INSTITUTE FOR GAMBLING REGULATION

NEWSLETTER

march/20

WHAT'S UP IN THE INSTITUTE

STATE OF EMERGENCY IN THE CZECH REPUBLIC

In connection with the spread of the coronavirus pandemic throughout the world, the Government of the Czech Republic has gradually taken crisis measures through its resolutions. Below is a chronological overview of the resolutions that have an impact on our market:

- On 12 March 2020, the Government of the CR declares **the state of emergency** for the whole territory of the country for a period of **30 days**.
- On the same day, they issue a resolution that:

- ***social and other events and gatherings of more than 30 people at the same time were banned from 6am with the effect taking on 13 March*** – *affects especially card tournaments and social (marketing) events - staff and other organizers are included in the limit of 30 people.*

- ***presence of the public in eating establishments was banned from 8pm to 6am with the effect taking on 13 March at 8pm*** *- in principle, establishments serving food and drink for direct consumption at such establishments. and*

- ***presence of the public in some service establishments was banned, including in the so-called entertainment facilities with the effect taking on 13 March at 6pm.***

- On 13 March 2020, the 73 division of the MoF issues information that the ban on entertainment facilities is also applicable to gambling establishments and casinos. The text can be found here.
- On the morning of 14 March 2020, the Government issued another resolution tightening restrictions on the movement of the population, in which they explicitly stated that this ban applies from 6am of that day also to operation in gambling establishments and casinos according to the GA. The full resolution can be found here. Unfortunately, this ban is imposed without time limit.

The Institute has been closely monitoring the situation from the beginning and is fully aware of its fundamental impacts on the legal gambling market in the Czech Republic not only because we constantly monitor the situation for its members but also took certain steps with state authorities. Read about them on the other side of the Newsletter.

WHAT ELSE

We submitted the IFGR final opinion on the first stage of ARHA - Responsible Gambling, whose wording can be found here.

On **6 March 2020**, Jan Řehola, director of IFGR, attended an international conference called Prague Gaming Summit, where he spoke at a discussion panel on the regulation in the Czech Republic and moderated a round table on the same topic.

On **13 March 2020**, IFGR sent a letter to the MoF on the basic shortcomings of the proposed solution and the current legislation in the area of the Register of Excluded Persons.

On **9 March 2020**, the MoF updated technical questions as well as answers regarding the Reporting Decree. Read more on the next page.

WHAT'S NEXT

Conference call with the MoF about compensation measures.

Government negotiations on the **AML** and **GA amendment**.

Negotiations with the CA were supposed to be held on 16 March 2020 but were postponed due to the current situation.

We are still expecting the launch of the REP testing environment, which was announced to take place in February.

On 6 April 2020, **IFGR should meet with the MoF on the issue of the REP**.

The state of emergency should end on 13 April 2020. However, we will see whether the Government prolongs this state or not.

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THE AML AND GAMBLING ACT AMENDMENT STATUS

We regularly inform you about the a**mendment of the GA and AML Act**, whose process started in June last year. During its course, the **Institute representatives made several comments to it**. In the case of the GA, many of them were complied with, especially regarding gaming systems audits. In the case of the AML Act, one of the comments concerning the obligation to store information by the obliged person was complied with. The amendment was to be discussed by the Government of the Czech Republic on Monday 16 March; however, regarding the current state, **the discussion has been postponed**. So far, there is no available information about when the amendment will be on the agenda of the Government. You can find its official version here.

In the case of the AML Act, the amendment shall **become effective** on the 15th day following the promulgation of the Act. As for the GA, majority of the provisions will take effect on 1 January 2021 (e.g. transfer of supervisory powers online to the CA). However, for the new definition of net loss, REP and update of the identification data, the day of taking effect is 15th day following the promulgation of the Act.

What is changing in the acts in question:

The Gambling Act

- **new definition of net loss**
- **persons in insolvency** will be newly included in REP
- changes in the deposit regulations
- provision of data from the reporting and REP to the NSA will be possible
- requirements for the performance of expert assessment for authorized persons
- modification of the scope of identification data - **the permanent address and place of birth will be newly required instead of the place of residence**, which an operator will have to obtain from its existing players within 60 days of the effective date of the Act.

The AML Act

- introduction of electronic identification **without the presence of a client** as a result of the eIDAS regulation - identification via e-identity
- introduction of the possibility to **identify a client without their physical presence for all obliged persons** (subject to the fulfilment of defined conditions) by means of a scan of two IDs and a reference (check) payment
- introduction of the obligation to strengthen identification and check for multiple high-risk clients
- introduction of the explicit obligation to assess information received from a client as part of the standard check process
- introduction of the explicit obligation in the risk assessment of an obliged person to respect the results of general risk assessments at the Czech as well as the international level
- introduction of the institute of the so-called responsible person
- obligation to inform the public authorities about whether an operator has maintained a business relationship with a specific person in the last 10 years

EVENTS IN THE CZECH REPUBLIC

Possible Compensation Due to the Closure of Gambling Premises – According to the information already available, the economic impact of the declared state and the ban on gambling establishment and casino operations will be severe, as in the whole world, which can be found in our Events in the EU and Worldwide section. The Institute has identified four areas in which it will be involved, whether in the form of taking active steps or of monitoring and communicating news. The monitored areas are

1. Postponement of Legal Obligations in the Area of Gambling – We have already sent a letter to Mr. Kouba (Deputy) and Mr. Šabo (Director of the Department) summarizing the impact of the current state, including proposals for system measures to stabilize the market (e.g. general deferral of gambling tax due (1Q and 2Q), forgiving the payment of minimum partial tax (1Q and 2Q), suspension of reporting obligations for gambling games for which this is objectively possible regarding the method of their operation, etc). You have received the letter in Czech.

The Ministry of Finance has published the following in the tax field:

- **liberalization package** allowing, for example, the filing of an income tax return by 1 July 2020, here
- **guide to current options for taxpayers**, especially the details of the institute of tax delays, here

2. Compensation Programs – We have already communicated with the Minister of Industry and Trade, Mr. Havlíček, when we sent a letter describing the economic impacts on the legal market, including a proposal for financial measures. You can find it here. The Minister said that the Government of the Czech Republic has adopted the necessary future platform, including for our field. At the same time, the compensation programs offered by the Ministry and the Czech-Moravian Guarantee and Development Bank are not aimed at gambling operators. You can find their overview here.

3. Compensatory damages – In accordance with Section 36 of Act No. 240/2000 Coll., On Crisis Management and Amendments to Certain Acts (the Crisis Act), the state is obliged to compensate for damage caused to legal entities in causal connection with the crisis measures adopted by the Government of the Czech Republic. Based on this Act, it should theoretically be possible within six months to claim from the state the damage caused by the measure taken in the form of a mandatory closure of gambling premises and casinos.

4. Personnel Costs – The Ministry of Labour and Social Affairs has prepared a set of extraordinary measures called the *Employment Protection Program*, which primarily addresses the workforce failure due to the closure of establishments, employers' costs, insufficient length of the care-giver' leave and a decline in demand. The state contribution should be provided by the relevant Labour Office.

Following the discussion at the January meeting of the Institute on the launch of the **REP, representatives of the IFGR prepared a summary containing the basic shortcomings of the proposed solution and the current legislation in this area**. This summary of together with the request for personal meeting was sent to the Ministry of Finance. The meeting is arranged for 6 April 2020. The document can be found on the IFGR website. Summary of shortcomings:

- failure to ensure non-stop operation of the REP and the Population Register (ROB)
- proposal of solution in case of failure of the REP and ROB - inspiration by Slovak legislation (in case of failure it is not necessary to verify players)
- creation of the Register of Non-excluded Persons (allocation of HID to persons who are not excluded from the game)
- repeated verification of a player in the land-based environment (registration, entry into the game area, login to the account)
- player verification in the REP should not include verification in the ROB

Reporting Decree FAQ

The Ministry of Finance updated the FAQ on the Reporting Decree. New questions and answers are marked as NEW. This is information primarily on communication parameters (renewal of certificates) for both live and testing environments, both from the Customs Administration as well as operators. Their wording is here.

Praha 1 Changed Their Minds About the Ban of Slot Machines

Mayor of Prague 1 Petr Hejma (STAN) recently informed the municipality that **the district wants to keep some of the slot machines**. This is a turnaround from the party's election plans and the subsequent steps of the coalition. Councillor Hana Kordová Marvanová, who oversees the form of the municipal ordinance, said that she would still discuss the matter with the mayor. The Prague 1 Council endeavours to keep the operation of large casinos focused on tourism running. We will follow all information and keep you informed.

NEWS FROM ABROAD

Italy

Italy is the second most heavily affected country in the world by Coronavirus but is already on the unflattering first place in terms of mortality from this virus. Given that the pandemic broke out in Italy earlier than in the rest of Europe, we are the first to see the economic consequences of the disease and the quarantine in the whole country. **The Italian government closed all gambling establishments except for lotto in tobacco shops the week before last**. According to official estimates, the interruption of operations between 3 March and 9 May will result in a **loss of at least EUR 600 million, of which EUR 150 million is a loss on VLT operations, EUR 65 million on betting at shops, EUR 340 million on slot machines and EUR 40 million on bingo.** The Italian treasury will lose at least EUR 330 million in taxes, while equipment manufacturers and other suppliers will lose EUR 270 million. You can read about the planned assistance of the Italian government to entrepreneurs or the difficulties of some operators in the article here.

EU

Other reports on the **coronavirus** impact on the gambling sector in the EU are still very fragmentary. In the **GB**, it is still possible to bet, though only racing (without spectators) is in operation, and operators plan not to close until the last minute. However, representatives of holding Fluffer Entertainment (including among others Paddy Power, Fan Duel or Betfair brands) have already said that they expect losses of up to £ 110 million in net profit. In **Greece**, national OPAP operator closed all gambling establishments until 30 March for now. **Spain** was the second country in Europe after Italy to introduce a national quarantine, and citizens are only allowed to go to work or shops for groceries. While the citizens of **France** are not in the national quarantine, the operation of shops is limited to those necessary and essential. Tobacco shops are still considered essential, so it is still possible to bet in the lottery.

About **40% of Europeans use the Internet to find entertainment, including gambling**. This was the result of a survey commissioned by the European Commission, the full text of which is available here. Furthermore, the trends that we regularly inform you about have been confirmed, i.e. that **Internet use continues to grow** (76% of EU citizens use it daily), by far the most used are smartphones with laptops, PCs and tablets are in their tail, with up to 80% using e-mail, 62% regular news, 62% social networking, and 40% using entertainment sites, including the gambling ones. According to the study in 2017, 21% of gambling took place in the online environment, while total 23% in 2018. The use of smartphones and tablets for betting purposes increased from 39% in 2017 to 43% in 2018. The entire article can be read here.

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NEWS FROM ABROAD

Portugal

We will continue with unusually positive news, as in Portugal, **online gambling has increased**. In the last quarter of 2019, sales rose to EUR 65 million, which **represents a 52% increase compared to sales of 2018**. These three months accounted for the eighth quarter in a row where there has been a record increase. The biggest sales were in sports betting, which surpassed last year's balance by 55%. Football, basketball and tennis are the most popular sports in Portugal. The balance of Internet technical games has also increased by almost 50%, it was less in the case of roulette and poker. By contrast, the land-bass market stagnated. Read the full article here.

Sweden

After the BG and partly Spain, the possibility of banning gambling is also being discussed in Sweden, where even the **proposal to create a "register of self-excluded persons from the possibility of quick loans"** was made. "Any register of this kind would certainly require collaboration across industries, but we basically want the financial sector to oversee it. Some financial associations have offered similar solutions and we will be in contact with them," said Jenny Nilzon, CEO of company SPER. Given the extremely positive experience of self-restricting measures and the Register of Excluded Players in Sweden, it can be expected that the regulation of debt gambling will also move forward. After all, based on data from the Swedish Health Institute, people with difficulty in meeting their obligations are up to 2 times susceptible to the problem gambling. Read the full article here.

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