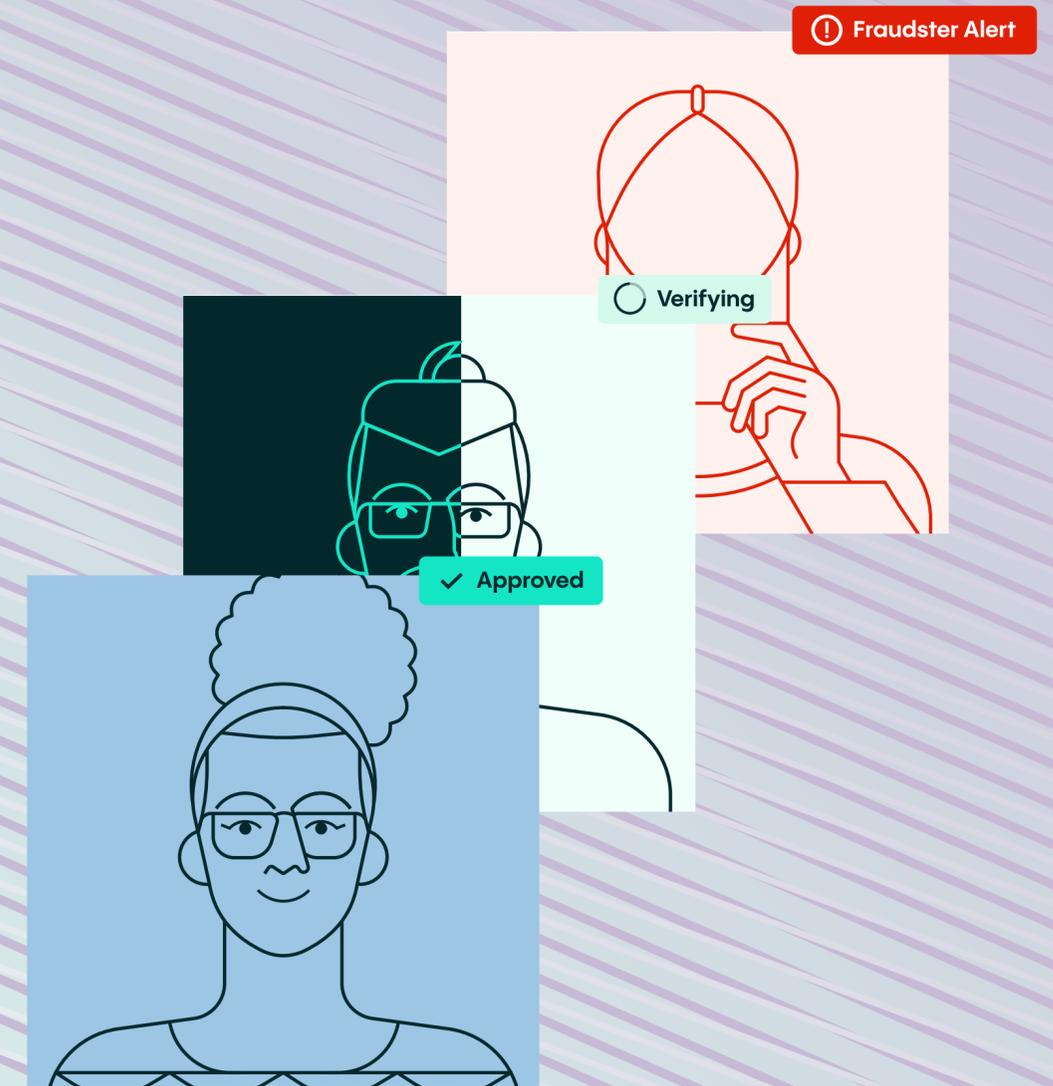


Fraud prevention - Veriff's fraud prevention works in the background to stop bad actors, prevent the same player from opening multiple accounts, or abusing sign-up bonuses with Veriff's Velocity Abuse feature.

This approach helps secure user engagement by making the onboarding process as smooth as possible, for example by providing documents in the necessary language, whether Spanish, Portuguese, or one of the hundreds of other languages in the region.

Choosing an IDV provider that has a wide breadth of documentation within its database and covers the widest range of end-user languages is a must for any organization looking to grow into new territories.

The key, then, is providing relevance for each individual customer, while also ensuring that companies meet rules around compliance, a crucial aim in an evolving regulatory landscape like Brazil and the other growing markets of Latin America.



BOOK A CONSULTATION!

Our IDV platform makes identity verification and regulatory compliance simple. Plus, you can also tailor your process to suit your industry and brand.

If you'd like to learn more about how we can create an identity verification process for your business, **get in touch** with us today and book a personalized demo.



SOURCES

■ Citation 1

■ Citation 2

■ Citation 3

■ Citation 4

■ Citation 5

■ Citation 6

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■ Citation 9

■ Citation 10