INSTITUTE FOR GAMBLING REGULATION

NEWSLETTER
May 2019

WHAT'S UP IN THE INSTITUTE

PARTICIPATION OF IFGR IN OPERATORS' SYNOT DAY MEETING



On 23 May 2019, an **IFGR representative attended a meeting of gambling operators called SYNOT DAY** held in Velké Karlovice, which was also attended by representatives of the Customs Administration of the Czech Republic. As part of the presentation, which you can find here, IFGR summarized the current issues related to the regulation of gambling. The main topic of the presentation was the issue of the current regulation of live games, the FAO's interpretation of the client's check, the Reporting Decree and related topics (relicensing, data privacy), presentation of the IFGR's comments on the Gambling Tax Act and the Analysis of Gambling Regulation (ARHA) as an important tool for pointing out the very strict regulation of gambling in the Czech Republic.

WHAT ELSE

- On 13 May 2019, a press conference was held by the Minister of Finance Alena Schillerová and others, which took place in the Clinic of Addictology in Prague 2, where the MoF presented the **rate package** that, with effect from 1 January 2020, will **regulate new taxation of gambling**, tobacco products and spirits. See the press conference report below.
- On 15 May 2019, a press conference was held by Mgr. Jarmila Vedralová and MUDr. Viktor Mravčík to present the **National Strategy for Prevention and Reduction of Addictive Behaviour Damage for 2019-2027**. The strategy can be found here. We are preparing the details.
- On 23 May 2019, Mgr. Jan Řehola, IFGR's director, appeared at EGR Online Gambling Briefing Central and Eastern Europe Conference. He was invited to a panel discussion on new trends and technologies. The discussion dealt especially with the use of blockchain and cryptocurrency technology in the field of Internet gambling. The conference was also attended by representatives of the Ministry of Finance of the Czech Republic.

WHAT'S NEXT

- We continue to expect the **announced amendment to Act No. 253/2008 Coll**., On Measures Against Money Laundering and Terrorist Financing, the so-called AML Act, which will be sent to the IFGR as a comment place. We will inform you immediately of its sending.

INFORMATION ON THE PROCEDURE OF THE CUSTOMS ADMINISTRATION OF THE CR DURING ASSESSMENT OF LIVE GAME OPERATION



At the gambling operators' meeting in Velké Karlovice, which was attended by representatives of the Customs Administration of the Czech Republic Mgr. Štěpán and Mgr. Vamberská, there was also discussed the interpretation of the CA's statement on operation of live game in casinos, requiring one croupier to be present at each game table. The CA representatives said the CS procedure **will no longer consist of a formal check by counting live game tables and the corresponding number of croupiers**, but in factual check of live game operation and in assessing, whether an operator can ensure the live game operation, and the checks will **require a demonstration of this operation at all counted game tables by present casino employees.** Inconsistent check results should be unified in an appeal procedure conducted by the General Directorate of Customs. In addition, representatives of the CA stated that, when assessing the provision of free refreshments in terms of a possible violation of Section 7 par.3 of the GA, the CA's control groups should consider the social harmfulness of such behaviour, or an effort to motivate players to visit a gambling premise and to participate in a game itself by providing the refreshments. **The free provision of snacks or tap water should not be a violation of the GA.**

EVENTS IN THE CZECH REPUBLIC

- As we informed you in the previous Newsletter, the IFGR was asked by the FAO as well as by company Bonver Win a.s to give a legal opinion **on conducting a client check at the time of starting and during business relationship.** IFGR's reply to the FAO's request can be found here and to the request of Bonver win a.s. here.
- The press conference of the Minister of Finance, Minister of Health Adam Vojtěch, National Coordinator for Drug Policy Jarmila Vedralová and other experts on addictology, held on 13 May 2019, had the following unsurprising results:
    - As the number of technical equipment and establishments between 2012 and 2019 decreased, the Minister said that the Czech Republic is no longer the casino of Europe.
    - State expenditure on drug policy gradually increases from year to year.
    - The increase of the gambling tax is a well- thought-out bill from 2015, which was backed by several analyses at the time and, according to the Minister, will not lead to the liquidation of gambling operators and will not have the detrimental effect.
    - More than 500,000 Czechs are at risk of problem gambling.
    - Social costs of gambling are, according to the Minister, CZK 15 billion, which is 4 times less than alcohol (about CZK 60 billion) and almost 7 times less than tobacco (about CZK 100 billion).
- The Ministry of Finance completed the comment procedure on the **amendment to the Gambling Tax Act** that, except technical game, increases rates for all types of gambling games. The Ministry, as the submitter of the bill, rejected all arguments of comment places, which were pointing out the absence of any impact analyses and the detrimental effect of the proposed changes. The MoF rejected all the arguments, saying that **the tax rate itself is an exclusively political issue and that they no longer expect the gambling market to decline in connection with the proposed rate change**. You can find the IFGR summary here.
- Ostrava representatives **voted to prohibit the operation of technical game in the city**. This will come into effect on 1 July 2019 and will completely ban gambling machines in the city. Licenses of operators will continue to be valid for the next three years. "Live game, which will be allowed, accounts for only about six percent of sales, so **really, all legal operators will stop operate and gambling will shift to the Internet, beyond the city and to the grey zone**," said opposition councillor Lukáš Semerák (Ostravak).

EXPRESS NEWS FROM ABROAD

- **USA**

  Gambling operators are currently keeping an eye on the USA, where the Supreme Court ruled in May last year that **gambling regulation would be left up to individual states.** Broadly speaking, the Court's decision brings about **a breakthrough in the system of regulating the world's largest gambling market.** By 2023, all states should have their own legislation.

  The market for fixed-odds betting on sports events will be newly opened. This also implies the adoption of a completely new regulation. So far, all sports betting has been illegal despite the **estimation that US bettors gamble away $ 100 billion a year**. According to American experts, individual states will open markets during 2019 and 2020. An overwhelming majority of states should be involved; only Utah stipulated a gambling ban in its constitution. Any change to this ban would mean to yield from the long-term stance that no form of gambling is tolerated.

- **Germany**
  The Regional Court in Munich has recently delivered an interesting verdict relating to gambling operation. Specifically, it was ruled that a **player does not have a right to demand a payment service provider to return a bet on the grounds that they had bet it with an illegal Internet gambling operator**. At the same time, the Court ruled that it is not an obligation of a service provider to verify the legality of player's payments. If a player took part in a game and then, in the case of failure, demanded the payment back, they would not take any financial risk, basically participating in the game in bad faith. The verdict was subsequently upheld by the High Court, which was negatively received by several law firms as there appeared number of entities on the market offering 35% commission to collect the amount bet in a game. You can read more on our website in the attached link here.

- **Denmark**
  A gambling regulator in Denmark received **a court order to block 25 online gambling and skin betting websites**. This happened for the first time in more than a year since the courts have had this authority. The verdict was delivered in a Copenhagen court. The websites concerned were operated from Curacao, Cyprus or Slovakia.
  Interestingly, 15 out of 25 websites operated bets on e-sports, especially on Counter-Strike: Global Offensive (CS:GO). In addition, the sites targeted people under the age of 18. The Danish regulator's spokesman said that new means of identifying and detecting illegally operated websites were developed. "We will continue to incessantly and purposefully expose and block illegal websites, even though illegal operators are trying to make it more difficult for us. Children often visit these sites whose content is potentially very harmful."

- **Switzerland**
  In Switzerland, the Gambling Act has been effective since 1 January 2019, and the casino market is likely to open on 1 July 2019. So far, four gambling operators have submitted a licence application to the Federal Gambling Council: Grand Casino Baden, Casino Davos, Grand Casino Lucerne and Casino Pfäffikon. Applicants must have enough capital, good reputation and the ability to provide appropriate guarantees for their activities under the conditions set by the regulator. Director of the Casino Trade Association, which represents 21 casinos around the world, Marc Friedrich, said that the regulator has already assessed the four applications and will sent the final decision during May. As mentioned above, the operation could start on 1 July. **According to the Act adopted by referendum in June 2018, only Swiss companies can apply for the licence to operate.** These will be given the chance to exclusively operate online gambling games in Switzerland so that they could have the opportunity to build a relationship with customers. After 6 years, entry for foreign operators is expected to be allowed. This process is possible because Switzerland is not a member of the European Union and, therefore, the principle of free movement of services does not apply to it. At the same time, under the new Act, all operators from the "grey market" are considered illegal and cannot operate gambling games in Switzerland. An interesting article on this topic can be read e.g. here.