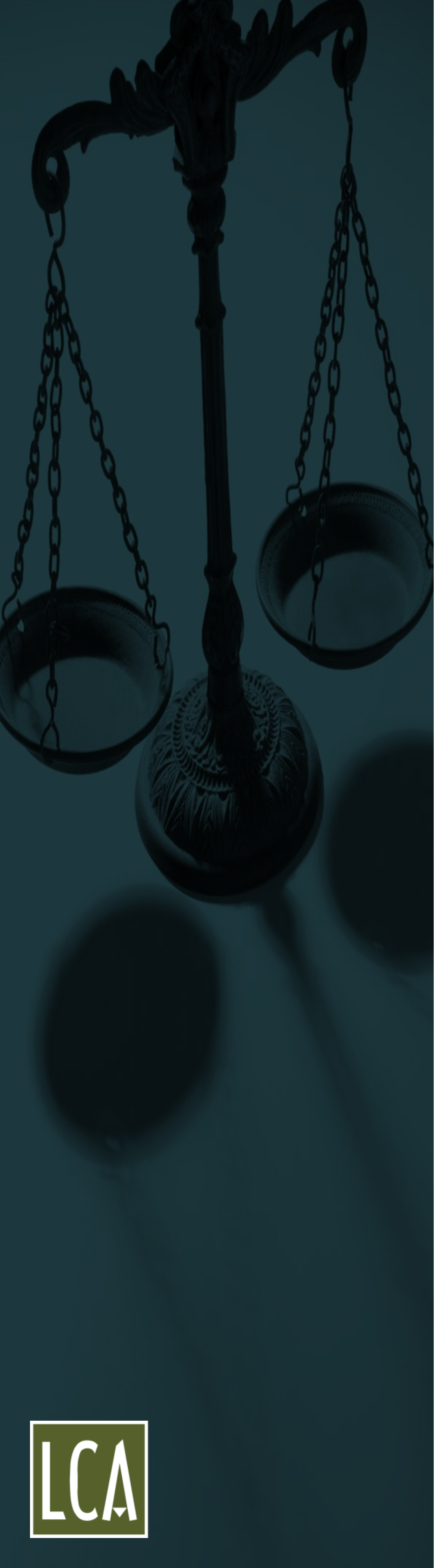
# Off the Radar

## Sizing and Socioeconomic Impacts of Brazil's Illegal Gambling Market

June 2025

# Introduction



In recent years, the gambling market in Brazil has experienced significant growth. Despite the legalization of the betting market in 2018, there was no specific regulatory framework for the sector at the time.

The betting market regulation, which came into effect on **January 1, 2025**, aims to foster a safe and responsible betting environment in Brazil.

Under this regulation, **only operators licensed by gambling authorities are allowed to operate legally**. These operators must comply with tax obligations and a range of other requirements, including maintaining a registered office in Brazil, taking measures to prevent money laundering, and protecting bettors.

However, **the ongoing presence of illegal operators in Brazil's betting market poses a major challenge**. By operating outside the safety and oversight rules, these operators may fail to honor payouts, enable money laundering, and expose users to fraud.

The success of gambling regulation depends directly on **tackling illegal operators and channeling the market activity into the legal framework** – a challenge faced by many countries.

To better understand these dynamics, the **Brazilian Institute for Responsible Gaming (IBJR)** commissioned **LCA Economic Consulting** to conduct a study on the size and socioeconomic impacts of Brazil's illegal gambling market.

# A sector in transformation

Betting was legalized in 2018 with the enactment of **Law No. 13756/2018**, and regulation was later approved in 2023 through **Law No. 14790/2023**. During this period, market entry was unrestricted, leading to a proliferation of betting websites.

Since January 2025, the regulation has been in effect, **clearly distinguishing legal and illegal operators** -legal operators being those that have obtained a license from the competent authority.

## Timeline

**2018**

### Legalization of betting

Fixed-odds betting was legalized in Brazil in 2018 through Law No. 13756/2018. The regulatory framework was only established in 2023.

**2023**

### Regulation

The regulatory framework for the betting market was approved in 2023 under Law No. 14790/2023, setting out rules for the sector, including company requirements, oversight, taxes, and control measures. 2024 served as a preparation period for the implementation of these regulations.

**2024**

### Creation of SPA[1]

The SPA, created in January 2024, is responsible for authorizing and supervising fixed-odds betting in Brazil. New operators must comply with its requirements or those of the relevant regional authority in order to operate.

**2025**

### Law No. 14790/2023 fully in effect

Key measures:

i. Companies must obtain licenses to operate legally;

ii. Only websites with ".bet.br" domain are authorized to operate in Brazil;

iii. CPF (Social Security Number in Brazil) and facial recognition are required to verify the authenticity of bets;

iv. Welcome bonuses are prohibited as a marketing strategy;

v. The SPA monitors and takes action against illegal operators.

*1) The Prizes and Betting Secretariat (SPA, Secretaria de Prêmios e Apostas in Portuguese) is the federal authority responsible for regulating and monitoring fixed-odds betting in Brazil. SPA functions similarly to a regulatory agency in other countries.*

# Key aspects of the regulation

## Operator Responsibilities

### Law No. 14790/2023 and SPA regulations

#### TAXATION

12% tax rate is applied on GGR, and 15% income tax is levied on the net winnings of individuals.

**Article 31**: Net prizes won in fixed-odds lottery bets are subject to the Personal Income Tax (IRPF in Brazil) at a rate of 15% (fifteen percent).

#### LICENSES AND GUARANTEES

**BRL 30 million** is required to obtain a 5-year license, plus an obligation to keep BRL 5 million in a guaranteed account.

**Article 12:** The fixed concession fee Is capped at **BRL 30 million**, covering the use of up to three commercial brands to be operated by the legal entity through its electronic channels under the authorization.

#### REGISTRATION

Mandatory registration in Brazil, with at least 20% of the company's share capital coming from a Brazilian source.

**Article 7, § 1, IX**: Requirement that a Brazilian shareholder must hold at least 20% (twenty percent) of the legal entity's share capital.

#### ADVERTISING

Restrictions on the target audience, advertising channels, and campaign formats, including mandatory warnings discouraging gambling.

**Article 16, I:** Warnings discouraging gambling and alerting to its harmful effects must be displayed by operators.

#### RESTRICTIONS AND USER REGISTRATIONS

**Prohibition for minors,** regulatory officials, or those with influence over outcomes. Biometric or facial recognition registration required.

**Article 26:** Participation is prohibited for [...] **II -** owner, administrator, director, person with significant influence, manager, or employee of the operating agent.

#### PAYMENT METHODS

Only PIX, TED, debit cards, or prepaid cards are accepted.

**SPA Normative Ordinance 615/24 – Article 3**: The following are prohibited: cash payments; payment slips; virtual assets or other types of crypto-assets; payments or transfers from accounts not previously registered by the bettor; credit cards [...]

**Regulation must be properly calibrated to encourage formalization of the market**

**Excessively strict rules, whether in terms of cost or operational requirements, may drive some operators toward the illegal market**

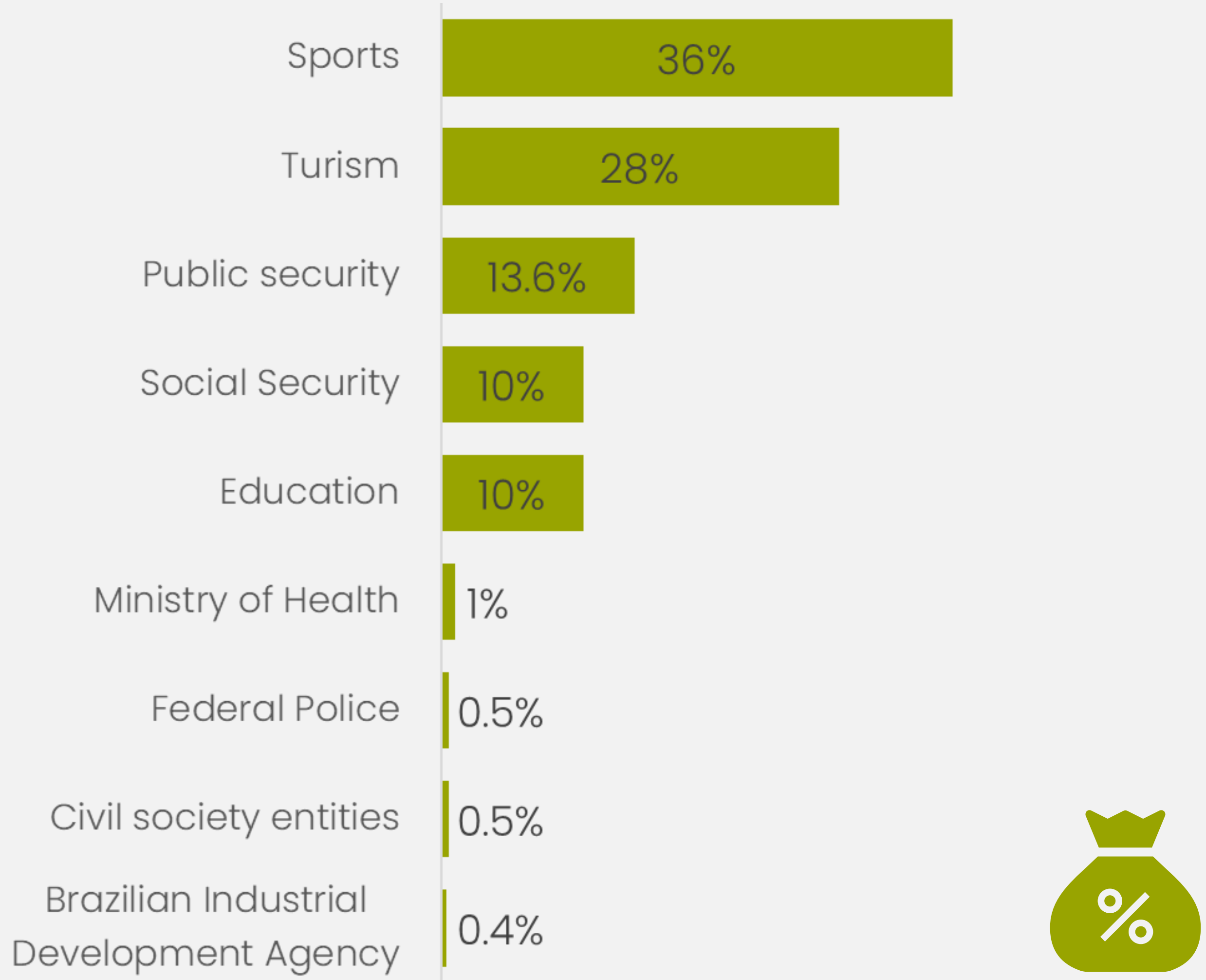
# Gambling Market Taxation

**Law No. 14790/2023** introduced an additional **12% rate on operators' Gross Gaming Revenue (GGR)**, as well as a **15% income tax on bettors' net winnings**.

Operators are also subject to PIS/COFINS and ISS (consumption taxes), as well as IRPJ and CSLL (income taxes), resulting in **a total tax burden of approximately 27% of GGR[1]**.

The funds collected from the 12% GGR contribution are allocated to various areas:

**Allocation of funds collected through the 12% GGR contribution from operators** (in %)




Source: Law No. 14790, dated December 29, 2023. Elaboration: LCA Economic Consulting.

*1) LCA's estimates consider a 2% ISS (municipal tax) rate and a 20% net revenue margin. The calculation does not include the monitoring fee charged to betting operators or the income tax (IRPF) levied on bettors' winnings.*

# Illegal Betting Market in Brazil

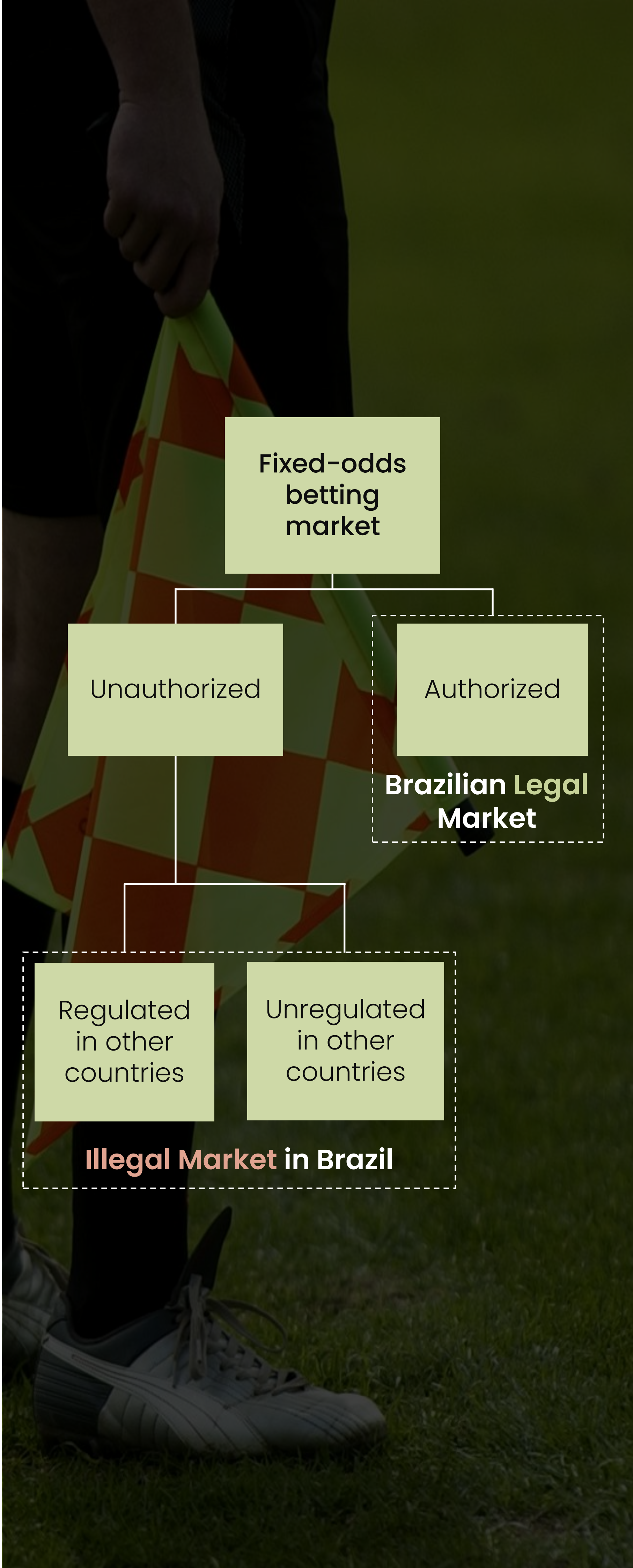
The illegal market in Brazil consists of operators that **do not hold authorization to offer fixed-odds betting**.

This includes companies that either did not apply for a license or had their applications denied.

- During the federal licensing application period prior to 2025, 114 companies submitted requests to the federal government, and only 68 were approved.
- Over **11,000** (eleven thousand) **unauthorized domains have already been taken down**.

Illegal operators may be based either in Brazil or abroad.

- The registration of international domains facilitates the operation of these sites beyond the reach of national regulation.



# The illegal market is less safe for bettors and more prone to fraud

LCA

The ease of offering and access to online betting platforms, combined with a lack of regulation for a long period, led to a proliferation of operators. **Many of them have not integrated into the regulated market**.

Regulation must ensure that both operators and bettors are move toward the regulated market.

## Unlicensed operators pose various risks to the market and to bettors' safety

- There is no security regarding the liquidity of the platforms. Consumers may not receive promised payouts;
- Operators have no responsibility for issues related to gambling addiction;
- There are no guarantees regarding bet integrity or measures to prevent match-fixing;
- Illegal betting operators can be used for money laundering.

**Addressing the illegal market is essential to ensure greater consumer safety and fair competition among operators**

# Operating mechanisms of illegal betting websites

In general, these websites attempt to deceive bettors into believing they are playing in the regulated market. Some of the strategies used by illegal operators are outlined below:

## Names similar to those of licensed operators

- Several illegal operators use website names that closely resemble those of licensed operators.
- Free-rider effect on brand: illegal operators benefit from brands that are already established in the market - those that pay for licensing, taxes, and invest in marketing and positioning.

## Frequent domain changes

- It is not uncommon for illegal operators to frequently change their website names. Websites appear and disappear easily in the digital environment.

## Unregulated influencer marketing

- Illegal operators may use digital influencers to promote their fraudulent platforms, making misleading promises about financial gains.

## *Phishing*

- These companies may adopt various tactics to steal bettors' information and money, such as creating fake websites and sending deceptive e-mails to induce people to deposit money on fraudulent sites.

# Illegal operators circumvent regulation to attract bettors

## Many bettors are unaware that they are betting in the illegal market

### Offering aggressive odds, promotions, and prohibited games

- More favorable odds, welcome bonuses, and promotional offers beyond what is permitted by regulation.
- Games and bets offered on events that are not authorized or that do not ensure random outcomes (e.g., betting on the next pope, election betting).

**SPA Normative Ordinance 1231/24 - Article 42**. The betting operator may establish rules for the use of rewards referred to in the main section, provided they are clearly set forth in the Terms and Conditions of the betting system, **being prohibited from conditioning the delivery of bonuses, rewards, or goods on financial contributions made by bettors**.

### Lack of betting limits and warnings about gambling addiction

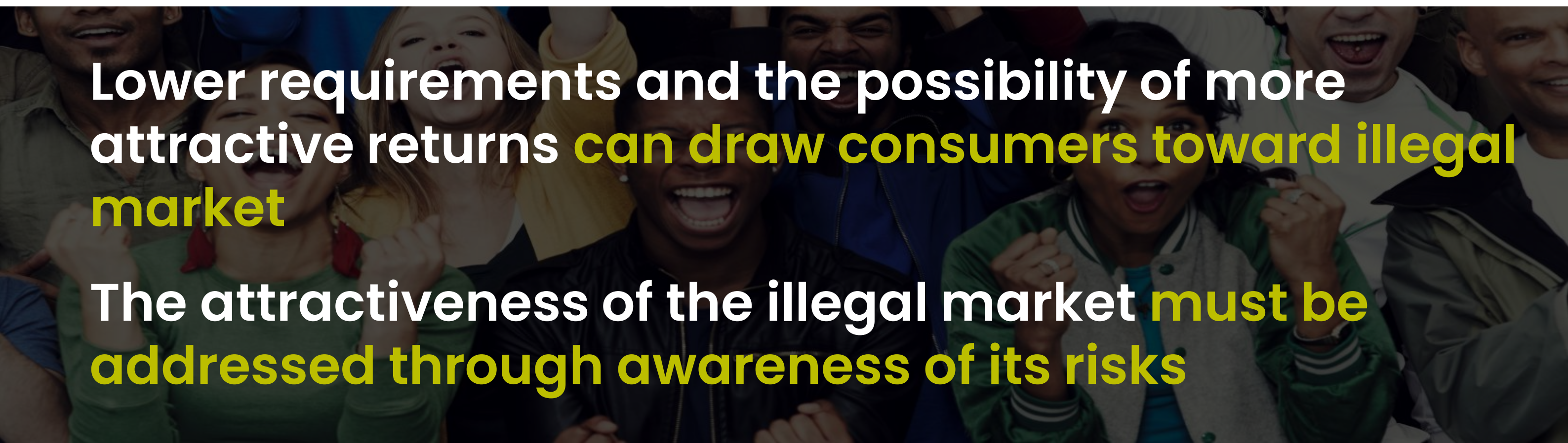
- No limits imposed on bet amounts, frequency, or duration, and no disclosure of the risks of addiction or of losing wagered funds.

**SPA Normative Ordinance 1.231/24 – Article 4**. [...] the betting operator must: inform the bettor [...] about **the risks of addiction** [...] and of loss of betting amounts; [...] enable bettors to **set prudent betting limits based on elapsed time**, financial loss, total deposited amount, or number of bets [...]; request for self-exclusion [...]

### Less stringent registration requirements and more payment options

- The illegal market often does not adopt strict registration requirements, such as facial recognition - or may not require registration at all.
- They often accept prohibited payment methods such as credit cards and cryptocurrencies.

**SPA Normative Ordinance 1.231/24 - Article 31**. For the purpose of bettor authentication, the following must be mandatorily registered: **facial recognition** with liveness proof; and an alphanumeric password with special characters. [...] other forms of biometrics other than facial recognition [...]



**Lower requirements and the possibility of more attractive returns can draw consumers toward illegal market**

**The attractiveness of the illegal market must be addressed through awareness of its risks**

# Key differences
## Legal *vs* illegal operators

Unlicensed operators pose risks to bettors by not adhering to the core guidelines established by SPA.

In summary, they **generate harm to society both by ignoring concerns related to responsible betting and by not paying taxes**.

The regulatory authority, SPA, remains **vigilant to responsible betting practices and to protecting vulnerable consumers' economic interests**. Curbing harmful practices — such as fraud, money laundering, and match-fixing — is directly tied to these goals.

### Legal

**Legal protection**
Allow access to the judiciary and consumer protection agencies.

**Security**
They are subject to inspections by government authorities.

**Responsible betting**
Control tools such as self-exclusion and deposit limits.

**Crime prevention**
Adopt measures to prevent money laundering and monitor financial flows in the sector.

**Data protection**
Comply with the LGPD (Brazilian General Data Protection Law) to ensure protection of users' personal data.

### Illegal

**Lack of legal guarantees**
Do not offer protection or mechanisms for dispute resolution.

**Lack of inspections**
The platforms are not subject to any official monitoring or control.

**Minor access**
Allow unrestricted access by minor individuals.

**Irresponsible betting**
Do not provide tools to prevent gambling addiction.

**Economic harm**
Illegal markets do not pay taxes or create formal jobs.

**Match-Fixing Risks**
Lack of mechanisms to ensure the integrity of sports competitions.

# Addressing the illegal market is a global challenge

Channeling[1] bets into the legal market requires adaptation by both operators and consumers, as well as efforts by regulatory authorities to combat illegal market.

## United Kingdom

**Channeling rate: ~95-97%**

Even with one of the oldest regulatory frameworks and recognized as an international benchmark, the **United Kingdom remains alert to illegal practices**.

- *Frontier Economics* (2024) identifies concerns and economic implications of illegal betting in the region.

## Denmark

**Channeling rate: ~90%**

The Danish Gambling Authority publishes an **annual report on the illegal market**, outlining how unlicensed operators act and communicate, with the goal of raising awareness among bettors.

## Germany

**Channeling rate: ~60%**

In Germany, the federal government set a target in 2025 to combat illegal gambling. Since the regulation of the online gambling market in 2021, licensed operators have faced **strict rules, excessive bureaucracy, and high taxes** — factors that make the channeling process toward the legal market even more challenging.


1) Channeling refers to the share of bets placed with licensed operators relative to the total volume of bets in the country.
Sources: IBIA (2024), Frontier Economics (2024), ICLG – https://iclg.com/practice-areas/gambling-laws-and-regulations. Accessed on: 05/30/2025.

# In Brazil, the government has been working alongside operators to promote the legal betting market

The SPA's 2025–2026 regulatory agenda introduces a series of measures **aimed at enhancing bettor well-being**, with initiatives designed to ensure safety and support individuals facing gambling addiction.

## 2025–2026 Regulatory Agenda

**Ordinance No. 817, issued in April 2025[1], outlines planned actions to improve regulation**

Some examples are:

**2025–2026 Regulatory Agenda**

- Distinctive seal for authorized Betting Agent Operators

  **2nd quarter of 2025**

- Improve support for bettors facing gambling addiction

  **4th quarter of 2025**

- Regulation of the betting operators' economic chain (including online game providers and other service providers)

  **3rd quarter of 2025**

- Consolidation and enhancement of monitoring procedures

  **1st quarter of 2026**

1) https://www.in.gov.br/en/web/dou/-/portaria-spa/mf-n-817-de-15-de-abril-de-2025-624258870. Accessed on: 05/30/2025.

# Key measures implemented by SPA in 2025

## Measures to Enhance Security

SPA's main efforts have focused on **market channeling** - that is, attracting bettors to authorized platforms - and on **combating illegal operators**. A concrete example of this was the issuance of 22 notices, in February, to financial institutions providing services to entities outside the regulated market[1].

In addition, the Secretariat issued **Ordinance No. 566/2025**, which prohibits financial institutions from processing transactions linked to illegal betting and requires them to notify SPA within 24 hours of any suspicious activity[2].

### Implemented Actions

- Deactivation of illegal operators in coordination with Brazilian National Telecommunications Agency (Anatel);
- Suspension of licenses due to missing or inadequate documentation;
- Cooperation with the Central Bank of Brazil (BCB) to intensify efforts against illegal betting;
- Ban on financial transactions related to illegal betting;
- Release of the **2025–26 Regulatory Agenda** to improve the regulatory framework.

## Indicators SPA (May 2025)

| | |
|---|---|
| **74** | Licenses Granted by SPA[3] |
| **164** | Authorized brands (websites)[4] |
| **BRL 2,22 bi** | License fee payments to the federal government[5] |

SPA's measures are heading in the right direction and are fundamental for the effectiveness of the new legislation, **but there are still opportunities for improvement**.

1) The law regulating the market prohibits financial and payment institutions from operating with entities outside the regulated market. https://www.gov.br/fazenda/pt-br/assuntos/noticias/2025/fevereiro/spa-mf-notifica-22-instituicoes-do-sistema-financeiro-por-operar-com-sites-ilegais. Accessed on: 06/06/2025. 2) https://www.in.gov.br/en/web/dou/-/portaria-spa/mf-n-566-de-20-de-marco-de-2025-619268422. Accessed on: 06/06/2025. 3) There is also a group of companies operating under judicial authorization, totaling 5 companies and 13 brands. 4) The license allows authorized companies to operate up to three brands (websites). 5) The unit license fee (BRL 30 million) multiplied by the number of licenses (74). https://www.gov.br/fazenda/pt-br/composicao/orgaos/secretaria-de-premios-e-apostas/lista-de-empresas/confira-a-lista-de-empresas-autorizadas-a-ofertar-apostas-de-quota-fixa-em-2025. Accessed on: 05/30/2025.

# Measuring the illegal betting market in Brazil

The legal betting market in Brazil came fully into effect in January 2025. **Only five months have passed since the official separation between the legal and illegal markets.**

As seen in other countries, curbing illegal market practices is essential to ensuring the success of regulation.

**The first step in addressing the issue of illegality is understanding the size of the illegal betting market.**

## A survey conducted by Instituto Locomotiva provides key indicators on the scale of illegal activity in the Brazilian market[1]

**Sample**

**2,000 interviews** with adult men and women who placed bets in 2025

**National scope**

Margin of error of **2.2 p.p.**

**Period**

Research carried out between **April and May 2025**

The survey classified respondents as part of the illegal market **if they reported betting with illegal operators and displayed at least one of the following behaviors**

i. Placed bets on websites that did not require facial recognition;

ii. Made deposits on online betting platforms using credit cards;

iii. Made deposits on online betting platforms using cryptocurrencies.

**61%**

**of bettors reported having placed bets in the illegal market**

1) Data were weighted by gender, age group, household income, and education level. Further details are available in the Locomotiva study "Incidence of Illegal Betting in Brazil" (Incidência de Apostas Ilegais no Brasil in Portuguese).

# LCA's estimate points to the significant size of the illegal betting market

Based on the finding that **61% of bettors reported having placed bets in the illegal market, as indicated by the Locomotiva survey**, the share of the illegal betting market in the sector was estimated:

- The analysis cross-referenced responses to the Locomotiva survey question[1] on the **share of bets directed to illegal operators** with the corresponding percentage of bets placed in the illegal market:
  - In cases where bets were placed exclusively in the illegal market, split equally between legal and illegal, or placed solely in the legal market, the percentages attributed to the illegal market are straightforward: 100%, 50%, and 0%, respectively.
  - For the groups "most of my bets" and "a smaller portion of my bets", where percentages cannot be directly inferred from the survey question, three scenarios - **Optimistic, Pessimistic and Basic** – were developed to estimate the share of bets directed to the illegal market (more details in the appendix).
- The total illegal market share was determined by summing the weighted responses across the sample according to the share allocated to the illegal market.

**61%** indicated they had placed bets with illegal operators

| [1] | Optimistic<br>A | Basic<br>B | Pessimistic<br>C | Sample weight[1]<br>D | Optimistic<br>AxD | Basic<br>BxD | Pessimistic<br>CxD |
|---|---|---|---|---|---|---|---|
| All | 100% | 100% | 100% | 19% | 19% | 19% | 19% |
| Majority of bets | 60% | 75% | 90% | 28% | 17% | 21% | 25% |
| Half of bets | 50% | 50% | 50% | 8% | 4% | 4% | 4% |
| Minority of bets | 10% | 25% | 40% | 6% | 1% | 2% | 3% |
| None | 0% | 0% | 0% | 39% | 0% | 0% | 0% |
| | | | | | **41%** | **46%** | **51%** |

**41%** to **51%**

**share of the illegal market in the betting sector**

1) Question B4 – You said you place bets on the following platforms: ${B2a} ${B2b}. Would you say that these platforms: Are the **ONLY ONES** where you place bets; Are where you place the **MAJORITY** of your bets, but you also bet on others; Are where you place about **HALF** of your bets; Are where you place the **MINORITY** of your bets.

# Size of the legal and illegal betting market

Based on the estimated share of the illegal market and data on tax collection from the levy imposed on the revenue of legal operators (DARF 5862) between February and April 2025, obtained through Brazil's Access to Information Law[1] by BNL Data[2], **LCA estimated the size of both the legal and illegal betting markets**.

According to SPA Ordinance No. 1212/24[3], the DARF 5862 revenue represents 65.4% of the 12% tax levied on GGR, or 7.8% of the GGR from licensed betting operators. Applying this percentage to the DARF 5862 collections (BRL 755 million for the period), **the legal market amounts to BRL 9.6 billion over the three-month period**. On an annualized basis[4], the legal market would reach **BRL 38 billion**.

Considering estimates of the illegal market share (ranging from 41% to 51% relative to the total market), the illegal market is calculated to be **between BRL 6.6 billion and BRL 9.9 billion for the same three-month period**. On an annualized basis[4], **the illegal market is estimated at between BRL 26 to 40 billion**.

## Legal market

**BRL 38 bi**
in annualized revenue

Estimated value based on DARF 5862 tax collection data obtained via Brazil's Access to Information Law by BNL Data.

## Illegal market

**BRL 26 to 40 bi**
in annualized revenue

The irregular market is estimated to represent between 41% and 51% of the total market.

**On an annualized basis, GGR of the betting market ranges from**

**BRL 64 bi to 78 bi**
in annualized revenue

1) Lei de Acesso à Informação in Portuguese. 2) https://bnldata.com.br/ggr-mensal-de-apostas-esportivas-e-jogos-online-do-brasil-e-estimado-em-r-28-bilhoes/. Accessed: 05/30/2025. 2) https://www.in.gov.br/en/web/dou/-/portaria-spa/mf-n-1.212-de-30-de-julho-de-2024-575307801. Accessed: 05/30/2025. 3) Annualization assumes that the value recorded over the three months is replicated in the remaining quarters of the year.

# The cost of illegality

## The fiscal impact of the illegal market is significant

Considering an estimated tax burden[1] of approximately 27% and the size of the illegal market (BRL 26 bi to BRL 40 billion annually), **the corresponding uncollected revenue is estimated.**

The estimated loss in tax collection, **based on annualized value**, is comparable to the budgets of ministries and could instead be allocated to benefit society.

**Estimated uncollected tax revenue** per year

**BRL 7.2** to **10.8 bi**

## What could be done with these resources?

**123,000** to **184,000 teachers** — Payment of annual salaries for primary education teachers[2]

**63,000** to **94,000 police officers** — Payment of annual salaries for military police officers[3]

**31%** to **47%** of the budget allocated to the Ministry of **Justice and Public Security**[4]

**27,000** to **41,000 popular houses** — Construction of housing units under the ***Minha Casa, Minha Vida*** **program**[5]

1) Estimates do not include the monitoring fee on betting operators or the income tax (IRPF) on bettors' winnings. 2) Based on the 2025 salary floor of BRL 4,867.77/month (BRL 58,413/year). https://g1.globo.com/educacao/noticia/2025/01/31/piso-salarial-dos-professores-2025.ghtml. Accessed on: 05/30/2025. 3) Average monthly salary as of Mar/23 for military police officers in Brazil: BRL 8,628.87 (BRL 114,802/year adjusted to Apr/25). https://publicacoes.forumseguranca.org.br/server/api/core/bitstreams/5832a9eb-7eb6-4648-b4c0-1b91f0ab2ab4/content. Accessed on: 05/30/2025. 4) 2025 budget for the Ministry of Justice and Public Security: BRL 23.09 billion. https://portaldatransparencia.gov.br/orgaos-superiores/30000-ministerio-da-justica-e-seguranca-publica. Accessed on: 05/30/2025. 5) Based on the maximum value of BRL 264,000 per housing unit for families in income brackets 1 and 2. https://www.gov.br/cidades/pt-br/assuntos/noticias-1/conheca-o-programa-minha-casa-minha-vida. Accessed on: 05/30/2025.

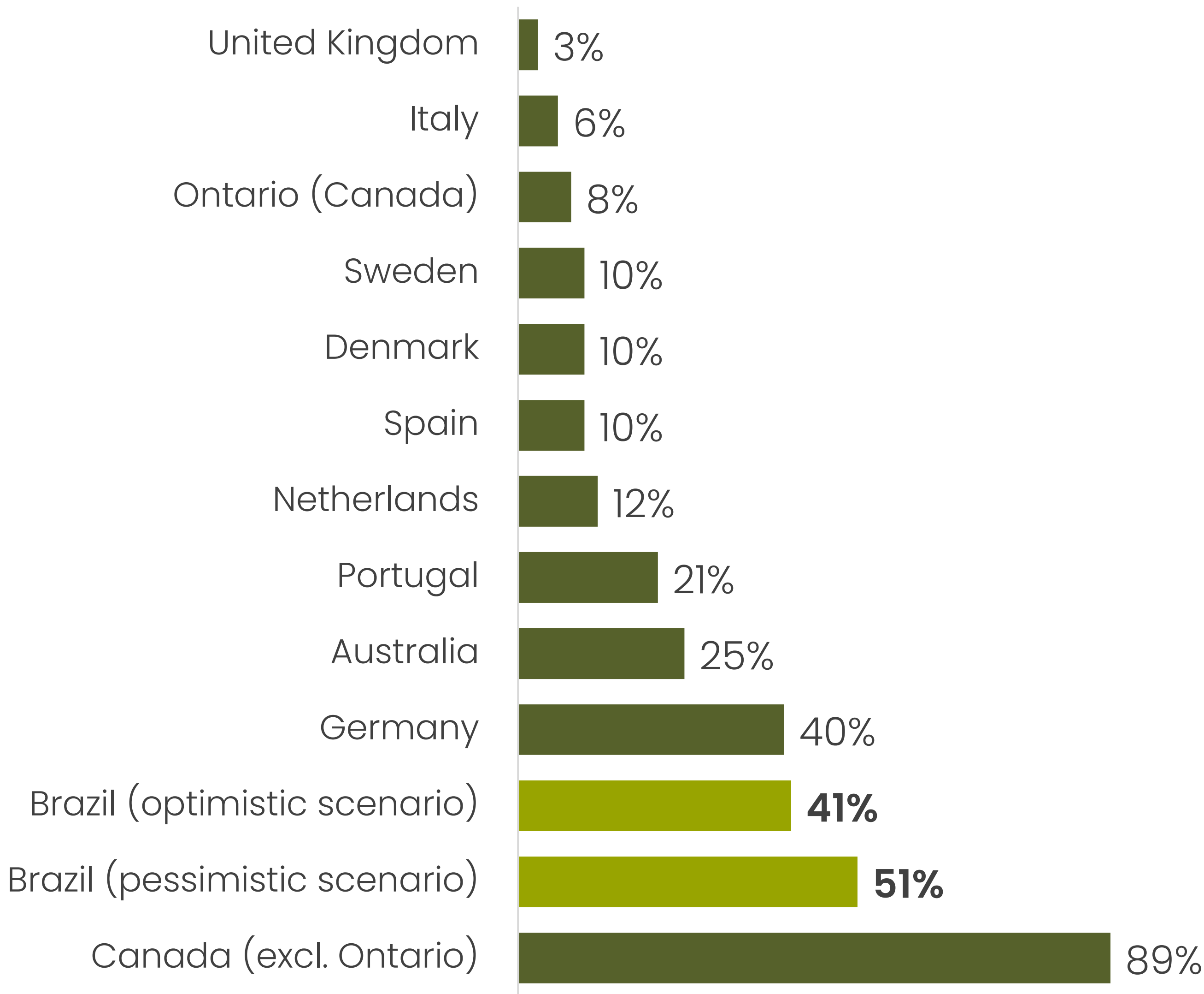
# Illegal market in Brazil remains high

Based on the estimates presented in this study, **the illegal sector's share in Brazil ranges between 41% and 51%**, a relatively high value compared to several other countries.

**The path to reduce the illegal market in Brazil is still long**, requiring time for adaptation and active regulatory enforcement.

**Combating the illegal market will increase bettor safety and assist the government in achieving fiscal balance.**

**Share of unregulated market in the betting sector**
(2024e, %)




Source: IBIA (2024). The Availability of Sports Betting Products: An Economic and Integrity Analysis. Projected values. For Brazil, LCA's estimates are considered. Elaboration: LCA Economic Consulting.

# Channeling the betting market represents significant increase in tax revenues

Beyond the positive externalities related to consumer protection, **combating the illegal market results in additional government revenue**.

A **5 p.p. reduction in the illegal market's share** towards the legal market corresponds to an **additional annual revenue of between BRL 870 million and 1.1 billion,** considering a tax burden of approximately 27%.

On the other hand, **increasing the sector's tax burden may encourage illegality** and could even reduce potential tax revenue.

**5 p.p.**
decrease in the share of the illegal market

=

Increase between
**BRL 870 million**
e **1.1 billion** in tax collection

| Scenarios | Optimistic | Pessimistic |
|---|---|---|
| Annualized betting market size | BRL 64 bi | BRL 78 bi |
| 5% | BRL 3.2 bi | BRL 3,9 bi |
| Tax burden of 27.21% | BRL 870 mi | BRL 1.1 bi |

# Locomotiva Survey indicates that bettors struggle to distinguish between legal and illegal operators

**The survey shows that the main factor for bettors when choosing a betting platform is whether it is regulated**

| | |
|---|---|
| **7 out of 10 bettors** | admit they are not always able to check all the details of the platforms they use[1] |
| **8 out of 10 bettors** | agree that it is difficult to distinguish between regulated and unregulated platforms[2] |

**Responses by age and income level**

*"I agree it is difficult to distinguish between regulated and unregulated platforms[2]"*

**18–29 years old**

**34%** of bettors

**30–49 years old**

**41%** of bettors

**+50 years old**

**25%** of bettors

**Up to 3 minimum wages** (Brazil)

**70%** of bettors

**3–10 minimum wages** (Brazil)

**27%** of bettors

**+10 minimum wages** (Brazil)

**3%** of bettors

Although bettors recognize the importance of regulation, **they have difficulty distinguishing between licensed and unlicensed operators**.

This finding suggests that part of the persistence of the illegal market stems from a **lack of information rather than a conscious choice by the bettor**.

Responses include "Strongly agree" and "Somewhat agree" to the following statements: 1) I am not always able to check all the details of the betting platforms I use to know whether they are legal or not; 2) It is difficult for the average user to clearly identify which betting platforms are regulated and which are not.

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# Potential pathways for improvement

**There is still widespread misinformation among bettors**.

Challenges of the digital environment – due to the ease of access to illegal platforms and the circulation of misleading information - **increase the need to ensure that bettors place their stakes in a regulated and safe market**.

## Comunication

Bettors need to understand:

i. The characteristics of a regulated platform;

ii. How to verify whether a platform is properly authorized to operate.

## Campaigns on the risks of illegal market

There must be stronger efforts to raise awareness about the risks involved, such as data theft, money laundering, fraud, non-payment of winnings, and financing of criminal organizations.

## Educate the public on how to spot scams and illegal practices

Strengthen efforts to raise awareness among bettors about the most common practices in the illegal market, so they can identify and avoid them.

## Monitor channels that promote illegal platforms

It is essential to understand how illegal betting websites reach bettors — whether through influencers, advertisements, or social media — in order to disrupt these connections.

**Combating the illegal market is a global challenge, requiring strong efforts from regulatory authorities to channel both bettors and operators into the legal market.**

LCA

# A ban on betting does not eliminate the activity - it merely drives it into illegality

## The right path is to channel bettors toward the regulated market

- Fixed-odds betting is already part of consumers' everyday lives. **A potential ban could push consumers into the illegal market, worsening overall wellfare**.

- Given the ease of supply and access to betting platforms in the digital environment - including platforms based in other countries - consumers may simply turn to illegal operators.

> "Social behaviors show that **individuals do not stop betting on games of chance just because they are prohibited by law**. Bets continue to be placed but in a clandestine manner, with all its associated problems. Accordingly, the prohibition of betting on games of chance is not the most appropriate way to face the practice (and addiction) of gambling."
>
> *Catarino et al. (2020)*

Source: CATARINO; CORDEIRO; SOARES. *Impacts of the online gambling prohibition policy: a comparative survey of Brazil versus the European Union*. UFSC - Seqüência: estudos jurídicos e políticos, Florianópolis, 2020.

# Methodological appendix

# Methodology for estimating the share of the illegal market

LCA used the survey conducted by Locomotiva to estimate the size of the illegal betting market by cross-referencing the weight of each group of bettors within the total sample[1]. Five groups were identified:

1. Those who placed 100% of their bets in the illegal market;
2. Those who placed most of their bets in the illegal market;
3. Those who split their bets equally between the legal and illegal markets;
4. Those who placed the only a small portion of their bets in the illegal market;
5. Those who placed bets exclusively in the legal market (0% illegal)

For groups 1, 3, and 5, the share of the illegal market in the total amount staked is straightforward. However, for groups 2 (mostly illegal) and 4 (minor share illegal), the actual share dedicated to the illegal market can vary. To address this uncertainty, and given the limitations of the responses, LCA developed three scenarios:

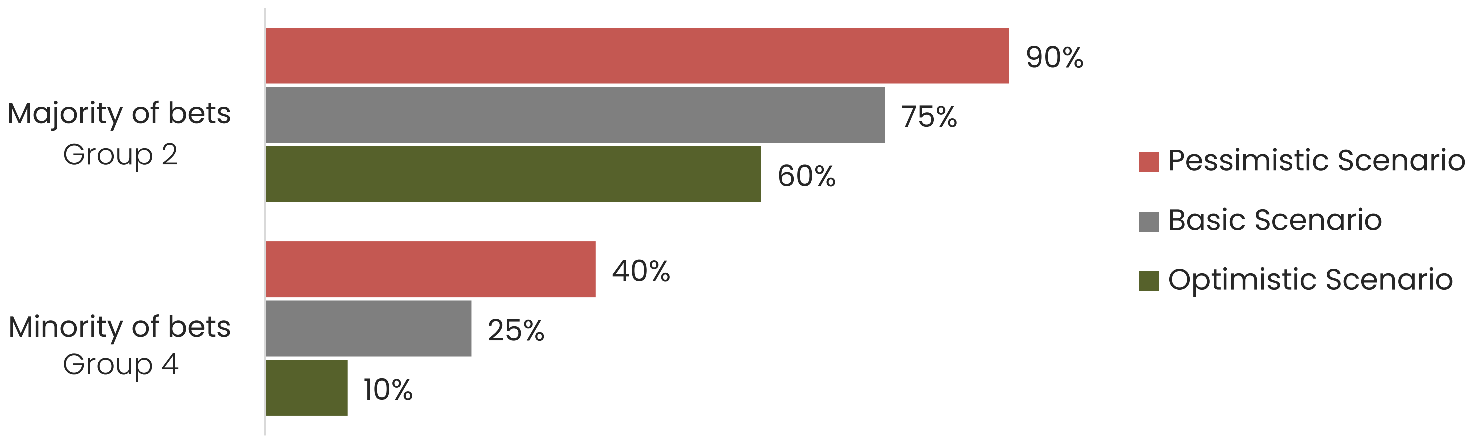
1. **Optimistic** – Assumes a **lower share** of amounts in the illegal market.
   - For respondents who reported betting **the majority in the illegal market** (group 2), it is assumed they **bet 60% illegally**. For those betting the minority (group 4), **10%** is assumed.

2. **Pessimistic** – Assumes a **higher share** of amounts bet in the illegal market.
   - For **group 2**, it is assumed that **90% of their bets were illegal**. For **group 4, 40%** is assumed.

3. **Base** – Assumes intermediate percentages.

The figure below presents the comparison of the three scenarios:

**Percentage of betting amount in the illegal market (%)**




1) The groups of bettors were derived from Question B4 – You mentioned that you bet on the following platforms: ${B2a} ${B2b}. Would you say these platforms: Are the **ONLY** ones you use to place bets; Are the ones where you place the **MAJORITY** of your bets, but you also use others; Are the platforms where you place **APPROXIMATELY HALF** of your bets; Are the platforms where you place the **MINORITY** of your bets.

# Methodology for estimating tax revenue and the size of the betting sector

Based on data obtained through Access to Information Law (LAI - *Lei de Acesso à Informação* in Portuguese) request submitted by BNL Data, it was possible to estimate the tax collection of the betting market.

The LAI request provides information on the collection of the tax levied on the gross revenue of legal operators (DARF 5862) between February and April 2025:

| **DARF 5862 Tax Revenue** (BRL million) | |
|---|---|
| feb-25 | 198 |
| mar-25 | 248 |
| apr-25 | 308 |
| **Total** | **755** |

Source: Data provided via LAI request, published by BNL Data.

SPA/MF Ordinance No. 1,212/24[2] establishes that the DARF 5862 revenue corresponds to 65.4% of the 12% tax rate applied to the Gross Gaming Revenue (GGR), meaning it represents 7.8% of the GGR of licensed betting operators. By applying this 7.8% rate to the BRL 755 million collected over the period, the legal market is estimated at BRL 9.6 billion over the indicated three months.

| **DARF 5862 Beneficiary** | Percentage establish by **law** |
|---|---|
| FNSP | 12,6% |
| Sisfron | 1% |
| Ministry of Sports | 22,2% |
| State/Local Sports Departments | 0,7% |
| Embratur | 5,6% |
| Ministry of Turism | 22,4% |
| Funapol | 0,5% |
| ABDI | 0,4% |
| **Total** | **65,4%** |

Source: SPA/MF Ordinance No. 1,212/2024.

1) https://bnldata.com.br/ggr-mensal-de-apostas-esportivas-e-jogos-online-do-brasil-e-estimado-em-r-28-bilhoes/. Accessed on: 05/30/2025. 2) https://www.in.gov.br/en/web/dou/-/portaria-spa/mf-n-1.212-de-30-de-julho-de-2024-575307801. Accessed on: 05/30/2025.

# Off the Radar

## Sizing and Socioeconomic Impacts of Brazil's Illegal Gambling Market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