

INTERNATIONAL

Online Control of Slot Machines in Peru

By Carlos Fonseca Sarmiento

Perú occupies the twentieth position among the largest countries in the world and the fortieth position among the most populated countries in the world. It currently has more than thirty million inhabitants. It is one of the countries with the highest economic growth in recent years in Latin America and one of the best countries for doing business within this region.

With regard to the gaming industry, its legislation is the most developed in Latin America. Peru has a complex homologation system of the slot machine models and read-only memories that make up the gaming programs. There are currently thirty-four slot machine manufacturers registered with the gaming authority named “Dirección General de Juegos de Casino y Máquinas

IGT, Aristocrat, and so on.

At the beginning of the year 2012, there are 686 authorized slot parlors, which operate more than 70,000 slot machines. Since the licensing system adopted by the Peruvian Government is open, there is no limit on the number of gaming licenses that can be granted. The market and competition will finally decide how many slot parlors should function in Peru, but the forecast is that with up to eight hundred slot parlors and one hundred thousand slot machines, it is unlikely that there will be saturation of the market.

The new government of President Humala (whose term is from 2011 until 2015) has decided to carry out a rigorous control of the income obtained by slot machines through a real time control system that must be

Effective through Law 29829, published on January 07, 2012, the Congress of the Republic – through a law initiative presented by the Executive Power – has ordered that within a maximum term of six months, all slot parlors must install their real time control system. The objective is for all of them to pay the corresponding gaming tax. Currently, a slot parlor pays 11.76% of its gross earnings per month, but since there is no real time control system and the information of the electronic meters depends on the operators themselves, collection is less than optimal. The real time control system foreseen by the Peruvian legislation has the following characteristics:

1. The holders of the gaming license must install an online control system in each one of their slot parlors.

2. The online control system that the licensee intends to install must be previously evaluated by a laboratory registered with the gaming authority, and then the holder must obtain a License from the Gaming Authority.

3. There are currently only three authorized laboratories: GLI, PUCP and BMM.

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Tragamonedas” (the *General Direction of Casino Games and Slot Machines*), and they include the most prestigious brands such as Konami, Shuffle Master,

implemented by all the slot parlors. This system will have to be interconnected with a server from the tax authority (SUNAT) and from the gaming authority (Ministry of Foreign Trade and Tourism).



4. In order to obtain the license from the Gaming Authority, it is necessary to submit the Certificate of Compliance issued by GLI, PUCP or BMM and the documentation that describes the technical characteristics of the functioning and maintenance of the online control system. Furthermore, a minimum experience of five years of the manufacturer of the system must be accredited.

5. Seven authorized systems of the companies currently exist: INTRALOT, HIGH TECHNOLOGY SYSTEMS S.A., OCTAVIAN DE ARGENTINA S.A., ROUTE GAMING SOLUTIONS PTY LTD, ATRONIC SYSTEMS, SIELCON and TECENG GAMING.

6. The holder of the gaming license can operate any of the seven authorized systems within its slot parlor in order to comply with the online control.

7. From a technical point of view, the system is made up of i) a data collector and transmitter, ii) a server (which must permit access by the Gaming Authority to the database, to the monitoring, automatic validation of data, data transmission, identification of the slot machines and the recording of information regarding additional functionalities such as player tracking, TITO system, smart cards, and so on), iii) a communications protocol, iv) a clock of the system, v) backup copy and vi) work terminals or stations. Furthermore, when a slot machine model, due to its original design and development, was not manufactured with a

data communication port, the use of an interface will be permitted so as to safely capture and transmit the data recorded by the electromechanical meters. Moreover, a protocol converter interface is included as part of the data collector and transmitter.

For those countries in which the slot machine tax is based on gross earnings, the most accurate supervision system is definitely the real time online control system. But it is not a cheap system. A question that arises from this supervision system is who should assume the costs? The most appropriate answer would be the government itself with a percentage of the taxes that it collects, since the reason for creating a special gaming tax is precisely to transfer to the private operator the cost of supervising an activity that did not previously exist and was therefore not contemplated by the budget of the government. This criterion has not been adopted in Peru. Each operator has to assume the costs of the control system that it acquires with any of the homologated systems, and the government will assume the costs of the data center and the servers of the tax authority and of the gaming authority that are interconnected with the operators' systems. The decision is debatable, but the government does not intend to reverse it.

On the other hand, this online control system will also permit the implementation of a slot machine register, so that it will be possible to know all the movements of the more than seventy

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thousand slot machines that exist in Peru. This could assist in the fight against piracy, copying of gaming programs without authorization, inadequate use of glasses in the slot machines, and other issues. Furthermore, it will permit access to additional statistical information of the slot machines, such as real average

daily income, most commonly used gaming programs, or most frequently played slot machine models.

From a technical point of view, there will probably be many initial problems in the implementation of this system. Old machines (for example, roller machines) or machines from unknown manufacturers (with some safety problems) could cause difficulties in the collection and transmission of data. Moreover, the capacity of the authority itself to guarantee the safety mechanisms for the storage of information is another source for concern. However, this political decision is a step forward towards the modernization of the gaming industry in Peru. The Peruvian system will be a benchmark for Latin American countries, and it will result in a “friendlier” image of the gaming industry with the authorities and public opinion. ♣

Carlos Fonseca Sarmiento is a Master in Constitutional Law and Master in Public Administration. Partner of Varela & Fonseca Abogados and Owner of Gaming Law S.A.C. Carlos is usually required by Latin American governments to support in the design of gaming legislation. He can be reached at cfonseca@varelafonseca.com.