

**PORTUGUESE LEGAL REGIME ONLINE SPORTS
BETTING AND ONLINE GAMBLING AND GAMING
("RJOG")**

The legal regime regulating online gambling, gaming and sports betting will come into force on 28 June 2015.

This law, in addition to allowing and regulating online gambling, gaming and sports betting in Portugal (so far prohibited) will also allow foreign and national players to play in Portugal.

Essentially, this regime is a liberal model but highly regulated. It will allow the grant of licenses without limit and does not establish exclusive concession rights.

Most relevant aspects of this law are:

1 - Categories and types of games and licensed online betting

The categories of online gambling, games and sports betting whose operation is authorized are the following:

- a) sports betting based on odds/quotations;
- b) mutual Horse betting and horsed betting based on quotations;
- c) gambling games or games of chance, which include the following types (i) baccarat point and bank / Baccarat point and Macau bank; (ii) French Bank; (iii) Blackjack / 21; (iv) Bingo; (v) Game machines comprising three or more rotating reels with symbols and other graphical representations that are progressively immobilized in the row or set of rows in order to form

combinations of symbols; (vi) Poker tournament mode; (vii) Poker not funded, under the types "Omaha", "Hold'em" and "Synthetic Poker"; (viii) Poker without discarding; (ix) American Roulette; (x) French Roulette.

2 - Bookmakers/ Operating Entities

The exploitation of online gambling, gaming and sports betting is originally reserved to the Portuguese State.

The Portuguese State, through the control, supervision and regulatory authority called Instituto de Turismo de Portugal, EP (Tourism Institute of Portugal) through its Gaming Commission and its Regulatory Services and Gaming Inspection, can license it to any private legal persons in the form of public companies by shares set up in Portugal ("S.A") or equivalent type of companies established in one EU Member State or a State signatory to the Agreement on the European Economic Area which has committed to administrative cooperation in the field of taxation and the fight against money laundering, provided that in the case of foreign entities they set up a branch in Portugal.

The exploitation of online gaming and sports betting by bookmakers and operators recognized and licensed in other EU member states does not dispense them from obtaining a license in Portugal, meaning that the licenses obtained in their EU or other countries of origin are not valid and effective or transferable in to Portugal.

3 - Licensing Regime / Types of Licenses

The license application must be submitted by the operating entities (bookmakers) in a specific model at the control, inspection and regulation authority necessarily written in Portuguese and accompanied by several documents referred to in that model.

The application must be made in Portuguese and the supporting documents must be written in Portuguese or in a foreign language accompanied by a certified translation into Portuguese language. In certain cases, the control, inspection and regulation authority may authorize the submission of the supporting documents in another language, at the applicant's request.

Types of licenses that can be granted:

- a) sports betting based on odds/quotations;
- b) horse betting (mutual and based on quotations);
- c) bingo;
- d) games of chance (“gambling games) referred to above.

The exploitation of other types of games may only be authorized whose rules are previously established in regulation issued by the control, inspection and regulation authority.

4 – Licensing conditions and requirements for bookmakers/ operating entities

Exploitation of online gambling, gaming and sports betting will be given by license to the entities that demonstrate trustworthiness and economic, financial and technical capacity.

The cumulative conditions for the grant of licenses to a bookmaker/operating entity are the following:

- a) having fully complied with their social security and tax contributions in Portugal and, if applicable, in their country of origin;

- b) being trustworthy and having the required technical, economic and financial capacity;
- c) presenting a project of gaming technical system (“gaming hardware”) that contains, inter alia, the following features and elements:
 - i) The descriptive memory of the technical game, contemplating the respective requisites and the geographic address/location of the gaming platform;
 - ii) An indication of the geographic location, within the domestic territory, where the infrastructure of entry and registration of players and bets is located and, if applicable, the intermediary service provider who hosts the infrastructure or the information;
 - iii) The identification of categories and types of games and online betting to be explored;
 - iv) The self-exclusion mechanisms for the players and inhibition of registration for banned players;
 - v) The means to effectively enable the bans;
 - vi) The betting limits and the means to allow the players to set limits on the bets made and the amounts deposited in the respective players’ account;
 - vii) The timing of the game and of the bet, where applicable;
 - viii) The accepted payment instruments and rules of calculation and payment of wins and prizes;
 - ix) The way the system carries out the registration of all movements in the player’s account and how it processes transactions involving transfers of funds between the bookmaker/operator and the player;
 - x) The adopted security mechanisms for the information in order to ensure the security of the gaming technical system and its data.

Trustworthiness

Among other grounds, entities or their legal representatives who are insolvent or have committed certain crimes or infractions such as fraud, corruption, money laundering, illegal gambling and other crimes connected to games and gambling or other will be regarded as not possessing the required trustworthiness and repute to be awarded a license.

Technical capacity

The applicant (bookmaker/operating entity) must demonstrate having the required technical capacity, evidenced, inter alia, by having trained, certified and experienced personnel in the several types of technology being utilized.

Economic and Financial capacity

The applicant (bookmaker/operating entity) must demonstrate having the required economic and financial capacity through the evidencing of a certain financial ratio between net equity and net assets.

Issuance of the License

The license is issued by the control, inspection and regulation authority but before its final issuance it is required that cumulatively the following is accomplished:

- a) certification and homologation of the gaming technical system (“gaming hardware”) by the regulation authority;
- b) within the term of 10 days set by the authority the i) grant by the bookmaker of the performance bonds required by the legal regime

(see below) ii) the payment of the license fee to be fixed by the government and iii) the payment of any fines due (if applicable).

5 – Other Licensing terms and conditions

Once the grant of the license has been approved, the bookmaker/operating entity will have to put forward a performance bond of € 500,000.00 and another in the amount of € 100,000.00 to guarantee payment of the special excise tax applicable to online gaming.

The license is valid for three years, renewable for successive equal periods if the requirements for its grant continue to be met and such is duly evidenced.

An assignment of the license requires prior approval of the control, inspection and regulatory authority. The same authority may revoke or suspend it in case of supervening breach of the conditions and circumstances which led to his grant or in case of breach of certain requirements and obligations.

The activity of online gambling, gaming and sports betting may only be initiated as of the moment the license is issued.

6 - Obligations of bookmakers /operating entities

Subject to the fulfillment of other obligations laid down in the legal regime and those emerging from the respective license, bookmakers/operating entities, in the exercise of the activity of exploring online games, gambling and betting are obliged, in particular, to:

- a) pay the fees payable under the legal regime;
- b) install and maintain a gaming technical system for the operation of gambling, gaming and/or sports betting, as defined in the legal regime;
- c) redirect to the Portuguese website they have to set up all accesses made from locations situated in the Portuguese territory or locations that use players accounts registered in Portugal, under the terms of the legal regime;
- d) create a registration and an account for each player, under the terms laid down in the legal regime;
- e) set a policy for allocating prizes/wins to players;
- f) pay the players the prizes/wins at the announced value;
- g) order the transfer to the previously indicated player's payment account of the balance of the player's account, whenever such is requested by the player;
- h) have a bank account in a credit institution established in a Member State of the European Union, through which all transactions related to the activity of online gaming and betting are made;
- i) ensure the integrity, availability, confidentiality and all other security attributes of online gaming and betting, ensuring a reliable and transparent game;
- j) provide information on the rules of online gaming and betting in a clear, true, complete and updated manner, including the permitted payment instruments, the minimum amounts, the bet limits and the rules of calculation and payment of prizes/wins;
- k) develop a privacy policy, which must be expressly accepted by the player, in which it identifies the minimum information that is requested, the purpose for which it is intended, as well as the conditions under which it may be disclosed;
- l) designate a responsible manager for the operation of gambling and betting which is responsible for ensuring the relationship with the control, inspection and regulation authority, in particular by supplying all information requested;
- m) ensure the implementation of the online gaming and betting accountancy and compliance with applicable laws concerning the prevention of money laundering and terrorist financing;

- n) develop and implement means to prevent minors and other socially vulnerable groups from registering as a player;
- o) provide information on the prohibitions to play;
- p) transmit to the control, inspection and regulation authority within 24 hours from the date of receipt of the respective communication, the identity of the players who have been self excluded from the game;
- q) develop a plan and take the necessary measures to achieve responsible gaming principles laid down in the legal regime and in the regulations, instructions and guidelines issued by the control, inspection and regulation authority;
- r) collaborate in the fight against illegal gambling and associated illicit activities, including compliance with preventive provisions set in the law and denouncing practices or behaviors that might conflict with it;
- s) report to the control, inspection and regulation authority any change to the composition of its corporate bodies, within 10 days of the change;
- t) comply with other legal or regulatory obligations, including n data protection and privacy laws.

It is also the obligation of the bookmakers/operating entities to obtain confirmation of the data in players' registrations.

The bookmakers/operators are required that at least 60% of its share capital be represented by shares that permit the bookmaker, at any time, to know the identity of the respective holders. Bookmakers are obliged to notify the control, inspection and regulation authority of all acts or contracts involving the acquisition, transfer or assignment of those shares within 30 days from the date when the company became aware of the act or deal in question.

7 - Exercise of supervision and control /Control, Inspection and Regulation

body

Control functions, inspection and regulation of the activity of online gaming and betting are exercised by the Instituto de Turismo de Portugal, EP (Tourism Institute of Portugal, through its gaming commission and its regulatory services and gaming inspection).

8 - Internet Site

The bookmakers/operators are required to install a website for Portugal with the name of the respective domain to identify 'pt' for the operation of gambling, gaming and betting in Portugal, to which they must redirect all accesses made from locations situated in Portuguese territory, or making use of registered players accounts located in Portugal.

9 - Gaming Technical System

The bookmakers/operators shall have to put in place a gaming technical system (hardware) for the organization and operation of gambling, game and/or sports betting that fulfills its obligations under the legal regime and those that emerge from the respective implementing rules or regulations, instructions or directions of the control, inspection and regulation authority.

Several requirements are set out in the legal regime regarding the features of the gaming technical system.

The system should be set in a way and at a location where the control, inspection and regulatory authority can accede.

The infrastructure of entry and registration of bets and online activity must be located in the Portuguese territory and must be stored for at least 10 years in Portugal.

The bookmakers/operators must deliver to the control, inspection and regulatory authority a monthly report of all activity of each month until the 15th day of the subsequent month to which it refers.

The gaming technical system must be certified and homologated by the control, inspection and regulatory authority which may perform regular audits to it after being certified and homologated.

10 - Registration and Players' duties

The legal regime sets forth several requirements regarding registration of players and lays down a list of rights and duties of players, including, inter alia, self-exclusion mechanisms.

11 - Accounting and financial control

In addition to its normal accountancy, bookmakers/operators must organize and keep analytical accountancy in a way where there is a cost center where all gaming transactions are exclusively booked.

12 - Taxation and Fees

Taxation

The bookmakers/operators shall be subject to IEJO (Special Tax on Online Gaming) which is assessed monthly by the control, inspection and regulation authority. The tax assessment is sent to the bookmaker/operator until the fifth day of the month following the month to which it relates and payable by the bookmaker/operators by the 15th of the same month.

In gambling (games of chance) the IEJO is levied on the gross revenue of the operator and the tax rate is 15% and when the gross annual revenues exceed €5,000,000 it is subject to a specific formula which treats separately the taxation of the revenues until that amount and the amount above according to that formula.

In sports betting based on odds, the IEJO is levied on the revenues derived from the bets made and when the bookmaker/operator charges a commission on the bet the IEJO is also levied on that amount. The tax rate is 8% up to €30.000.000 of annual bets and above that amount a certain formula is applied to differentiate the taxation until that amount and in excess of it. In all cases, the maximum tax rate cannot exceed 16%.

Other rules apply to other games.

Fees

Fees are charged for i) the homologation of the gaming technical system; ii) the issuance of the license; iii) the renewal of the license; iv) the authorization to pursue other types of gambling games not specifically listed in the legal regime.

The amounts of fees are to be set by the government.

13 - Crimes and infractions

The legal regime provides and regulates several types of crimes and administrative infractions in connection with online gambling, gaming and sports betting, whose sanctions vary from the application of fines to more severe punishments such as imprisonment.

It also sets out the procedural regime applicable to the relevant criminal or administrative punitive proceedings.

14 - Advertising

The same law introduces changes to the Advertising Code to allow and regulate the advertising of sports betting and gambling bookmakers and the advertisement of the forms of gaming and betting communication.

It cannot include or be intended to minors, cannot post advertising messages to this content within 250 meters of schools and should not be made statements in events designed or frequented by minors.