

Gambling and Raffles reform

On November 16, 2023, the decree (the “**Decree**”) reforming various provisions of the Regulation of the Federal Gaming and Raffles Law (the “**Regulation**”) was published, coming into force on November 17, 2023.

The modifications to the Regulation entail several changes to the gaming and raffles regime, including the prohibition of raffle machines or slot machines and some general modifications to the regime governing the application and acquisition of permits.

I. Prohibition of slot machines

The Decree revokes Chapter VIII of the Regulation regarding “raffles of numbers or symbols through machines” (slot machines) and reiterates that the only games with bets and raffles that may take place are those established in the Federal Gaming and Raffles Law and its Regulation. The reason for their prohibition is to safeguard the rights of vulnerable individuals, avoiding the potentially harmful effects of gambling that may impact the country’s childhood, youth, and elderly populations, as well as the harm that could affect individuals with mental or psychosocial disabilities or those suffering from conditions or addictions, such as compulsive gambling or gaming addiction.

It is worth noting that, according to the second paragraph of Article 12 of the Regulation, a slot machine is understood as “any device through which the user places a bet by inserting cash or any other form of payment to obtain a prize.”

Consequently, bets through slot machines are strictly prohibited. Alongside these machines, the Decree also establishes that betting games with cards or equivalents in all their modalities, dice, and roulette cannot be considered raffles and are thus equally prohibited.

Permits granted before the Decree’s entry into force that contemplate the possibility of conducting bets or raffles through slot machines will be respected. However, the maximum duration of such permits will be reduced to a minimum of 15 (fifteen) non-extendable years from the Decree’s entry into force, even if the specific permit initially allowed for a longer duration.

II. General changes to the permit regime

The Decree establishes that permits will have a minimum duration of 1 (one) year and a maximum of 15 (fifteen) years – previously, the maximum term was 25 (twenty-five) years. Additionally, permits will be strictly linked to the geographic position of the establishment. Therefore, if the permit holder intends to change the location of the establishment or transfer the permit to another business under their ownership, a new permit must be requested.

Regarding legal entities, the requirements for permit applications have increased. Previously, only the exhibition of a copy or extract of the articles of incorporation and proof of the applicant’s legal representation were required. Now, two new requirements are included: identifying by name, nationality, address, and photograph the partners or shareholders of any of the entities forming the applicant and providing a declaration that the shareholders have not been convicted of property, fiscal crimes, or crimes related to organized crime or illicit proceeds.

Additionally, the Decree eliminates the figure of the “operator”, a company hired by the permit holder to exploit the corresponding permit. Consequently, the permit holder will be the sole entity able to establish and manage establishments where games and raffles take place.

Regarding this, the rights of operators regarding establishments currently in operation will continue until the conclusion of the permits concerning the establishments in operation, excluding their extensions. Likewise, authorizations of operators not currently exploiting or managing an establishment in operation will become ineffective. It is noteworthy that, although the rights of operators will remain in force until the permit’s conclusion, this will result in unemployment for companies whose predominant activity was to exploit the permits under the Regulation.

III. Impact

As the Decree respects permits already granted under the previous regulation, the impact of the new regulation may not be immediate, but they will undoubtedly be significant.

The Association of Permit Holders and Providers of Games and Raffles warns that the number of players will be greatly reduced due to the new prohibitions. This, in turn, would imply the loss of an immeasurable number of jobs and, consequently, the reduction of fiscal contributions obtained from activities related to games and raffles. This could significantly impact the state’s finances, as Senator Victor Fuentes anticipates. According to him, slot machines were one of the major sources of contributions at the federal and state levels.

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S I N C E R E L Y

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