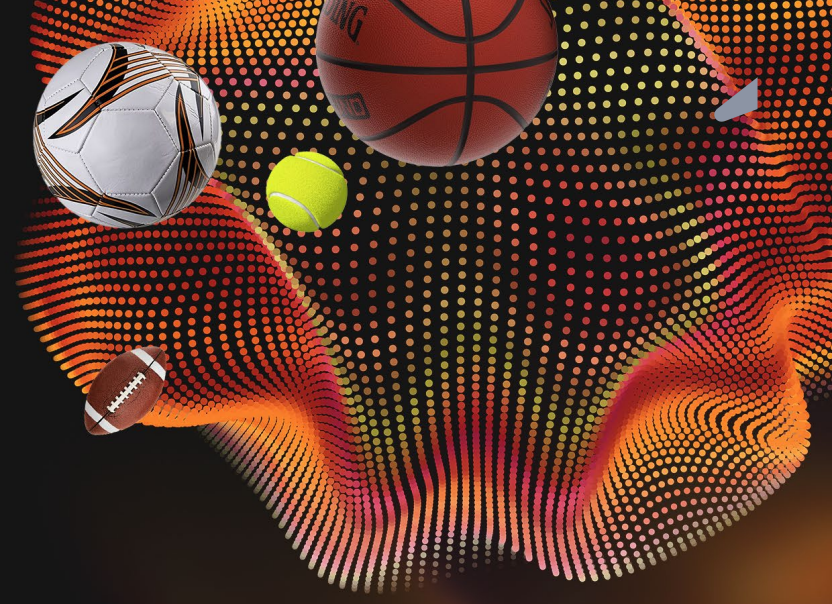


VISUAL LAW

DECIPHERING THE LEGISLATION

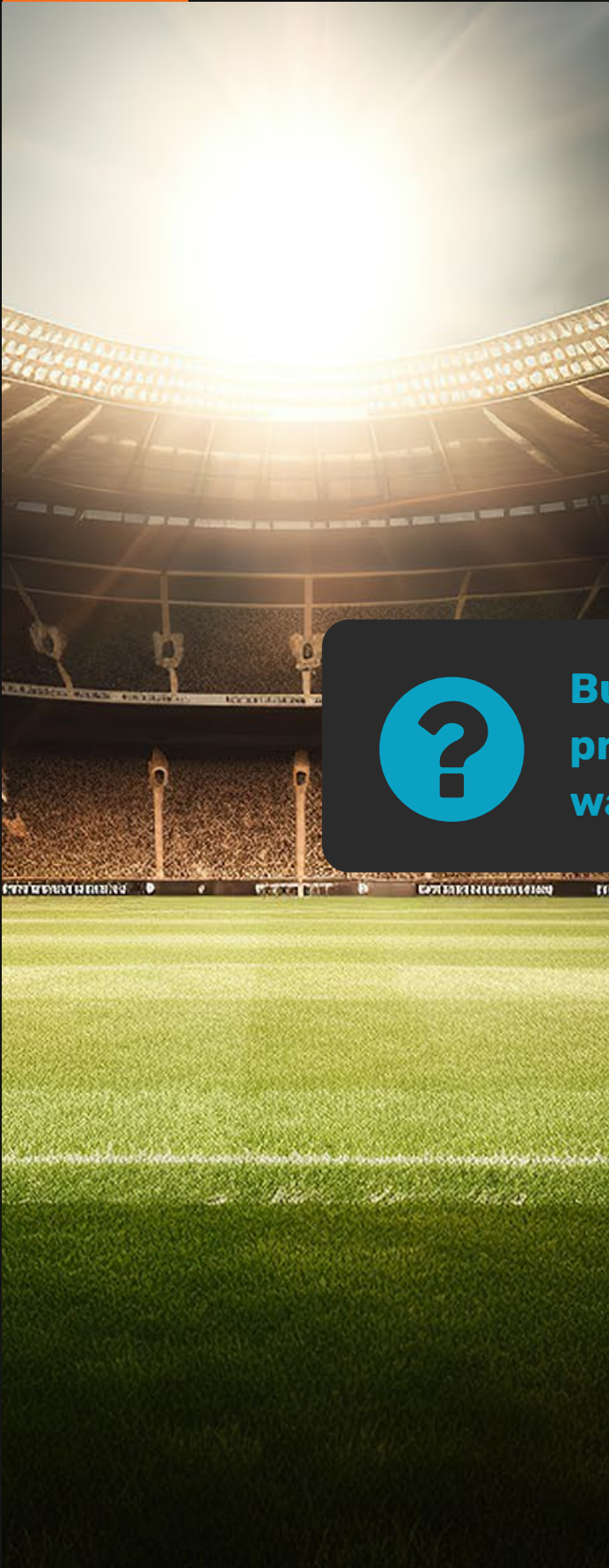
How to operate in the sports
betting market



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03



Overview

Sports betting in Brazil is undergoing a major change with the publication of Interim Measure 1,182/2023, Regulatory Ordinance 1,330/2023, and Law No. 14,790/2023.



But what does this mean in practical terms for those wanting to offer this service?

In this Visual Law, we will untangle the "legalese" and explain, in a straightforward manner, the main rules to be followed by betting websites.

Learn about the requirements for obtaining government authorization and the rights and responsibilities of each party involved.

04

Legislation and regulations in force in Brazil:



LAW 14.790/2023

amends law and introduces modifications related to fixed-odds betting.



LAW 13.756/2018:

governs how revenues from gambling should be used.

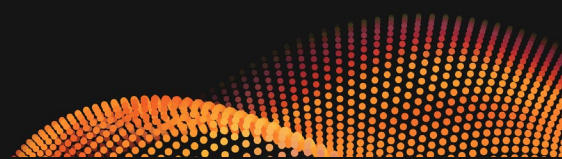


REGULATORY ORDINANCE 1.330/2023:

establishes general rules for companies wanting to offer fixed-fee betting in Brazil, together with the rights and obligations of gamblers.

What is fixed-fee betting?

This type of betting is commonly known as "sports betting". Fixed-fee bets are those in which, at the time they are made, the gambler will win a pre-determined amount if he or she is right.



05

Who will be able to operate in the betting market?

Companies that meet the legal and regulatory requirements laid out by the government.

These requirements include being headquartered in Brazil, paying taxes and fees, offering guarantees of security and social responsibility to gamblers, and following rules for preventing money laundering and gambling addiction.





06

What are the minimum rules one must follow to be authorized to operate in Brazil?



To operate in the sports betting market, you will need an authorization from the Ministry of Finance, which will evaluate whether you meet the legal and technical requirements to offer this service.

Only domestic and foreign companies established in Brazil can operate this type of gambling in the country. So, if you are from outside of Brazil, you will have to open a company here before requesting authorization.

The requirements you must meet are as follows:

01

Having a company that is legally incorporated and in good standing with Brazilian laws.

02

The activities described in your company's articles of incorporation must involve/make reference to the business of sports betting.

03

Having a sound financial position, with a good corporate governance structure, and in good standing with tax, labor and related obligations.

04

Guaranteeing that the money invested in your company has been obtained in a legal manner, always with proof of the source of funds.

05

Having a suitable technical and operational structure, such as a sports betting platform that follows the rules of the Ministry of Finance, customer service for gamblers and a registry with the Consumidor.gov platform.

06

Having departments for accounting, data security, ombudsmanship, gambling operational security and compliance that are 100% dedicated and without undue accumulated job duties.

It is also important to know:

07

Sports betting is open to competition, with no limit on authorizations, and can be done via a number of different physical and virtual channels.

08

By order of the Ministry of Finance, any companies offering sports betting without authorization through websites, apps or any other means will be blocked.

09

The placing of bets and receipt of payouts can only be done by means of transactional accounts offered exclusively by institutions authorized by the Central Bank of Brazil.

Did you know...

Efí Bank is a payment institution authorized by the Central Bank of Brazil, and a direct participant in the Pix payment system. This means that sports betting companies can join our Pix API with complete security.

Our Pix API has clean architecture and SDKs in the main programming languages, and is capable of issuing millions of charges per day.

Are you interested? **Please contact our sales team.**

10

The Central Bank of Brazil is responsible for setting rules for payment arrangements by means of a specific provision, in order to keep sports betting operators from performing transactions without due authorization.

08

How can money laundering and related offenses be prevented in betting?

To obtain authorization to offer sports betting, you must prove that you have suitable policies, **procedures and internal controls** for avoiding illegal activities such as the manipulation of results, money laundering and terrorist financing

You must also agree to notify the COAF of any suspicion that these crimes may be occurring in your transactions, as well as reporting the data of gamblers involved.

What is the COAF

The COAF is the Council for Financial Activities Control, in charge of investigating suspicious transactions to avoid illegal activities such as money laundering and corruption.



Some of the measures that should be taken for your betting include:

- Making rules on how to assess risks involving transactions, the use of subcontractors, product development, private negotiations and transactions with assets.
- Establishing criteria and means of identifying customers, beneficiaries, employees and other related parties.
- Creating records of products and procedures that may be subject to money laundering or terrorist financing
- Implementing procedures to identify, monitor and analyze risks, and report transactions potentially involving money laundering, terrorist financing or related offenses
- Constantly training employees, partners and outsourced service providers on this issue so that they can recognize and report suspicious situations.





Can your betting website have advertising campaigns?

Yes, although Regulatory Ordinance 1.330/2023 establishes several rules:

- It cannot be done at schools or universities.
- It must include warnings such as "prohibited to minors under 18" or "18 and older only".
- It cannot associate betting with personal or social success, particularly by using influencers or celebrities.
- It cannot include sexual content or physical objectification.
- It cannot suggest that betting can solve financial problems or is an act of courage, skill or experience on the part of the gambler.



Furthermore, commercial advertising must include warnings on the risks of gambling, using the expression "**Gamble responsibly**" or other messages that promote social responsibility among the general public.

11

What is not permitted under the regulations?



Publicizing companies not authorized by the Ministry of Finance to conduct such business.



Allowing minors under 18 to participate in betting.



Accepting payments involving credit, cash, bank slip or third-party deposits in the gambler's account.



Allowing people with influence on the results or a credit block to participate in betting as a gambler.



Encouraging, or collaborating in, any practice that compromises the integrity of the sporting activity.

What can prohibit your betting from receiving an authorization?



Being registered as a natural person (authorization is only available to legal persons).



Having partners, shareholders, managers or employees belonging to a public limited football company ("Sociedade Anônima do Futebol") or sports organizations.



Having the right to tender or transact with the government suspended, or having been considered unfit by the public administration.



Being a foreign company whose authorization has been canceled or revoked in other countries in the past five years



Having family ties or personal relationships with public servants of the Ministry of Finance who are responsible for granting authorizations for this activity. This includes partners, managers and associates of the company.



Being a company whose partners, managers and associates have some sort of legal impediment, or have been convicted of administrative impropriety or crimes against the national financial system, among others referred to in the Regulatory Ordinance.





13

What **penalties** are provided for under the legislation?

Natural and legal persons are subject to a series of penalties if they fail to comply with the rules laid down by the Ministry of Finance, such as impeding or hampering oversight, failing to provide documentation and data requested by the supervisory authority, among others.

These penalties can range from a simple warning to the loss of authorization to operate, or prohibition from participating in new business in the sector.



They include:



- (i) warning;**
- (i) fines;**
- (i) partial or total suspension of activities for up to 180 days;**
- (i) termination of Ministry of Finance authorization;**
- (i) prohibition from obtaining new authorizations for up to 10 years;**
- (i) prohibition from participating in tenders;**
- (i) prohibition from carrying out certain activities or types of operation for up to 10 years (the activities have not been specified);**
- (i) prohibition from holding leadership positions at companies involved in betting or any other type of gambling.**



14

What is absolutely essential at a betting website?

One of the main concerns of the sports betting regulatory authorities is **ensuring the safety and well-being of gamblers**, respecting their basic rights and encouraging "conscientious gambling".

Here's how to keep your website in line with these standards:



Ensure reliable, transparent betting

Gamblers should have access to a secure, high-quality service, be properly informed to protect their rights and interests, and use the service with freedom of choice, in compliance with laws and regulations.



Facilitate the user experience

Your website should include clear instructions about how to place bets, the amounts of payouts and how to receive them, and the available account balance of each gambler. In addition, you should provide your contact information in case users have any questions.



Respect gambler privacy

Gamblers should be aware of the payout rules of their bet, and must consent to the website's use of their personal data.



Save essential information

Your website should ask for data such as full name, date of birth, personal ID or passport, taxpayer ID or equivalent document (if foreign).



Promote a conscientious experience

Your website should include measures and disclosures for the prevention of compulsive gambling, indebtedness and the protection of vulnerable persons. It should also have tools for gamblers to set daily time and betting limits, establish a maximum amount that can be lost, temporarily pause gambling and opt out.

15

Agenda



Prior manifestation of interest

Companies interested in obtaining authorization to offer sports betting in Brazil were able to submit a prior manifestation of interest to the Ministry of Finance by 27 October 2023.



Priority for companies meeting the requirements

Companies that meet all requirements of the prior manifestation of interest will be prioritized in the analysis of their requests for authorization once the enrollment period has been opened.



Procedures for obtaining authorization

The Ministry of Finance will issue specific regulations on how to obtain authorization. These regulations should be published within two years (or more, if necessary) of the enactment of Interim Measure 1.182/2023.



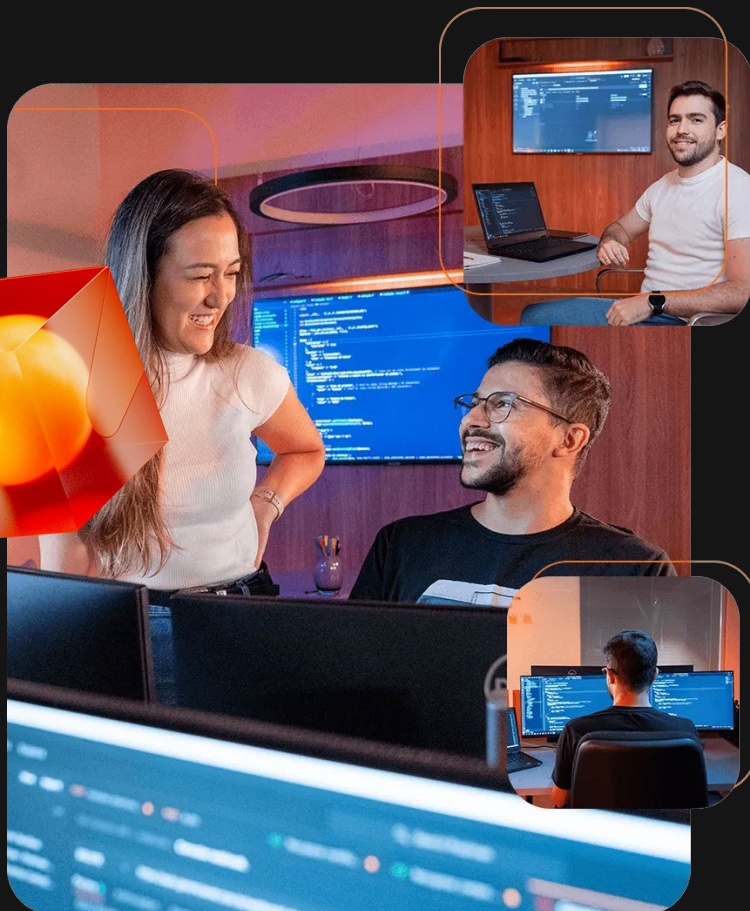
List of authorized companies

The Ministry of Finance will keep an up-to-date public list of companies authorized to offer sports betting.

16

About Efí Bank

We are a FinTech with more than **16 years of experience** in the payment market. We helped to create the **Pix payment system**, and are authorized by the Brazilian Central Bank as a **payment institution**.



Our Pix API is equipped with **cash-in** and **cash-out**, has clean architecture and the Central Bank's seal of maximum quality, and can issue a **large volume of charges per minute** in a completely stable manner.

We have more than **400.000 customers throughout Brazil**, and have surpassed the mark of **27 billion reais transacted** and more than **six billion API transactions** in 2023 alone.

Cash-in

Cash-out

Please contact our sales team.

efí BANK

efipay.bet

