

Recife, September 25, 2024.

To Sports Entertainment and Event Promotion,

Operation *Integration*

The Civil Police of the State of Pernambuco launched the “*Operation Integration*” in the course of an investigation into the alleged exploitation of jogo do bicho and gambling in general by ESPORTS OFSORTE, as well as the practice of money laundering by its partners and people linked to it.

The representation that gave rise to several searches and seizures, seizure of assets and preventive arrests conveys the narrative that there would be a “*a mix of money from animal gambling and gambling (sports betting and casino).*” The Police Authority also stated that the operationalization of the ESPORTS OFSORTE in Brazil would constitute a breach of Brazilian legislation, since the company currently authorized to promote and manage sports betting (HSF Gaming NV) would be based in Curaçao. There is also suspicion of the operation of sports betting at physical points, which would be prohibited in Brazil.

Since the beginning of the investigations, lawyers have clarified to the Police Authority that these suspicions are untenable. As soon as the *Operation*, the lawyers filed a petition with the Court in order to demonstrate the Police Authority's lack of knowledge about the legal framework regarding betting in Brazil.

The petition explains, first, that sports betting and gaming *online* have been legalized in Brazil since the publication of Law 13,756/2018, and were definitively regulated by Law 14,790/2023 (Betting Law). Since 2018, it is not possible to equate fixed-odds sports betting with the exploitation of gambling, as the Civil Police mistakenly did. In fact, it was recorded in the petition that Esportes da Sorte, currently controlled by HSF Gaming NV, submitted a formal request for a license to the Prize and Betting Secretariat of the Ministry of Finance through the company Esportes Gaming Brasil LTDA – CNPJ no. 56.075.466/0001-00, submitted **formal request for leave** with the Prizes and Betting Secretariat, an agency linked to the Ministry of Finance.

In a second moment, the petition addressed to the Court clarifies that the suspicion of illegality in the alleged operation of bets in physical stands



was not supported by Brazilian legislation, since art. 2, VI and art. 14 of Law No. 14,790/2023 began to allow such activity.

In a third moment, the petition also clarifies that it is teratological the suspicion raised by the Police Authority about the exploitation of illegal games together with permitted games. The explanation was insisted on that the Law 14.790/2023 also legalized gambling *online*, such as Fortune Tiger, Aviator or casinos *online* (cited by the Police Authority as an example of prohibited games).

Through documentary evidence, it was demonstrated to the Court that the games *online* are not only authorized in Brazil, but have also been the target of intense legislative production. The regulation of the fixed-odds betting activity, which is dealt with in Laws No. 13,756/2018 and No. 14,790/2023, is provided for in the Regulatory Policy of the Prizes and Betting Secretariat of the Ministry of Finance (SPA), whose Ordinance SPA/MF No. 561/2024 even establishes a schedule for the implementation of regulatory phases.

Following the schedule of the Regulatory Agenda of the Secretariat of Prizes and Bets of the Ministry of Finance (SPA), SPF/MF Ordinance No. 827/2024 was responsible for establishing the rules and conditions for obtaining authorization for the commercial exploration of the fixed-odds lottery betting modality by private economic agents throughout the national territory, being certain that the ESPORTS OF SORTES submitted its request to the aforementioned body, as widely reported in the media¹, which is in regular progress before the SPA.

On the other hand, as regards the alleged irregularity arising from the fact that the company HSF Gaming NV is based in Curaçao, and maintains a contract with the company PAYBROKER to carry out financial transactions, the petition explains the need to return to the context regarding the second normative moment of sports betting in Brazil, which began with the enactment of Law 13,756/2018, when, despite being legalized, the betting sector suffered from the lack of specific regulation.

In the face of the regulatory gap, many betting companies began to adopt measures to reduce risks in the performance of their activities, since the absence of their own legal framework is a direct source of legal uncertainty.

¹<https://igamingbrazil.com/esportes-da-sorte/2024/08/16/esportes-da-sorte-processo-regulamentacao-2025/>



One of the first measures adopted was precisely the creation/registration of companies in countries where betting operations are already duly regulated, such as Curaçao, Singapore and European countries in general.

The option to create companies in these countries followed several interests, among which the following stand out: a) the possibility of duly registering companies, drafting their articles of association and other internal and external regulations; b) the possibility of entering other markets more easily, on a global level; c) economic and fiscal interests, among others.

Regarding the use of company PAYBROKERs to allow the company's financial operations, the petition highlights the legality of the activities questioned by the Police Authority. It explains in advance that the use of payment facilitation companies (eFX) is an absolutely legal and common practice in the market, especially when companies or individuals wish to make international remittances and payments in general. The regulatory framework for these payment intermediary companies (eFX) is Resolution BCB 277 of the Central Bank, which is unknown to the Police Authority.

Such platforms – and in particular the PAYBROKERS, which is specialized in intermediating payments related to the lottery and gaming industry – comply with all legal, administrative and regulatory requirements of the Central Bank of Brazil. Thus, all operations are reported and closely monitored by the company and the Central Bank.

Not by chance, PAYBROKERS is considered one of the best and safest companies in the sector, receiving several international awards for governance, financial volume operated, market solutions, among others. The petition clarifies to the Court, including, that large platforms *streaming* such as SPOTIFY and NETFLIX, use this same form of operation to receive amounts from Brazilian consumers.

The petition then refutes the suspicion raised by Police Authority regarding the alleged connection between ESPORTS OF SORTE and the exploitation of animal gambling, as well as the use of that company to launder the proceeds obtained from the alleged exploitation of animal gambling.

First, because the Police Authority limits itself to saying that they were “atypical movements” were identified, but this “atypicality” was not even remotely related to a specific criminal act. Secondly, because the deposits and transfers mentioned by the Police Authority were all made by



through the ordinary banking system, a sector absolutely regulated and closely monitored by COAF, with no act of *concealment* or *dissimulation* of values.

By granting an order of *habeas corpus* to revoke the arrests preventive measures imposed on several suspects, Judge Eduardo Guilliod Maranhão highlighted the Public Prosecutor's Office's lack of conviction regarding the verisimilitude of the narrative conveyed by the Police Authority.

In reality, Judge Eduardo Guilliod went further and certified that the evidence cited by the Civil Police and the 12th Criminal Court of Recife/PE was too much “*the authorship and the materiality of the crime itself are fragile*”. In other words, there is no evidence of the crime being committed, much less of its authorship. The decision highlights:

[...] from reading the aforementioned opinion, it is clear that **the holder of the criminal action found that there were no elements to file the complaint** which is why he requested that an investigation be carried out, which will undoubtedly result in illegal constraints regarding the preventive detention of patients.

In truth, from the moment the Ministerial Body does not show conviction in offering the complaint, **the authorship and the materiality of the crime itself are shown to be fragile**, a situation that goes against the very institution of preventive detention provided for in the criminal procedural norm.

The basis for this decision and the cautious stance of the The Public Prosecutor's Office in the first instance (which had also given its opinion in favor of revoking the imposed arrests) reinforces the fact that the suspicions raised by the Police Authority contain clear errors, which have been demonstrated by the companies and individuals investigated since the beginning of the investigations.

At the current time, according to the Public Ministry, several investigations were requested from the Police Authority after the conclusion of the investigation, precisely due to the lack of conviction regarding the sufficiency of the evidence that would justify the filing of criminal proceedings.

In the Court of Justice of the State of Pernambuco, they are in processing not only the actions of *habeas corpus* proposals in favor of the natural persons investigated, as well as a Writ of Mandamus that aims to lift the seizure of assets imposed on all companies in the group, in the context of which a detailed explanation was provided about the errors in the police narrative and the soundness of the activities carried out by each of the companies targeted by the Operation.



Finally, it is necessary to clarify that the Esportes da Sorte brand, brand owned by the company HSF Gaming NV, not to be confused with the company Sports Entertainment and Event Promotion.

HSF Gaming NV is headquartered in Curaçao and is dedicated to the exploration sports betting, an activity for which the company is duly licensed.

Sports Entertainment and Event Promotion is a company Brazilian company dedicated to managing and brokering events and marketing contracts for HSF Gaming NV through the Esportes da Sorte brand.

Therefore, Sports Entertainment and Event Promotion does not confused with HSF Gaming NV and with the Esporte da Sorte brand.

This is the report. At your disposal for further clarification,

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