INSTITUTE FOR GAMBLING REGULATION

NEWSLETTER

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WHAT'S UP IN THE INSTITUTE

DIRECTOR'S OPENING REMARKS

The last month was very rich in news, whether it was a measure concerning Covid-19, events in the Chamber of Deputies around the tax package, events in the Senate in connection with the AML and GA amendments or, for example, a breakthrough in the REP. Either way, the Institute was very busy, as in addition to a series of conference calls, it regularly supplied top government officials and deputies with letters and arguments so that decisions were made in the best interests of our sector. Although this may seem like a cliché to many, the fact that there is strength in a single coordinated approach repeatedly proved to be the case. Therefore, we would like to thank all those who constructively contributed to our activities with their comments and help.

EVENTS IN THE CZECH REPUBLIC

BATTLE AROUND THE TAX PACKAGE IN THE CHAMBER OF DEPUTIES

As part of the discussion of the tax package in the second reading at the plenary session of the Chamber, what had been speculated about for a long time actually happened. Deputies Babiš, Votava and Bělobrádek tabled three amendatory proposals to increase gambling taxes, each of which differed not only in the amount of taxation, but also in the type of gambling games affected by taxation. As these proposals had to be discussed in the Committee on Budgets and the public was excluded from its discussions, we approached all its members with arguments that pointed out the absurdity, recklessness and the liquidation nature of these proposals. Some of the Members spoke to us before the meeting and thanked us for the overview of the arguments. The meeting of the Committee itself, which took place on Wednesday, 4 November, was very dramatic, and the Committee members themselves were at times confused as to which point they were voting on. This was also true in the case of the vote on Mr. Bělobrádek's proposal, which was repeated on the suggestion of one of the members of the Committee. The result of the vote was that only a recommendation for Mr Bělobrádek's proposal was issued. The Committee did not have any consent on the other two proposals, even though Mr Babiš's proposal had the recommendation of the Ministry of Finance. After the Committee's meeting, the third reading of the tax package was scheduled.

The final, third reading of the tax package was on the agenda of the CHoD on Thursday, 19 November. Its discussion lasted until the early hours of Friday morning, and its result was encouraging news for our industry. None of the proposals to increase gambling taxes were approved. Mr. Bělobrádek's proposal for a radical increase in the lottery tax did not pass, and other amendatory proposals increasing the tax rate on live game or fixed-odds betting were not approved either. We were receiving during Thursday responses from MPs, to whom we addressed our e-mail summarizing the arguments against the reckless tax re-increases, saying they did not intend to support any of the proposals. We were therefore mildly optimistic, and we are glad that this optimism turned out to be justified in the end. We thank all those who have contributed in any way to trying to explain to MPs the absurdity of the proposal without attacking other market segments. We

believe that if the whole market avoids attacking one another, we can be successful in the next battles, which are undoubtedly ahead.

The tax package has moved to the Senate. Of course, further attempts to increase the gambling tax rates here cannot be ruled out, and, therefore, the battle is not yet completely won.

JOINT EFFORTS SUCCEEDED

It seemed impossible, and some gave up the fight beforehand. It is even more gratifying that the joint efforts have succeeded in reversing, at least partly, the stubborn attitude of the Ministry of Finance around accessibility of the Register of Excluded Persons (REP). From the beginning of the discussions on the availability of the REP, the Ministry claimed that the Register would be "uninterruptable" and would operate 24/7. They also stated in the previously published answers and questions (FAQ) that a player who is in the REP cannot log in to their account, not even for the purpose of withdrawing their money or finding out information about winnings. The MoF accepted the strong arguments we stated in the joint letter. It now acknowledges that there may be a failure of the REP and provides recommendations on how the operator should proceed in such situations. It also allows a player in the REP to log in to their account, albeit with a limited range of activities they can perform. All player activities that the IFGR stated in the letter as required activities were accepted by the Ministry. Following this communication with the Ministry, two statements were then issued. The first of them is an interpretation to the verification of a player in the REP (Section 17 of the Gambling Act), which you can also find on our website here. The second statement then concerns self-restricting measures for live land-based games and the related problems of interpretation with the definition of net loss, the wording of which can be found here.

Due to the new obligations arising from the launch of the Register, it is necessary to modify some provisions of the game plans. That is why we have prepared templates of these new provisions for you, which you can use when modifying your own game plans.

IFGR MET WITH GFD ON TAX DEFERRALS AND FORGIVENESS OF INTEREST ON LATE PAYMENTS

After the closure of gaming establishments and casinos, the IFGR did not waste any time and, during a conference call with representatives of the financial administration, tried to **negotiate a positive settlement of requests for deferral of gambling tax**, extension of the period of already deferred payments and forgiveness of interest on deferred amounts. The IFGR felt positive about the conversation, as it was possible to explain to the representatives of the General Finance Directorate (GFD) the severity of the current situation. Although the representatives understood the difficult situation of the operators and agreed with the views of the Institute, they added that the individual tax administrators will decide on the applications individually. Therefore, it is not possible to say with certainty how the tax administrators will act, however, we already have information from members that the tax administrators **comply with the requests of operators in the current as well as the following tax period.**

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WE CONTACTED THE MINISTER WITH A REQUEST FOR FORGIVENESS OF THE MINIMUM PARTIAL TAX

The minimum partial tax on technical games is highly unfair and currently, unfortunately, mainly liquidating. That is why we addressed a letter to Minister Schillerová on the forgiveness of the minimum partial tax on technical games, which followed on our letter from May this year. You yourself have witnessed several times that rational arguments do not meet with understanding. That is why we have changed our rhetoric and the tone of our letters.

Once again, we would like to thank all of you who participated in the approval process. And based on your comments, this letter was slightly modified.

PATIENCE WAS WEARING US THIN

The way in which the government had delimited itself for our entire sector for a long time and the formulation of support programs that had not concerned rather than concerned operators was the last straw. Patience was wearing us thin, the whole situation annoyed us and inspired us to write a letter addressed to both Minister Schillerová and Minister Havlíček. In the letter, we reminded both government officials not only of their mistakes, but also of the entire cabinet, of the bad communication, and at the same time, we drew attention to the repeated discriminatory approach to our legal branch taken by this government. This letter provoked an incredibly positive reaction from you, which made us incredibly happy and encouraged us.

IFGR MET WITH REPRESENTATIVES OF THE CUSTOMS ADMINISTRATION

More than a month ago, a conference call was held with representatives of the General Directorate of Customs, where we discussed in particular the Customs Administration (CA) inspections of illegal gambling operators, the CA plans for 2021, reporting technical equipment failures, the Žeton operation and the possibility to send required camera recordings via CLOUD repositories. The preparations of the minutes of this meeting were delayed because the CA made several drafting changes to the minutes which we had prepared. The CA confirmed that in the event of fulfilling the obligation to verify the player during the unavailability of the REP, they will proceed individually within the administrative proceedings. They also completed a section on screening illegal online websites and justifying why it is not possible to provide camera recordings through CLOUDs. The full minutes of this conference call can be found here.

At the same time, you will find the CA answers to the collected questions among the documents on our website. Unfortunately, the CA did not respond to all of them in a specific way. Click here to view them.

INCREASE OF THE EUR 800,000 LIMITS

Based on some of you, we turned to Minister Havlíček with a request that the government negotiate with the EU an increase in the limit of EUR 800,000 set for certain support limits (e.g. ANTIVIRUS PLUS and COVID RENT). We believe that other legal sectors, not only gambling operators, may face this limit, which is why we sent a letter directly to the Minister.

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THE SENATE SENT AMENDMENTS TO THE AML AND GAMBLING ACT BACK TO THE CHAMBER OF DEPUTIES

Friday, 13 November, was crucial for the amendments to the Gambling Act and the AML Act, as the Senate was ruling on their future. During the discussion, three amendments were tabled by Senators Němcová (ODS) and Senators Golán (without political affiliation) and Wagenknecht (Pirates), which, however, concerned mainly budgetary rules and public procurements. **In the final vote**, the present senators **voted to return the amendments with amendatory proposals back to the Chamber of Deputies (CHoD). The proposals do not affect our field in any way, and therefore nothing has changed for our sector, and the wording of the draft acts as approved by the Chamber is still valid.** This decision of the Senate prolongs the adoption of these amendments and it is only a question of whether they will be adopted by their expected effectiveness on 1 January 2021.

ARHA IS IN THE SECOND ROUND

The Ministry of Finance has launched the second round of the Analysis of Gambling Regulation (the so-called ARHA), which is to be an assessment) of the current regulation of gambling and its results as a basis for possible legislative changes or amendments to methodological guidelines of public administration bodies. **The second round is devoted to the assessment of individual provisions of the Gambling Act and the regulation of gambling in general. We would like to thank all those who, like the IFGR, see in this second round a unique opportunity to comment on the current regulation. We thank all those who participated in the project and sent us their suggestions and warnings about possible problematic passages of the current regulation.** According to the information we received, this round is also the last round.

RENEWALS OF THE STATE OF EMERGENCY DO NOT END

According to statistics from the Ministry of Health, at the beginning of November, there was only a slow suppression of the spread of the disease, and therefore, the government asked the Chamber of Deputies to extend the state of emergency until 3 December. However, it did not receive sufficient support, and on the contrary, the opposition's proposal was accepted, which extended the state of emergency until 20 November. From the statements of the Minister of Health at the time, it could be assumed that this was not the last renewal. On Thursday, 19 November, the battle over the prolongation of the state of emergency took place again. The reason was simple: the state of emergency is necessary for the application of all regimes of the new anti-epidemic system called "PES", and therefore, the government again appeared in the CHoD with a request to extend the state of emergency until 20 December. History repeated itself again, and finally, the opposition proposal passed, which extended the state of emergency until 12 December.

NEW SYSTEM OF MEASURES CALLED "PES"

On Friday, 13November, the Minister of Health introduced a new anti-epidemic system, called PES, which should guide the measures taken against the spread of coronavirus. **However, the state of emergency is required for its application; if not extended, PES will be of a recommendatory nature only**. PES contains five colour bands, each with a set of measures. It will be usable for the whole Czech Republic, but also for regions or districts, which could mean taking measures only locally.

PES also contains precise measures for casinos, gaming establishments and betting offices, which are very similar to the measures for restaurants. **Crucially, once band 3 takes place, it will be possible to open premises,** but under strict measures (e.g. limiting the number

of people at the table or the capacity in the room) and a limitation of the opening hours (closed from 10 pm to 6 am).

The measures in the PES system were taken without knowledge of the specifics of casinos, gaming establishments and betting offices, and therefore do not in any way reflect the possibilities of these operations. This was also one of the reasons why we initiated a consensual proposal for new possible measures, which we later sent to Minister Blatný and Havlíček. Minister Havlíček thanked us immediately for this information. Let us hope that, based on our proposal, the people in charge will change the measures applicable to casinos, gaming establishments and betting offices.

Unfortunately, according to the latest statements of Minister Blatný, the government does not yet plan to change the stages of the system and the measures set out therein. However, they are working on more detailed measures that will apply to open establishments. This can be the so-called PES twin, which is to be applied if the state of emergency does not take place.

WHEN WILL IT BE POSSIBLE TO OPEN?

Minister Blatný confirmed that the epidemiological situation is improving, which is why we have been included in stage 4 of the PES system since Monday, 23 November, which entails a relaxation of some measures (for example, the night curfew as well as the opening hours of shops are prolonged until 11 pm). Unfortunately, nothing has changed for our sector, and we remain closed. **The statements of the minister, however, indicate that we should shift to stage 3 on Monday, 30 November. If this really happens, it will be possible from that date to open casinos, gaming establishments and betting offices, though in the restricted mode only.**

NEWS FROM ABROAD

THE AMENDMENT TO THE AML ACT WAS APPROVED IN SLOVAKIA

The amendment to the AML Act has been in force in Slovakia since 1 November, which brings two changes from the operators' point of view. The first of these is the extension of the possibilities of performing increased identification of the client, namely by the payment initiation service and informing about the payment account by another obligated person who had already identified the client; both are added to the verification payment. Furthermore, there is the extension of the activities that the obliged person must carry out in the event of establishing a relationship with a person in relation to high-risk countries designated by the European Union. The complete wording of the AML Act, including the effective amendment, can be found, for example, here.

ADVERTISING IN SPAIN IS BANNED

The Spanish gambling market is appalled as strict restrictions on advertising and sponsorship came into force on 3 November. Many hoped that it would be postponed, especially after the representatives of professional football clubs managed to negotiate a postponement of the obligation to terminate all marketing agreements with gambling operators. Newly, they must do so by the end of the current season, i.e. by 31 August 2021. If this obligation were not postponed, it would be liquidating for the clubs. They would hardly be looking for the necessary EUR 90 million in these difficult times, when stadiums are closed.

In other areas, the Spanish government was already adamant, so advertising on television and radio is only allowed between 1 am and 5 am. The same goes for videos on YouTube, while operators are only allowed to share advertising with those who follow them on other social media. At the same time, advertisements on social media shall be filtered by age. In addition to the airtime or sharing, advertising is also limited in content. Therefore, advertisements should not contain recommendations from celebrities or current or former sports personalities.

The new measures also severely restrict or in some cases prohibit promotional bonuses. Nevertheless, operators can still contact the registered and verified players with their special offers.

The reason for introducing these strict measures is that spending on gambling advertising has tripled in the last four years. This increase was associated with the increase in gambling in the age group 18- 25 years. According to statistics, 28% of new players belonged this demographic group in 2017, and the share of this group had risen to 40% by 2019 .The Spanish government wants to eliminate this trend, and has therefore opted for these strict advertising restrictions.

THREAT OF BAN OF ADVERTISING IN BRITAIN IS APPROACHING

Although the Great Britain has seen a significant improvement in advertising standards in recent years, this is not enough, according to the regulator, who claims that further changes are necessary. Therefore, there are still concerns in the sector about a possible ban, especially on online advertising or its significant restriction. According to experts, groups such as the Betting and Gaming Council (BGC) need to present and apply responsible advertising to gambling more. If politicians notice such activity, it could change developments in the future intended restriction of advertising. The government is currently working on a proposal to ban advertising for foods high in fat, salt and sugar, which could become a template for the ban on gambling advertising. Although at first glance, it may seem that food advertising and gambling advertising have nothing in common, the opposite is true. The proposal, which is being discussed by the government, was prepared by the Department for Digital, Culture, Media & Sport (DCMS), which deals with both the food as well as, for example, the gambling advertising. Therefore, concerns about the possible ban on gambling advertising are becoming more realistic.

STUDY PROPOSES TIGHTENING THE GAMBLING MACHINE OPERATION IN FINLAND

In mid-October, a new study on technical games was published in Finland by an **expert group on the assessment of risks and damage from gambling**. The expert group that falls under the Ministry of Social Affairs and Health **concluded that there was a need to address the impact of gambling machines, limit their accessibility and ban all its advertising**.

At present, gambling in Finland is divided into the red and green categories according to harmfulness. However, the study proposes a change in this division, so that individual aspects of the degree of harmfulness, such as the speed of rotation of reels or the amount of bonuses, will be assessed in more detail on a case-by-case basis.

The group strongly criticizes the fact that technical games are found mainly in problematic, socio-economic areas. They therefore propose two possible solutions to the Finnish Government. The first of these is the removal of free-standing machines, which are located, for example, in shops or petrol stations. The second solution is to relocate these machines to gaming premises. In view of the number of the machines in the country, this solution is not viable in the opinion of the expert group.

The last topic that the expert group addressed in the study is advertising. In addition to the aforementioned ban on all advertising for technical games, the monopoly gaming operator Veikkaus should, according to the study, also be obliged to inform players about the “harmfulness of the technical game”.

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SWEDISH RESTRICTIONS DRIVE AWAY OPERATORS

In addition to the planned crackdown on gambling advertising, it is also the tightening of online gambling regulations that is leading operators to leave the Swedish market or voluntarily withdraw their licence applications.
Following the introduction of casino deposit limits as well as bonuses in connection with the Covid-19 pandemic in early July, operators' revenues decreased by as much as a third, according to available information. According to local experts, there is a risk that the established limits, which were supposed to apply until the end of the year, will apply even after the new year. In addition, it is highly likely that they will now also apply to sports betting. Another bad news is that further restrictions will come into force in January 2021, in the form of a ban on betting on football matches in competitions under the second division (the fourth level of the Swedish league football system) and restrictions on popular live betting. Although the ban on betting on the yellow and red cards will not have a significant impact on operators' income in the short term, they are popular with players and may lead to a shift of players to illegal operators in the future.

ESPORT DURING PANDEMIC

Until a few years ago, it may have seemed unthinkable to many that Esport could compete with classical sports as we know them. But over the past four years, Esport has seen a sharp increase in audience ratings, and betting offices are reporting a similar trend. The number of bets accepted only confirms this trend. **In 2016, bets of $ 5.5 billion were accepted worldwide for Esport. Bets are expected to reach $ 13 billion this year**. Yes, this was greatly helped by the spring pandemic wave, which dampened all professional competitions, and Sports competitions such as NBA 2K, FIFA 21 and eNASCAR, etc., were suddenly the main sports competitions even on regular cable stations. Although betting has declined since the resumption of traditional sports (e.g. in the Great Britain, Esports accounted for 4 to 6% of bets in April and May, but have fallen back to around 1% since then), it can be said with certainty that Esports have a certain future, especially among the younger generations, and the recurring waves of pandemics may accelerate the popularity of Esport. Many poker players have sensed its potential years ago and have set up professional Sports Teams. Now, they are joined by successful footballers, tennis players, Formula 1 drivers or entire investment groups.

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