INSTITUTE FOR GAMBLING REGULATION

NEWSLETTER

august/19

WHAT'S UP IN THE INSTITUTE

IFGR's meeting with MoF and FAO representatives

Members of the IFGR **met with representatives of the Ministry of Finance**, namely the Deputy Minister of Finance, Ing. Mgr. Stanislav Kouba Ph.D., Director of 73rd Division, Ing. Martin Šabo, and his deputy, Mgr. Bc. Petra Nespěšná, and then **with the Director of the Financial Analytical Office**, Ing. Libor Kazda.

The common topic was the **planned October conference (9 October 2019)**, in which the representatives of both MoF and FAO promised their participation, and not only in the form of a presentation, but also in the discussion panel. While the MoF's presentation should focus on **assessing the gambling regulation and future outlooks (ARHA, AISG)**, the FAO will focus on **assessing the existing anti-money laundering measures**. Other discussion topics are discussed below.

WHAT'S NEXT

IFGR is preparing for you a **brief analysis of the current state of the gambling market in Slovakia**. This should be sent to you during the last week of August. Our eastern neighbours saw the new Gambling Act come into effect on 1 March 2019, but **no applicant has been granted a licence under the new Act** and no new testing laboratory has been authorized to expertly assess **so far**.

On 3 September 2019, IFGR representatives will present their **findings on the gambling regulation at a meeting of the Ministry of the Interior**. You will find the presentation from our lecture in the member section of the website.

On 4 September 2019, the IFGR Director, **Mgr. Jan Řehola, will appear at the Chamber of Deputies to talk about the taxation of players**.

In September, a meeting with the General Directorate of Customs will be held, besides other things, on the opinion of imposing the penalty of prohibition of activities when operating the live game.

The **first annual IFGR conference** will take place on 9 October 2019.

GDC'S STATEMENT ON PROHIBITION OF QUASICASINO ACTIVITIES

On 15 August 2019, the Legal Department of the General Directorate of Customs published the **statement on the possibility of imposing an administrative penalty of prohibiting the operation of casinos** when there is no live game operated in a gaming premise within the meaning of Section 68 para. 4 of the GA.

According to the GDC, there are more reasons for the publishing of the statement and the overall procedure. These include the fact that **not providing the live game** is one of the most **socially dangerous offences**, irresponsible operators gain a **competitive advantage over the responsible ones, failing to achieve** one of the main objectives of the GA - **limiting the availability of gambling**, or breaching local government regulations.

On 22 August 2019, IFGR members received a special email about the mentioned statement, where you can find the GDC-specified areas of violation of obligations and its examples, possible penalties for the individual violations, the enforcement process as well as further coordinated steps by the IFGR, including **initiating negotiations with the responsible workers from the GDC and the MoF**.

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EVENTS IN THE CZECH REPUBLIC

Fine for Česká Lípa

The Office for the Protection of Competition (OPC) **imposed a fine of CZK 444,000 on the city of Česká Lípa for an incorrect regulation of gambling through its generally binding ordinances**. In those, the city defined the list of specific addresses where gambling can be operated without giving any objective and non-discriminatory criteria for selecting these locations. In the proceedings at the Office, the management of Česká Lípa argued that they merely wanted to restrict the spread of gambling to other locations in the city by means of these ordinances, fixing the number of the locations with the first ordinance in 2012 and gradually wanting to suppress the activities. "If the city decides to allow lotteries to be operated only in certain places in the city, it is necessary to establish sufficiently specific and non-discriminatory rules, based on which such form of regulation will be applied. Nevertheless, these rules must be known in advance and be reviewable," the OPC argues in the ruling. In the past, the OPC imposed fines for a similar procedure, for example, on Varnsdorf - CZK 327,000, on Karlovy Vary - CZK 734,000, or on Děčín - CZK 499,000.

Regarding the AML amendment

We regularly inform you about the upcoming AML amendment. A group of MPs has already submitted an amendment to this Amendment. The changes concern especially the possibility **of the remote identification of a client** according to the European Union Regulation No. 910/2014, on Electronic Identification and Trustworthy Services for Electronic Transactions on the Internal European Market, known as eIDAS. According to the explanatory memorandum, the changes were mainly due to the requirements of the banking sector for compliance with the EU legislation and the extension of possibility of the remote identification through the institutes contained in eIDAS. Their summary, as well as the proposed specific form of the amendment, can be found in the member section of the website.

Regarding the results of the IFGR's meetings with the MoF and the FAO

The main topic discussed with the Ministry of Finance was the MoF's idea about the **form of the taxation of players' winnings**. The MoF intends **to continue its expert discussion with the IFGR** during the legislative process regarding the form of the taxation and counts on the **submission of an amendment**. Partial conclusions of the discussion concerning the taxation of winnings over CZK 100,000, IFGR's warning about real impacts of the MoF's proposal, or rather of the giving evidence of gambling earnings as part of the annual tax return can be found in a special email sent to our members and in the member section of the website.

Another topic was the ongoing **Analysis of Gambling Regulation (ARHA)**. The MoF stated that they are choosing areas, in which cooperation between operators would be required. Work on the analysis will not begin until next year, and the final version should see the light of day by the end of 2020.

There was also a discussion on the creation of AISG and the MoF stated that the technical specification should be published later this year and they estimate that the Register of excluded Persons should be launched by the end of 2020.

Among other things, the issue of **remote identification** was discussed with the FAO by sending, for example, a document scan, and there was assurance of it being expected. According to the Director of the FAO, the amendment introducing these procedures should be effective at the beginning of 2020, which the IFGR's representatives consider difficult to implement. More detailed information on the results of the meetings can be found in the member section of the website.

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EXPRESS NEWS FROM ABROAD

THE NETHERLANDS

In the last newsletter, we informed you about the **bill with new terms and conditions for licence applicants issued by the Dutch gambling regulator** (KSA). And immediately after the bill was published, KSA showed that it would thoroughly enforce the new rules. On 19 August, **Swedish group Kindered was fined EUR 470,000** for offering Dutch-language chat on its unlicenced site, using the iDEAL payment method, and illegally using the Dutch national flag and other national symbols. Two weeks ago, company GVC's ElectraWorks was fined EUR 300,000 for its activities on website bwin.com in the Netherlands. Companies William Hill, Betsson, Casumo, 1xBet, Mr Green and Bet-At-Home were also fined. However, the threat of high fines is not the biggest nightmare of operators. To find out for what reason operators are willing to accept financial penalties and what is even more of a threat to them, read the article in the member section of the website.

GREAT BRITAIN

The regulator of the largest gambling market (still) in the EU imposed **a fine of £ 5.9 million** on company Ladbrokes Coral **for long-term failure in the area of social responsibility and for violations of anti-money laundering rules**. The British Commission for Investigation concluded that the operator had allowed some players to participate in the game despite their apparent addiction on gambling and the impossibility to cover the participation financially. In a few cases, it was also found that they were directly encouraged to participate in the game, including by receiving commercial communications despite the addicted players' ban on it. In addition, the operator **did not prove they took adequate measures to expose players trying to cover the proceeds of crime through the participation in the game**. In this case, the operator also did not appeal, accepted the fine and immediately hired an external consulting company to set up internal rules relating not only to the two mentioned misconducts. The details of the case, as well as further reaction of the director of the British Commission, can be found in the article in the member section of the website.

EU

The legalization of gambling in Ukraine has been discussed for a long time. On the Turkey-Ukraine Trade Forum, **new president Volodomyr Zelensky also supported the topic** in his post on outdated legislation that creates unfavourable conditions for trade in general. Among the main reasons for legalization, the former comedian mentioned the **development of tourism on the Black Sea coast, the fight against corruption, or rather illegal gambling establishments, and the departure from the post-Soviet legal regulation**. The current legal situation does not permit the operation of gambling games, in which the basic deposit is paid. It is possible to operate lotteries and the types of draws that do not require the payment for participation. "Laws prevent activities that do not harm others. On the other hand, Ukraine is flooded with a network of illegal gambling establishments that do not respect the basic rules of consumer protection and are the basis for the subsequent corruption system," stated the President of Ukraine. You can read the full article, which includes information on the potential political viability of the President's proposal, in the member section of the website.