

FREE

Guide to set an Online Casino and Gambling License
(A legal overview)



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Why not? Do you have what it takes? Well, everyday some new **online gaming guru** in the making launches a new online gaming site. But how daunting of a task is it? In our more than 14 years of experience in the online offshore gaming industry we can tell you that it requires significant effort and attention to detail.

The present report gives you a **basic legal overview** of what is entailed in setting up a fully functional online gambling website. We feel that many entrepreneurs start their adventure without fully understanding all the variables involved in setting up an online casino. Some are expert gamblers, others are just businessmen, or software designers, and it takes a little bit of each to make it. As attorneys we feel that the cornerstone of the entire operation is understanding the applicable laws, remember that you are launching a global business and as such you must verify with appropriate legal counsel that you are not breaching international regulations related to gaming.

Please look at the following key aspects so that you can have a starting point, the information is prepared based in our experience as legal counsel for some of the largest online gaming companies in the world.

Key Aspect # 1: Based on your nationality determine the possible legal implications of your actions.

Key Aspect # 2: Determine the best jurisdiction to launch your site.

Key Aspect # 3: Understand the implications of your selected target market and types of games.

Key Aspect # 4: Determine the best location for your servers.

Key Aspect # 5: Select the right corporate structure.

Key Aspect # 6: Apply for your Gambling License.

Key Aspect # 7: Deal with payment options.

Key Aspect # 8: Go Live!

- **Key Aspect # 1:**

Based on your nationality determine the possible legal implications of your actions

The first key aspect that should be taken seriously into consideration is to study the legal ramifications that your actions could cause. Contact an experienced Gaming Law attorney to fully discuss if you are legally able to own an online gaming company.

Is online gaming legal in your country, in your state or province? If it is, do you require a gambling or gaming license? If such licenses are available can you meet the requirements? Because of the nature of the gaming industry and the globalization effect of the World Wide Web, it is important for you to know that governments are concerned about illegal practices such as: money laundering, tax evasion, and fraudulent activities being disguised as wagers. Determine not only the applicable gaming laws but also the taxes involved for such an activity.

As it is well known the multibillion dollar online gaming industry has one of its biggest and best markets in the United States of America. However, it is also well known that the United States still has a prohibitionist policy for online betting activities; several actions of the Department of Justice clearly demonstrate such a strict position. The main reason is not related to the nature of the industry, as gambling is considered to be innate to human nature, but it is mostly based on the difficulty of the Federal Government to collect taxes from offshore gaming companies taking bets from US citizens. This attitude has permanently raised the question of the United States trying to act as the watchdog of the Internet and about its violations to International Law and to the dispositions of the **World Trade Organization (WTO)**.

Also if you are a US citizen or resident please take into consideration that you are subject to global taxation, so if you decide that despite the position of your government towards gaming you still want to pursue such avenue, bear in mind that you might have to pay taxes in an offshore jurisdiction and in your country of origin. As this is such a delicate issue we recommend making an informed decision.

Key Aspect # 2:

- **Determine the best jurisdiction to launch your site.**

Now that you understand what implications arise from your nationality, you have to decide if you will launch your operation from your country of origin, or if you will decide to select an offshore jurisdiction.

Normally the best option available is to go offshore, you will find considerable regulatory advantages in countries with a more relaxed attitude towards online gaming.

Below you will see a simple table to make you understand the best offshore options to set up an online casino operation.

Jurisdiction	Location	Estimated Duration	Estimated Yearly Fees	Level of Difficulty
Antigua	Caribbean	3 months	US\$200,000	High
Belize	Central America	2 months	US\$60,000	Medium
Costa Rica	Central America	1 month	US\$5,000- US\$10,000	Low
Curacao	Caribbean	2 months	US\$60,000	High
Malta	EU	3 months	US\$100,000	High
Panama	Central America	2 months	US\$60,000- US\$200,000	High

As you can see, among the most popular and realistic offshore gambling licenses options jurisdictions, fees are not created for small or medium size operations. Costa Rica offers the best option to launch an online casino or gambling site. Even though Costa Rica offers a gambling license known as a data processing license which is not regulated by a specific gaming authority, this country has been the choice for some of the world's biggest gaming operations. **Bodog, Betonsports, SDB Global, Sportingbetusa, CRIS, Betus, Mvpsportsbook, Absolute Poker, Doyle's Room** are just an example of how this strong democracy has provided an ideal legal system for this companies to grow. Because of the country's long democratic tradition, once you obtain the license you will not be subject to unpleasant surprises from the authorities. The negative aspect is that the lack of specific supervision requires self-regulation by the operators of the gaming site, which could be dangerous for players. Despite the lack of strict enforcement, the serious cases of fraudulent Costa Rican gaming companies are rare.

So unless your budget is of several million dollars to risk and unless you have a client database of several hundred, we believe Costa Rica is by far your best option to launch your initial operation. Later on when you are able to position your site as an internationally recognized operation you could look into securing more formal licenses to gain access to certain operational advantages.

Key Aspect # 3:

- **Understand the implications of your selected target market and types of games.**

If you listen to our advice and get your Gambling License in Costa Rica, you are technically getting a data processing license from a selected local government in Costa Rica which allows you to operate an online gaming operation. Such a license is internationally accepted by most of the online processing providers and by certain financial institutions as a legitimate permit to conduct gaming activities using a Costa Rican Gaming Company to target the global market.

Please understand that this gambling license allows you to conduct gaming activities without breaching Costa Rican Law, but as you can imagine certain restrictions apply. For example it is desirable to block Costa Rican IP addresses from accessing your gaming site, Costa Rica allows you to target foreign markets but the local market is monopolized by the government. Also as we have mentioned before it requires special attention if the site will allow United States citizens to play, before making that decision it is a must to examine along with your lawyer the implications for both US citizens and other nationalities.

Depending on the country of origin of your player, certain rules might vary depending on the type of game that you are offering. Sports' betting is considered generally illegal in the United States, skill involved in the game is another factor to take into consideration as well as other limitations for games controlled by the State.

The current virtual reality of globalized online business presents a considerable challenge for legislators as certain acts take place in cyberspace and lack face to face negotiations. Dematerialization of online business raises questions of the applicable laws to certain transactions. So if you have a license in Costa Rica, but you are not allowed to target the local market, can only conduct offshore business but still have to verify and avoid possible illegalities, where does the contract takes place? Is it in Costa Rica, or in the country of the player, or in cyberspace? Such are the gray areas of the Internet, the advantages and the cons.

Key Aspect # 4:

- **Determine the best location for your servers.**

In a close relationship with the previous step, if you are licensed in Costa Rica, it makes sense to host your site in servers located in the same country. If you block local IP addresses you are preventing of being accused of breaching the monopoly of the State over bets.

Some operators decide to host their sites in other countries, because Internet lacks in most countries of specific regulations for material hosted in local servers, the difficulty of patrolling the Internet and the even harder task of deciding which jurisdiction to apply, normally the decision of locating the servers is based more on technical aspects than in legal considerations.

Key Aspect # 5:

- **Select the right corporate structure.**

In our experience the ideal corporate structure will include a Costa Rican Gaming Company to hold the license, one or more additional local corporations for asset protection strategies and an offshore corporation from a different jurisdiction.

With a Costa Rican limited liability corporation you will operate your gaming site and apply for the Gambling License. Such entities provide protection from claims against personal assets just like any other type of business.

We also believe that based in the current situation of the offshore gaming industry including an offshore corporation from a tax haven country such as Panama, Belize or the EU could provide considerable confidentiality and regulatory advantages. This corporate structure has to be created based on your specific needs by an experienced lawyer.

Key Aspect # 6:

- **Apply for your Gambling License.**

Costa Rica offers the by far the best option to gain a gambling license for your startup operation. Only certain local governments or *municipalidades* grant such licenses known as data processing licenses. It is handled by experienced Gaming Law attorneys who determine the pros and cons of such an application. The license is specifically a

business license and requires the permit to be granted to a physical location in Costa Rican territory, which can be entirely handled by Gaming attorneys. From the current report it is also important to rescue the fact that Costa Rican attorneys with experience in online gaming are rare as the industry has traditionally been small compared to other more widespread activities.

Also certain law firms and lawyers still consider this activity questionable in our opinion due to lack of information.

For your education the following is the basic application logic of the Gambling License in Costa Rica:

- Lease Agreement analysis
- Zoning Permit
- Work Risk Insurance
- Employer Registration
- Health Permit
- Business License

Estimated Duration: 1 month

Issued by: Selected Local Governments

Fees: Determined based on specific needs minimum US\$4750.00

Other expenses: Business License Trimestral fees:US\$100.00 per period.

Key Aspect # 7:

- **Deal with payment options.**

Using the Costa Rican Gaming Company and with your Gambling License you will gain access to several payment processing options available for offshore gaming operations. Because of the special nature of the activity payment processing and banking require special attention. With the help of the expert Gaming Law attorney you will be informed of the options, we suggest to do a combination of jurisdictions and banking options to implement a strong yet flexible financial structure which in our opinion will decide a lot of the success of your project.

Payment processing and banks are normally concerned about the legitimacy of gaming transactions due to a considerable charge back rate among players, because of that the gaming industry is considered of high risk and fees are also higher compared to other less controversial activities. The gaming operator has to stay on top of the latest online payment processing systems, and their methods.

Key Aspect # 8:

- **Go Live!**

The moment you have waited for is finally here, normally at least 30-45 days after you retained your attorneys and after considerable effort your site will be operational and ready to benefit from your marketing efforts. Good Luck!!!

Important Note: The present legal overview is a generalization based on prior experiences and is not the customized legal gaming report that our attorneys prepare for our clients once a client/attorney relationship is created.

About the Author:

Augusto R. Arce has more than 14 years of experience in the offshore gaming industry. Since 1996 he discovered the sports book industry by coincidence as he started working in the operations department of an important company called SDB Global. Still in his third year of law school he immediately decided to gather information to study the legality of such a new business. Three years later he graduated as an attorney with the thesis called [“The Legality of International Bets in the Costa Rican Legal System”](#), the only serious investigation done in the country with an in depth knowledge of all the aspects of such industry. As an alumnus of the country’s most prestigious university and law faculty his legal opinion was immediately used as a guide in Gaming Law investigations and featured in all the major newspapers including: [La Nacion](#), [Al Dia](#), [El Financiero](#) and [The Tico Times](#).

Mr. Arce later became the legal counsel for one of the most important gaming companies in the country with a US\$200 million yearly turnover, which was later sold to publicly traded company. Currently he continues to guide small, medium and large gaming operations that select the benefits of operating in Costa Rica. Mr. Arce has a Juris Doctorate from the Universidad de Costa Rica and a Global Masters in Business Administration from the #1 International business school in the world, [Thunderbird School of Global Management of Arizona, United States](#).

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