INSTITUTE FOR GAMBLING REGULATION

NEWSLETTER

January/20

WHAT'S UP IN THE INSTITUTE

MEETING OF IFGR'S SECTIONS ON 28 JANUARY 2020

On Tuesday, 28 January 2020 from 13:00, we will hold another meeting of IFGR's section. Like the last time, it will take place in Prague StartUp Market, Prague Market - Bubenské nábřeží 306/13, Prague 7, hall 24 (http://www.praguestartupcentre.cz/holesovice/). What will the first IFGR's meeting of 2020 look like? First, a joint meeting of all the IFGR's members will be held from 13:00, which will assess the activities of IFGR last year and present what awaits us this year, and then two most recent topics will be discussed - the first part of the Analysis of Gambling Regulation and the recently published Technical Specification for the Register of Excluded Persons. Then, the meeting of the newly established On-line section and the joint meeting of the Technical and Live Game and Manufacturers sections will take place concurrently. Each regular member is guaranteed 2 seats, the partner associations have 1 seat.

IFGR HAS ITS OWN MONITORING!

To ensure that you are fully aware of current gambling events, we have arranged for a regular daily monitoring, which will be provided by renowned media com-pany NEWTON Media, a.s. **Monitoring will be sent to you every working day at 9 am.** If you would like to add more people from your company to the mailing list, please do not hesitate to let us know by email in-stitut@iprh.cz. We used the email addre-sses, which we use to send Newsletters. In the next Newsletter, we will survey how satisfied you are with this monitoring and whether you would suggest any improve-ments.

WHAT ELSE

On **18 December 2019**, Chamber of Deputies approved the tax package introducing taxation of players and increasing gambling tax only for lotteries to 35%. A day later, it was signed by the President of the Republic in the presence of Minister Schillerová. For the occasion, the President issued a written statement.

On Thursday, **19 December 2019, the technical specification for the Register of Excluded Persons** was published, which you can learn more about below. From this moment on, the annual transitional period for the implementation of the new obligations is running.

On **20 December 2019**, the MoF launched a project ai-med at assessing the **current gambling regulation (ARHA)**. See below for details.

On New Year's Eve, **31 December 2019**, the tax package was published in the Legal Code. It took effect on 1 January 2020.

WHAT NEXT

The World Gambling Exhibition "ICE" will be held in London from **4 to 6 February 2020** - https://www.ice-london.uk.com/.

15 February 2020 is the last day for sending completed questionnaires within the Analysis of Gambling Regulati-on.

Continuation of ARHA. Further requests from the MoF to complete questionnaires or send documents can be ex-pected.

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ANALYSIS OF GAMBLING REGULATION = ARHA

The policy statement of this government had already notified of the project of the Ministry of Finance, within which the Ministry will assess the current gambling regulation, and which should be the basis for possible legislative changes and changes in the legal interpretation of the Ministry. The project started on 20 December 2019, when the Ministry sent its first request for cooperation to **gambling operators and gaming system manufacturers**. The subject of this first application is **self-restricting measures (SRMs)**. The application has 3 parts:

1. Business point of view on SRMs
2. Assessment of individual legal SRMs
3. General evaluation of the SRM concept a itsse, a special tab called *Operating results* here has been created on the IFGR's website. All operating results for individual years will be archived in this tab.

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The first part of the ARHA is mainly designed in the form of a questionnaire and tables, which should be completed by an operator according to predetermined criteria. The last point of this part is the so-called expanding. **IFGR is preparing a manual that will describe individual points and help you to complete them**. ARHA will also be the main topic of the forthcoming meeting of the sections. This is only the beginning of this project. According to the letter sent, other areas will be the administrative proceedings and the legislation of individual gambling games. Since this is a long-term project of the Ministry of Finance, **a separate tab has been created on the IFGR's website** here. Materials from the MoF, materials of the IFGR and their answers will be continuously posted here.

Technical Specification Began the Annual Transitional Period

Before Christmas, the technical specification for the Register of Excluded Persons (REP) was published on the MoF's official board setting out the technical requirements for the implementation of REP in gaming systems for gambling operation. It also includes parameters for the service verifying a player's identity through the Population Register. Player verification in ROB should only take place once - at the beginning of the registration process. However, the verification of a player in REP will take place each time that payers enters a game establishment and logs into their user account, as well as when this user sets up their account. The publication of the technical specification is also an important moment **for the beginning of the annual transitional period**, which gives operators time to prepare for the fulfilment of new obligations under Section 137 of the Gambling Act (e.g. self-restricting measures for live game). **This period will expire 19 December 2020.**

Financial Results For 2019

IFGR regularly processes quarterly results of gambling tax collection together with the comparison of the relevant quarter with the previous year. **For this purpo-**

Prague 1 Administration Does Not Want Gaming Rooms in the Centre of Prague

Prague 1 councillors unanimously voted to call on the Prague municipality to amend the generally binding Decree No. 10/2015 Coll. regulating gambling operation in the capital city of Prague. "This is the first step on the way to the city centre without gambling. In the comments we send to the municipality, **we propose a total ban on gambling rooms with slot machines**. We have a total of 21 gambling rooms and a total of 573 slot machines there. There is no need to repeat how gambling destroys our city district. But it needs to be repeated that no politician should be tempted by profits from slot machines. This is dirty money paid for destroyed human lives," commented Pavel Čižinský, the mayor of Prague 1, who clearly does not make a difference between the different types of gaming rooms, i.e. gambling establishments and casinos in the sense of the Gambling Act. It remains to be added that the Prague Coalition at the municipality does not support zero gambling tolerance in its policy statement and supports the preservation of strictly regulated casinos, while the Prague municipality decides on the form of the Generally Binding Decree regulating the operation of gambling in Prague. Mr. Pavel Čižinský is no longer the mayor of Prague 1, when the former coalition was replaced by

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the new coalition consisting of six political entities; TOP 09, ODS and ANO join association "My, co tady žijeme" - i.e. STAN, the Citizens' Initiative and KDU-ČSL. The 25-member council will have a total of 13 representatives and Mr. Hejma (STAN) was newly elected as the Mayor of Prague 1.

Brno Received a High Fine from the Office for the Protection of Competition

The Office for the Protection of Competition imposed a fine of 828,000 on the city of Brno for **delaying the licencing of the planned casino in Benešova Street despite the fact that the Forbes Casino company had met all the stipulated conditions**. "Brno, contrary to its own rules, did not allow one of the competitors in the field of gambling to operate. Therefore, the city disrupted the competition on the given market and acted in violation of the Act on the Protection of Competition, which prohibits public authorities to discriminate against certain competitors," said the OPC in its statement. While the city representatives issued a total gambling ban in 2014, they approved exemptions in 2017 that allowed live game operation at certain addresses. Subsequently, casinos were allowed at certain addresses, but Forbes Casino's application was rejected, which the company considered discriminatory. However, the case does not end with the OPC's verdict. "We certainly disagree with it. From our point of view, it has a lot of procedural shortcomings," said Deputy Mayor Robert Kerndl of ODS, who was in opposition and voted against the casino licencing in the previous year's vote on the casino licence.

Another Statutory City That Is Facing a Fine from the Office for the Protection of Competition is Ostrava

The OPC has been looking into the generally binding ordinance of the Statutory City of Ostrava regulating the operation of gambling for a long time because of **suspicion of its discriminatory nature**. The administrative proceedings started as early as mid-2018 and, according to the Office's spokesperson's statement, it is approaching the final stage. The city was initially facing a fine of up to CZK 10 million. Now, it seems the fine could be about CZK 1 million. Still, it would be the highest fine imposed on Ostrava. The Office justified the initiation of the administrative proceedings in the past as follows: "The city allowed gambling only in designated areas without selecting them based on objective, non-discriminatory and criteria known in advance." However, the city representatives resist such statements. The Deputy Mayor states: "We disagree with the Office's arguments on the original ordinance. We are preparing our statement. And if the verdict does not work in our favour, we will certainly defend ourselves like other fined cities." The city can appeal against the OPC's verdict.

The Number of Gaming Establishments and Gambling Machines in the Czech Republic Continues to Decline

Based on the information published by the Ministry of Finance, the number of gambling establishments continues to decline. Last year, **33% of them** disappeared **to a total of 1,227**. Also, the number of gambling machines decreased by 7.3% to 36,800. Moreover, there are **36 municipalities with a total ban on gambling, which is 3.7% more**. Even more striking is the comparison between 2012 and 2019, when 84% of gambling establishments and 50% of gambling machines disappeared. According to the MoF data, 122 illegally operated websites of 14 companies were also blocked. "Such a high figure is due to the fact that one entity had almost 100 very similar websites. Administrative proceedings on blocking websites were conducted with 41 entities, of which 14 were blocked, 25 entities stopped targeting Czech citizens during the proceedings, and the proceedings are still being conducted with two entities," said Ministry spokesman Zdeněk Vojtěch.

Division 73 of Gambling Regulation Has Expanded

Since the New Year, the agenda of Division 73 of the MoF, which is in charge of regulating gambling, has been expanded. The division was expanded to include a fourth department dealing with the external audit legislation. Gambling regulation is dealt with by two departments of this division called Gambling Regulation and Administrative Proceedings in the Field of Gambling.

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NEWS FROM ABROAD

Trends in European Regulation in 2020

IFGR regularly informs you about the new regulation of gambling abroad. At the same time, we try to follow the future trends as it is likely that sooner or later, they will be reflected on our market, too.

o **Stricter advertising** will undoubtedly continue to be a key issue in 2020. For example, **Italian** servers agree that a fine of € 50,000 imposed on LeoVegas at the end of 2019 was a major milestone in the regulation and enfor-cement of advertising rules in the country. Although we may expect a difficult legal battle in the present case, a high fine would mean breaking the ice in enforcing com-pliance with the rules.

o **Sweden** is expected to publish a report on the con-sequences of gambling this year, one of the main areas of which will be an assessment of whether the advertising is too aggressive, visible and irresponsible. Swedish Soci-al Security Minister Ardaka Shekarabi (who was kept the gambling problems despite the change of the ministry) has repeatedly declared that he is planning drastic steps towards advertising and other adverse consequences of gambling.

o Another country planning to tighten the regulation of advertising is **Spain**. Although supporters of the total ban on advertising can be found among legislators in this country, it is more likely that it should only be limited for now.

o In the **UK**, on the other hand, discussions on a total ban have subsided after the overwhelming victory of the Conservatives in the December elections. The winners want to continue to allow gambling advertising, but they want to discuss banning ads on football shirts, though in the last Newsletter, we informed you that gambling en-trepreneurs are the most generous sponsors of sports teams. The issue of the **new gambling act** has also been raised on the largest European market in the framework of the election campaign. Its need was declared by all political parties, and it is logically conservatives that will have the last say in its form. Prime Minister Boris John-son, however, said that the current absolute priority is the completion of the Brexit agreement. Therefore, the new act can be expected in 2021 at the earliest. In co-nnection with this, the House of Lords is conducting an impact analysis of the current regulation, based on which the legislative process should start. Insular media agree that conservative legislators have no idea of the form of the act yet, but in the context of strengthening the in-fluence of the Ministry of Health, it is speculated that the act will place great **emphasis on regulating loot boxes, player's age and identity checks as well as the partici-pation in gambling via credit card**. According to rese-arch, up to 22% of the 800,000 players using credit cards are problematic and play on debt. At the same time, the media add that legislators may be overtaken by the im-plementing rules of the British Gambling Commission, which is intensively involved in tightening up obligations to check consumers' financial situation. Extremely severe penalties can still be expected for those who violate legal and sub-legal obligations. As far as Brexit is concerned, only the so-called Brexit without agreement would pose a risk to gambling operators. Fortunately, this option is not very likely in relation to the outcome of the elections.

o In 2020, **Germany** will continue its efforts to fight fragmented and chaotic gambling legislation. For exam-ple, gambling operators still do not know exactly, which conditions they will have to meet for the online gambling operation and whether they will have to interrupt their operation during the year. Regulators of the individual fe-deral states are one-upping each other with statements about sanctions and possible criminal proceedings. However, historical experience in the case of our western neighbour suggests that its ability to deal with the "grey zone" in gambling is very limited. The first step towards a conceptual agreement should be the Gambling State Contract, which is due to be signed this summer.

o In **Greece**, the Gambling Act was passed in Octo-ber and the first permanent operating licences should be granted this year.

o The eyes of not only domestic operators will be fi-xed on the **Netherlands** this year, where the details of the online operation remain to be fine-tuned before the market is opened in January 2021.