INSTITUTE FOR GAMBLING REGULATION

NEWSLETTER

october/20

WHAT'S UP IN THE INSTITUTE

THE SECOND MEETING OF IFGR MEMBERS WAS SUCCESSFUL

The second meeting of the IFGR sections took place on 23 September 2020 this year in the Prague Startup Center in Holešovice. For the first time, it was broadcast live online for those members who were unable to attend due to work or other reasons, so everyone received important information. At the very beginning of the meeting, the director, Mgr. Jan Řehola Ph.D., summarized the activities of the Institute during the first wave of the Covid-19 pandemic. Later, his colleagues analysed the effects of the pandemic on the Czech gambling market and the international economic results of the markets affected by the pandemic. They also discussed in detail the obligations, possible problematic situations, and their technical solutions, which will take effect on 20 December 2020 in connection with the launch of the Register of Excluded Persons. Regarding another, no less important point, amendments to the GA and AML Acts and their consequences for our sector were presented. At the end of the general part of the meeting, the director presented new project called *"Gambling in A Better Light"*, which aims to improve the social perception of gambling, by comparing other addictive goods such as alcohol and tobacco, but also playing computer games, etc. At the meeting's end, there were also specialized meetings of representatives of the online section and the section of manufacturers, technical and live game. The complete minutes, including the presentation, can be viewed here (online section) and here (technical and live game section and manufacturers).

EVENTS IN THE CZECH REPUBLIC

OPERATING RESULTS FOR THE SECOND QUARTER AFFECTED BY PANDEMIC

As expected, the operating results for 2Q 2020 were strongly affected by the measures of the Government of the Czech Republic in the fight against the effects of the Covid-19 pandemic. In the direct comparison of the GGR achieved in 2Q in 2019 with 2Q 2020, there was a cumulative decrease of 26% in GGR for all types of gambling games. You can find more detailed information on the results of individual types of gambling games here.

MINISTRY OF FINANCE LAUNCHED THE REGISTER OF EXLUDED PERSONS'S LIVE OPERATION

With a few months delay compared to the original assumptions, the Ministry of Finance launched the live environment of the Register of Excluded Persons (REP). The Ministry organized a press conference to the launch, and as is a tradition, chose a non-traditional venue. The press conference was held this time at the Chaloupka children's playroom, where an illegal casino was located only three years ago, with the participation of Minister Alena Schillerová, Division 73 Director Martin Šabo, National Anti-Drug Coordinator Jarmila Vedralová and President

of the Recovery Patient Association František Trantina. In the opinion of the Ministry, the REP is an important preventive tool, the last piece of modern regulation, which complements other addictological measures. The REP, which is to operate in a 24/7 non-stop mode, is to be part of the new AISG information system, which will be completed with the administrative part serving mainly the Ministry of Finance and municipalities in conducting administrative proceedings. The customs administration will also have access to the Register, that is for the performance of its supervisory activities.

During his speech, Mr. Trantina from the RECOVERY association - an association of patients diagnosed with addiction - pointed out, among other things, **the issues with the REP**, especially the fact that a person registered will be able to play games that do not require registration (e.g. number lotteries or lottery tickets), although some of them come close to the games with a high potential for addiction, and such a person will continue to receive marketing and advertising information encouraging to play.

In the opinion of the IFGR as well as of its members, the REP suffers from several deficiencies and its launch presents a few ambiguities. During the general part of our meeting, a large part was devoted to this topic, while a coordinated approach towards the Ministry of Finance was agreed. **The IFGR is currently working on a letter to the Minister of Finance, which will contain a description of the most serious deficiencies of the REP**, together with a proposal for their solution.

MINISTRY OF FINANCE PUBLISHED FAQ AND TECHNICAL MATERIALS FOR THE REGISTER OF EXCLUDED PERSONS

The Ministry of Finance has published answers to frequently asked questions (FAQ) on the Register of Excluded Persons on its website, which are primarily directed to the public. Nevertheless, in addition to basic information, the FAQ can also contain useful and interesting information for operators to implement the Register. You can download the document prepared by the Ministry here.

In addition to the mentioned FAQs, the Ministry has also published accompanying technical materials on the website, which you can find under the following links:

- production environment here
- certificates for the production environment here and
- updated forms for communication via the service desk here

THE THIRD READING OF THE AML AND GA AMENDMENTS WAS HELD IN THE CHAMBER

The Chamber of Deputies (CHoD) held another meeting on the amendments to the Gambling Act and the AML Act, this time it was the **third reading**. Members first voted on the amendatory proposals with only two of the four proposals we monitored the most were approved. Namely, it was Mr. Onderka's proposal (ČSSD) **calling for the cancellation of remote player identification only through electronic copies of two documents and a verification payment**, and Mr. Stanjura's proposal (ODS) removing the current inaccuracy of the Act, so that the obliged person can copy the identity card, even without the consent of its holder. Finally, MPs voted on the Acts as a whole. With this voting, the discussion of the amendments in the CHoD was finished and the Acts are **heading to the Senate**, which has 30 days to discuss them. The next meeting of the Senate took place on 14 October, but the discussion of these amendments is not yet on the agenda.

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HIGHER TAXATION OF GAMBLING AND TOBACCO SHOULD FILL THE HOLE IN THE BUDGET

The state budget deficit reached a record CZK 252 billion in September. It can be expected for the deficit to climb to CZK 400 billion this year. Next year, a deficit of up to around CZK 300 billion can be expected. The last time, Minister A. Schillerová spoke about the deficit of 320 billion and said several times that she would try to fill the gap, among other things, by further taxing heated tobacco and gambling. In the case of gambling, the Minister aims at fixed-odds betting and totalizator bets, which should be covered by an increase from the current 23% to 25%, and live game and bingo from 23% to 30%. As part of the 2021 tax package, an amendatory proposal was expected to be submitted in line with the announced increase in the gambling tax, but this was not done during the meeting of the Committee on Budgets (CoB). The tax package was approved by the Committee with several amendments, but without an increase in gambling taxes.

Unfortunately, it can still happen. According to the available information, the Ministry of Finance is still considering the increase in the gambling tax internally and is evaluating its effects. Given that no amendment has yet been submitted cancelling the super-gross salary announced by the Minister, the Ministry will most likely make some amendments in the second reading of the discussion of these Acts in the Chamber of Deputies. The Chamber met again this past Wednesday.

PRAGUE REPRESENTATIVES HAVE ADOPTED A NEW GBD BANNING TECHNICAL GAME

Another recent unpleasant news is the form of the new regulation on the territory of the capital city of Prague. At the meeting of the Council, which was personally monitored by the IFGR, an unfortunate resolution was adopted after a heated debate and critical comments, especially by the representatives of the ODS and ANO parties. It is a resolution by which the representatives of the capital city of Prague **approved a new generally binding decree containing a general ban on technical game in the territory of Prague from 1 January 2021.**

With the exception of the general ban on technical game, the GBD contains transitional provisions protecting existing licences, therefore, **current licences for the placement of gaming premises** (which contain licences for technical game) **will not be revoked after the new GBD takes effect and expire in the term as permitted** (usually 3 years).

At the same time, the City Council, by its resolution, assigned the Council of the City of Prague the task of discussing the approved form of the GBD with the Office for the Protection of Economic Competition (OPE) before it takes effect and of informing the Council with the result of this discussion by 30 November 2020. The purpose of this discussion is to obtain the opinion of the OPE of whether the GBD solves the current situation. Unfortunately, however, this process does not affect the effectiveness of the GBD, which is clearly set out in the draft.

Of course, the IFGR does not consider the adopted solution to be correct and is preparing further steps. **The Institute would like to initiate negotiations between the IFGR and the Office**, where it would try to explain that the disproportionate and unjustified total elimination of competition is an even more serious violation of competition law than its theoretical infringement, consisting in selecting a limited number of addresses.

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CZECH COURTS RULES ON A SINGLE PERSON'S CASINO OPERATION

Recently, the Czech courts (RC in Ústí nad Labem and SAC) ruled for the first time on the possibility of enabling live game in a casino (Section 68 of the Gambling Act), in which the operation was provided by only one employee. This person was in charge not only of enabling the players to play live game, but also of ensuring the entire operation of the casino. The courts have confirmed the customs procedure that one person cannot effectively manage live game and other casino operations. The IFGR has prepared a legal analysis of these verdicts for its members, which you could find here.

DRAMATIC DEVELOPMENT OF HYGIENE MEASURES

The situation around the Covid-19 pandemic in the Czech Republic is not progressing well. Reports of numbers of the infected are in the media every day. And perhaps bad predictions resulted in the resignation of Adam Vojtěch as Minister of Health. Roman Prymula was appointed the new Minister, who from the first moments in office began to tighten all hygienic measures. On the last day of September at a government meeting, the re-declaration of the state of emergency in the Czech Republic was approved, with the effect taking on 5 October for a period of 30 days. According to Minister Prymula, this is a necessary measure to prevent the rapid spread of COVID-19 in our country. At the same time, he assured that the government does not plan to take such strict measures like in the spring of this year and will only take the necessary partial measures in the areas where it is epidemiologically necessary. **The declared state of emergency switches the Czech Republic to the regime of the Crisis Act, which places the imposition of obligations in the hands of the government** (instead of the Minister of Health). Following this authority, the Government issued Resolution No. 958 setting new obligations for a period of 14 days, that is **5-18 October 2020 until 23:59. The IFGR regularly informs about all news in the field of hygiene measures via its e-mail service**, so you already know about the news well. Nevertheless, we summarize the current obligations here as well:

- ban on holding indoor mass events of more than 10 people and outdoor mass events of more than 20 people, with certain exceptions *"…except for members of the household, jobs, business or other similar activity…"*,
- distance from other persons of more than 2 meters,
- it is then not possible, within catering establishments, for more than 6 people to sit at one table.

The ruling is again ambiguous. According to Minister Prymula, its goal is to **limit the organization of leisure events at which excessive people gathering occurs**. In the opinion of the IFGR, card tournaments or social events themselves can then fulfil both categories, where from the player's point of view, it is (mostly) a leisure activity, while for the operator, it is the operation of gambling, i.e. business activity.

Therefore, the IFGR recommends considering very carefully whether to hold card tournaments or social events, taking into consideration the possible negative impacts of their operation, especially the societal view of gambling. In this context, Lucky Money a.s. (Rebuy Stars) and King's Casino have decided not to hold card tournaments for the duration of the state of emergency. They called on other operators to take the same position and, for example, Net and Games a.s. (Kajot) and Victoria-tip joined this initiative. Such an approach is proof of social responsibility and a rational approach at a time when gaming premises are not limited both in opening hours and in the number of people sitting at a table, as is the case, for example, with restaurants.

Although Minister Prymula and his team had to evaluate the effect of the measures taken and, if necessary, take further measures according to this evaluation within the set 14 days, there was an unexpected turnaround on Thursday, 8 October. Without any prior notice, the government issued new resolutions No. 955 and 966, when unfortunately, the worst happened, and the previously announced restriction of leisure activities also **affected** our sector. **Based on government resolutions, gaming establishments and casinos are first closed from 9 October 2020 from 00:00 to 11 October 2020 until 23:59, followed by a period from 12 October 2020 from 00:00 to 25 October 2020 until 23:59**. Minister Prymula hopes that the next 14-day restrictions on the provision of services and the closure of establishments will improve the current very bad situation and that it will not be necessary to extend these measures further.

NEWS FROM ABROAD

DENMARK INSISTS ON PLAN TO INCREASE THE TAXATION OF ONLINE HAZARD

The relatively low tax rate is thought to be one of the factors that has led the Danish market to successfully attract many licensees and has also led to a negligible size of the illegal market. In the past, the Danish government was defending the 20% tax rate for online gambling against the resistance of land-based operators, who were burdened with higher tax rates. The dispute culminated with the European Commission, which rules that a different tax rate was justified, that is to ensure the increased attractiveness of the emerging online market and to attract operators to the newly regulated area.

The Danish market has fallen by 17% so far this year. This is mainly due to new restrictions (players must set deposit limits and bonus caps are introduced) and the impact of the Covid-19 pandemic, especially on sports betting.

The local Ministry of Finance assumes that the decline due to Covid-19 is only temporary. In addition, the situation has changed since the market opened in 2012. Denmark now has a stable and strong online market with a low share of illegal operators. These are the reasons why the Ministry of Taxation continues to propose a 40% increase in the taxation of online gambling from 1 January 2021, which would increase the rate from the original 20% GGR to 28% GGR. MoT expects from this an increase in revenues by DKK 150 million (EUR 15 million). Estimates were made during March, so they cannot be expected to reflect the current situation. This assumption is confirmed by Spillebranchen (formerly known as DOGA), which presented its estimates based on the current data. They show that the expected increase is only DKK 30 million (EUR 3 million).

In addition, there is strong concern about the expansion of the illegal market, which is estimated to double. In addition, a significant outflow of players to foreign operators is expected. The MoF is aware of this and therefore wants to start a discussion on possible solutions, one of which could be the strengthening of repressions. However, the chances of this solution succeeding are very uncertain. This is because Danish law does not in any way prohibit English-language websites from accepting Danish players if they are not active in the Danish market. Therefore, simply increasing the sanction limit does not solve anything.

Therefore, Spillebranchen comes up with a compromise solution, namely an increase in taxation by 10% to 22% GGR, which would increase revenue to the state budget while maintaining market stability. We will see how Denmark solves this.

NATIONAL COUNCIL HAS APPROVED AMENDMENT TO THE SLOVAK GAMBLING ACT

On Tuesday, 29 September, the National Council of the Slovak Republic approved with a strong majority of 120 votes out of 134 deputies present an amendment to the Gambling Act, which **brings changes, especially in stricter regulation at the municipal level**. The change concerns the mandatory distance of gaming establishments from buildings such as schools, school facilities, facilities of social services and in the way how it is measured. In the past, the distance was set at 200 m and it was a walking distance between the entrance to game premises and the entrance to that facility. **Newly, this distance is increased to 500 m and is measured by a horizontal line between buildings**. However, it is not specified from where the distance will be measured – whether from the entrance to the entrance or from the outer walls to the outer walls of the other building.

In addition, there was a cancellation of **the provision allowing municipalities to adopt a GBD prohibiting the operation of gaming establishments or casinos only if the inhabitants of the municipality complained through a petition** that public order in the municipality was disturbed in connection with the operation of gambling. Another condition was that the petition had to be supported by at least 30% of the population of the muni-

cipality entitled to vote, or according to special acts, in some cases the support could be reduced to 15%. **Now, municipalities will be able to approve a GBD without the need for the petition from the inhabitants.**

In terms of distance setting, this trend can also be observed in Armenia, for example. At the government meeting, Atom Janjughazyan, the country's finance minister, presented a plan that sets out distances from schools, hospitals, local authorities and other municipal buildings, with distances varying by city or region. Therefore, in the capital Yerevan, the distance was set at 150 m, in other parts of the country at 100 m and it was set at only 50 m in Syunik, Meghri and Tavush.

GREAT BRITAIN IS FOCUSING ON SOCIAL MEDIA

The British Gambling Commission (BGC) and Facebook have entered a partnership to reduce the visibility of gambling advertising in social media. The partnership responds to the BGC's call last October, which called on operators and social network administrators to adopt online tools to help protect vulnerable people. BGC CEO Neil McArthur welcomed the partnership, saying he would offer "clear and practical advice" to users on setting Facebook gambling advertising restrictions.

However, Facebook does not provide any specific controls that would allow users to pre-regulate advertising and marketing content. Facebook only instructs users in general guidelines on how to behave on the social network and the Internet, so that gambling ads are shown to them as little as possible. In general, they should not "like" or visit gambling websites or related content such as sports. On the other hand, Facebook allows its users to hide in the future an advertiser's advertising, which has recently appeared on the social network.

Therefore, Facebook follows Twitter, which in cooperation with BGC issued similar instructions last year.

GEOCOMPLY IN THE USA HAS INTRODUCED AN INTERSTATE EXCLUSION SYSTEM

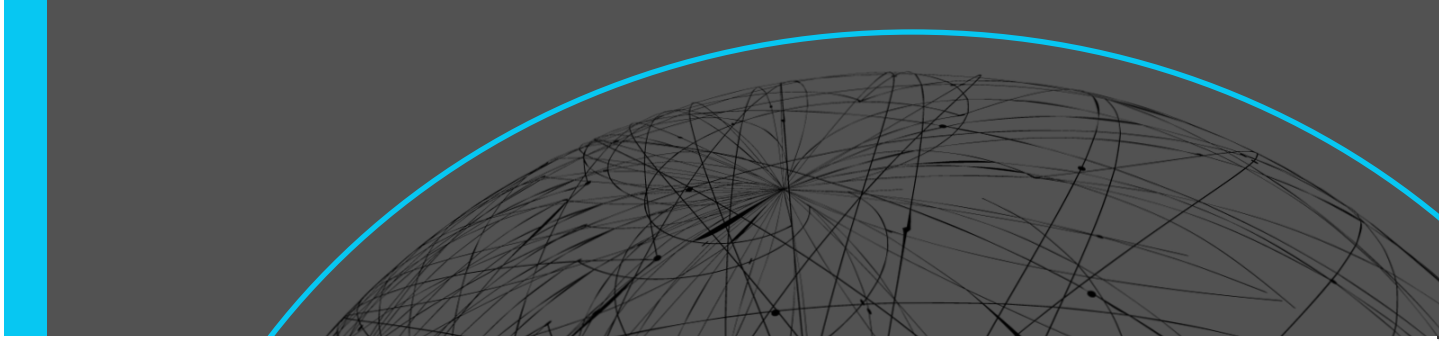
GeoComply has launched a new "responsible" tool called PlayPause, which allows US gamblers to voluntarily exclude themselves from participating in online gambling in multiple states at once. Until now, it mostly worked in such a way that the player registered in a similar register to the Czech Register of Excluded Persons in one state, and after crossing the borders, nothing prevented them from participating in gambling. PlayPause, therefore, takes player protection and responsible gaming one step further. In addition to the possibility of "cross-border" self-exclusion, it provides operators with valuable information on player behaviour. At the same time, it minimizes the administrative burden associated with maintaining centralized databases of excluded persons (maintained, for example, in New Jersey and Pennsylvania) and simplifies communication in this area between individual regulators.

In addition to regulators, the CEO of the National Council on Problem Gambling (NCPG) praised the creation of the PlayPause, saying that *"it is an example of how technology and innovation can be used to strengthen consumer protection and improve the conditions for responsible gaming."*

OPERATORS IN AUSTRIA WANT TO SUPPORT SPORT MORE

Sports betting and professional sports are inseparable. It is, therefore, not surprising that the Austrian Association for Betting and Gambling (OVWG) has come up with a proposal that its members want to provide more support for sport that has been hit hard by the Covid-19 pandemic, among other sectors, but it is prohibited by law. OVWG President Claus Retschitzegger said that *"Austrian sports and gambling operators have always been important business partners and we, therefore, want to support them even in this difficult situation"*. OVWG sees the possibility of bringing more money into sport in the introduction of a modern licencing system for online gambling, which, with taxes and other royalties, could amount to EUR 30 to 50 million with Austrian sports.

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MODERNIZATION OF REGULATION IS AGAIN ON THE TABLE IN NORTHERN IRELAND

After finding that gambling addiction was four times higher in Northern Ireland than in the rest of the UK, the country launched the so-called public consultation in November last year on the future regulation of gambling, which could be attended by individuals, operators, associations or other interested persons, charitable or religious groups. The public consultation closed in February, with almost 400 proposals received.

After the initial analysis of the proposals, it follows that there is strong public support for the creation of a regulator to oversee gambling as well as for supporting the relaxation of certain rules.

Unlike the rest of the United Kingdom, Northern Ireland is outside the jurisdiction of the Gambling Commission, and therefore specific rules apply in this area. It was the unification of the regulation in Northern Ireland with that in the rest of the United Kingdom that was the most common proposal.

The big surprise is that three-fifths of all respondents are proposing an amendment to the act so that casinos, which are currently banned in Northern Ireland, could be operated. Two thirds support less strict opening hours of betting offices so that they can also be opened on Sundays as well as enabling online lottery sales.

Not surprisingly, 97% of respondents agreed that the gambling industry should contribute financially to funding research, education and treatment for addicted gamblers.

It is not yet clear how Northern Ireland will react. The pressure to modernize regulation has been present for almost ten years. The shift can be expected in the next few weeks when the detailed results of the public consultation are to be published.

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