

PR Slot Machine in Route Market: An opportunity for Suppliers, Manufacturers and Vendors

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Introduction

In recent years, Latin America's ("LatAm") gaming industry- particularly the iGaming sector- has experienced significant growth, predominantly in South America, with countries such as Brazil and Peru leading the way. The Caribbean region has also seen a certain increase in gaming activity. Among U.S. territories in the Caribbean, Puerto Rico—alongside the U.S. Virgin Islands—has emerged as one of its jurisdictions with recent developments in its gaming industry.

The sports wagering vertical, in both land-based and online formats, has been operating in Puerto Rico since 2022 for land-based betting and 2023 for online. Additionally, esports and fantasy contests are fully regulated, although these activities have yet to launch. However, one of the most promising emerging verticals with significant business potential for vendors and suppliers is the route machine or slot machine in route market.

Vertical History and Regulatory Background

Act No. 11 serves as the foundation for Puerto Rico's slot machine in route market regulatory framework. For the last several decades, especially in recent years, the legislation underwent several key amendments, evolving its regulatory structure and authorizing slot machines. This was a decisive change occurred in 2018 via Act 257-2018, which authorized the operation of up to 25,000 slot machines throughout the island during the initial rollout phase.

This amendment marked the first time slot machines were legally permitted to operate outside of casinos and racetracks. Under Act 11, the slot machines are restricted to those locations authorized by the Puerto Rico Gaming Commission ("Commission"), according to law's standards. The legislation also outlines a path for market expansion, allowing the number of permitted machines to increase from 25,000 to 35,000 and, eventually to a maximum of 45,000 units, subject to compliance with Act 11's requirements.

Another significant amendment was approved in December 2022. One of its most impactful regulatory changes was the obligation for each route operator or wholesale owner to implement an internal connection system linking all their slot machines. Act 11 further outlines the technical requirements that the slot machines must meet to receive the Commission's authorization to conduct business. Additionally, it provides a 1-year transitional period for the operators to connect their technology-compliant slot machines to the internal connection system. This transitional period is intended to provide operators and manufacturers an opportunity to achieve full compliance with the regulatory standards.

Puerto Rico's slot machine in-route market is expected to grow and to be a potentially highly profitable sector within the island's gaming industry. The evolving regulatory environment—which was completed with Regulation No. 9647—anticipates significant opportunities for manufacturers, distributors, and service providers looking to participate in the jurisdiction. Available licenses include those for wholesale operators, business owners, manufacturers, distributors and providers of goods and services for gambling devices.

Market Opportunities

Within this evolving framework, various business opportunities arise for suppliers, service providers, vendors, and manufacturers. First, the manufacturing of slot machines represents a substantial market opportunity. One of the challenges that successful implementation of Act 11 faces is the need for slot machines that comply with the technical requirements and can connect to operators' internal systems. The initial cap is set at 25,000 machines, with the potential to scale up to 45,000 units. This indicates a growing demand for compliant, high-quality machines that meet the Puerto Rico Gaming Commission's technical and operational standards. Those manufacturers capable of supplying these requirements will have a competitive advantage in the market.

The distributors and service providers also have significant opportunities within the industry. Distributors capable of providing reliable services that are compliant with market's regulations are essential for optimal and efficient operations. Additionally, service providers could benefit from the opportunities that will surge from this sector.

Finally, the requirement for an internal interconnection system presents a significant opportunity for technology entities capable of providing that service. The regulations for this vertical require these systems to provide extensive information for each slot machine daily activity. That is an essential tool for the Commission's overseeing of the activity. Therefore, those vendors capable of providing this system capable of complying with the Commission's strict technical and regulatory standards will have a considerable business opportunity in the market.

In conclusion, Puerto Rico's route slot machine market offers a new vertical for potential growth and development. With a fully regulated phased rollout, the market provides a solid opportunity for manufacturers, service providers, and interconnection system providers, among other vendors to enter the island's slot machine in route market and grow sustainably. The combination of a clear regulatory framework and an expected increase in demand creates an attractive landscape for companies seeking to establish themselves in the jurisdiction. For those businesses prepared to meet the technical, legal, and operational requirements set by the Puerto Rico Gaming Commission, the opportunity is both substantial and potentially profitable.

[1] Act No. 11 of August 22, 1933, as amended, known as "Games of Chance Act".

[2] Horse Racing and land-based casinos located in hotels has been operating in the island for over 75 years.

[3] Before the amendment, all the authorized slot machines were required to be connected into one centralized system.