INSTITUTE FOR GAMBLING REGULATION

NEWSLETTER

january/21

The first issue of the 2021 Newsletter is here. Although the epidemiological situation is still very unstable and the government has taken more stringent measures, we are incredibly pleased to be able to give you encouraging news, for example around compensation programs.

EVENTS IN THE CZECH REPUBLIC

NEW COMPENSATION PROGRAM FOR COVID CLOSED ESTABLISHMENTS

After Minister Havlíček introduced the COVID–Gastro program, which provided support only to restaurateurs in the amount of CZK 400 for each employee and a closed day, there was a public outcry. Representatives across business sectors, including the IFGR, created great pressure to make this program accessible to all sectors and not to favour only the popular media area of gastronomy. It was gratifying that the MIT gave in and that they, led by Minister Havlíček, subsequently introduced a new compensation program called COVID–Gastro-Closed Establishments. It is a compensation program based on the criticized COVID-Gastro program, with the difference that it is intended for all those who were banned or significantly restricted from selling goods or selling and providing services (including gambling operators), and, therefore, whose ability to generate revenue was limited. Support is provided for the costs of operating and maintaining business activities, such as personnel costs, costs of materials, services (incl. leasing), depreciations, taxes and fees, loan repayments, overheads, etc. Program conditions are as follows:

- **Eligible costs are from February 2020 to 10 January 2021.**
- **Receipt of applications was started on 18 January and will last until 1 March 2021 until 4 pm via the MIT system - the Portal AIS MPO using the so-called e-identity, which the entrepreneur will have to have already established.**
- **The relevant period is currently set from 9 October 2020 to 10 January 2021.**
- **The amount of support is CZK 400/person/day, when the appeal for the program determines the individual categories according to the eligible days:**
  - **Gambling establishments and casinos - 79 days - category 1 (*"Sport, Entertainment, Recreation and Similar Activities"*)**
  - **Betting offices - 54 days - category 1 (*"Sport, Entertainment, Recreation and Similar Activities"*) and 4 (*"Retail and Provision of Services in Establishments"*).**
- **The following are considered as eligible persons: an employee of the entity, a cooperating self-employed person or executives with a contract for the performance of the function of an executive who were registered to pay the insurance premium at the Czech Social Security Administration as at 31 October 2020.**
- **It is included in the European limit for drawing on compensation programs.**

More detailed information about this program can be found here.

In addition to the new compensation program, the Ministry of Industry and Trade has prepared a special COVID-Calculator for entrepreneurs, which will calculate the financial support you have received or will receive from the state. You can find the calculator on the MIT website or under the link here.

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BRIEF OVERVIEW OF MAIN PROGRAMS THAT CAN BE DRAWN

In addition to the above-mentioned COVID–Gastro-Closed Establishments program, it is possible to apply for support under the COVID–Rent III, Antivirus A or Antivirus A Plus programs.

COVID-Rent III

The Ministry of Industry and Trade extended the 2nd appeal, and it was therefore possible to apply for it until 4 February 2021 (originally, it was until 21 January 2021, but the deadline was repeatedly extended). Applications under the **3rd appeal began to be accepted on 5 February 2021 and it is now possible to submit them until 8 April 2021**. The conditions of this program are as follows:

- o Decisive period: 1 October 2020 - 31 December 2020 (October, November, December, or 4th quarter of 2020).
- o Receipt of the applications is from 5 February 2021 to **8 April 2021**.
- o The support is the same as in the 2nd appeal, i.e., it is **50% of the rent, and its maximum amount is CZK 10 million** for all establishments of one applicant.
- o It is included in the European limit for drawing on the compensation programs.

The new thing is that the eligible applicants will include, among others, establishments that had an exemption from government crisis measures and were not prohibited from selling retail goods or providing services to customers. However, they must demonstrate a decrease in sales for the 4th quarter of 2020 compared to the same period of 2019 by at least 66%.

Another significant new thing is that the **obstacle to applying is not the so-called affinity of persons**, close persons, persons controlling and controlled, acting in agreement, significant influence, nor the consolidation unit. The only condition in this regard is that the natural person of the tenant and the landlord must not be the same.

More detailed information about this program can be found here.

Antivirus A

It compensates costs for employers whose employees were quarantined or who had to reduce their operations partially or completely.

- The maximum support is 80% of the paid salary (incl. levies), the maximum monthly amount of the contribution per employee is CZK 39,000.
- The relevant period is from 12 March 2020 **to 28 February 2021**.
- Receipt of the applications is from 6 April 2020 to 28 February 2021

More detailed information about this program can be found here.

Antivirus A Plus:

The support is intended only for employers whose operation was forcibly closed (or significantly limited) by government crisis measures or extraordinary measures of the Ministry of Health or public health protection authorities (regional hygienic stations). It does not apply to ordered quarantines / isolations. The above Antivirus A applies to these.

Support is provided only for the period when such obstacles at work persisted, i.e., only to the extent that the activity in question was restricted or prohibited by restrictive measures.

- The maximum support is 100 % of the paid salary and levies paid from it, which the employer paid to the employee for the duration of obstacles at work. The maximum monthly amount of the contribution per employee is CZK 50,000.
- The relevant period is from 1 October 2020 to 28 February 2021.
- It is included in the European limit for drawing on the compensation programs.

More detailed information about this program can be found here.

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EUROPEAN LIMIT FOR DRAWING ON COMPENSATION PROGRAMS HAS BEEN INCREASED

For a long time, we were drawing the attention of leading government officials to the problem of the European limit of EUR 800,000 for drawing on compensation programs, which many entities across sectors had already reached, therefore, denying them the opportunity to draw on the support offered. The great news of the past few days is that **this limit has been increased by the European Commission**, and not to the previously mentioned double of the amount, but **to EUR 1.8 million, and, at the same time, the possibility of drawing it has been extended until 31 December 2021** from the original 30 June 2021. The official version of framework of grants can be found here.

We would like to thank Deputy Tauberová and Director Švolba from the Ministry of Industry and Trade, with whom we were communicating actively in this matter, for their positive attitude and information provided. We were confirmed that the **COVID–Gastro-Closed Establishments program would be re-notified** so that entities that had already met the original (EUR 800,000) European limit of grants at the time of its announcement could also draw on it. The program is currently being re-notified.

The increase in the limit of grants will also have a positive impact on the ANTIVIRUS program, namely on labour costs at the beginning of this year. The increased limit should already be applied to this program in these months. According to the **Ministry of Labour and Social Affairs, with whom we were also in contact, it will be possible to draw on ANTIVIRUS A PLUS again** for the entities that could not draw on it for December wages due to meeting the original limit. Such drawing will be possible only as a follow-up to the change of the concluded agreement with the labour office, in which the increase of the limit must be considered.

A BREAKTHROUGH YEAR IN REMOTE IDENTIFICATION

Bank identity is a new way of electronic identification, which, in addition to communication with the authorities, will be used, for example, to **identify clients under the AML Act to register them in the online gambling without their physical presence**. Currently, the project has two main streams of technical as well as business solutions, namely a joint solution of KB, ČS and ČSOB (BankID) and a joint solution of Monety Money Bank, Fio and Air banka (Alliance for Banking Identity).

The largest banks in the provision of digital identity to their clients, which are part of the BankID project, have the biggest progress. According to the available information, the actual launch of the service is expected on 1 June 2021, while it is already possible to sign contracts with those interested in cooperation, and a portal is available in test operation, where all information is available for the implementation. The interested entities can start with integration steps.

The Alliance for Banking Identity project also aims to provide these services in an aggregated way for service providers to connect to only one technical interface (within the members of this project) and conclude one contract. The technical interface and the business framework for cooperation are allegedly being prepared now, and more detailed information has not yet been provided.

According to the latest reports, the two main streams are negotiating with each other, with the aim of having only one platform for all. From the beginning, the primary goal of everyone was to create one aggregator, unfortunately, this did not happen; hopefully, this situation will be corrected. One platform undoubtedly has the advantage, that is the investment costs will not be duplicated, and thus any future costs for banking identity services will be cheaper. This will be appreciated by all the users who will pay for the use of the bank identity. We will see how the negotiations between the two streams turn out.

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FORGIVENESS OF INTEREST ON DEFERRED TAX AND DELAYED INTEREST

Forgiveness of interest on deferred tax and delayed interest is one of the positive tools that helps all affected entities as well as the tax administrators themselves. Although Minister Schillerová's forgiveness was extended, it only lasted until the end of last year. That is why we turned to the representatives of the financial administration and especially to Deputy Kouba with a request that Minister Schillerová extend the forgiveness of interest on deferred tax and delayed interest also to year 2021.

We are pleased that the Minister has complied with this request in her decision to forgive the interest on deferred tax and delayed interest if they arise between 1 January 2021 and 16 August 2021. As this interest usually amounts to a substantial amount, we believe that their forgiveness will result in significant savings.

The Minister herself acknowledges in the reasoning of the decision that this measure will reduce the administrative burden of tax subjects in submitting applications for individual forgiveness of interest as well as tax administrators in their assessment. The forgiveness is currently limited in time to mid-August, but if the current situation continues, we will certainly strive for another deadline extension again.

MINISTER STANDING HER GROUND, THE MINIMUM PARTIAL TAX NOT FORGIVEN

Once again, Minister Schillerová did not comply with our request for a forgiveness of the minimum partial tax on technical games, referring to the social costs arising from gambling and drawing on other support provided by gambling operators. Despite all the efforts of the Institute and personal communication with Deputy Kouba, the marketing and political direction of the current government unfortunately prevailed.

We did not come to terms with this decision of the Minister, and we have prepared a coordinated procedure consisting of several steps, which we discussed in detail with our members last month.

FINAL STATEMENT ON THE ARHA PROJECT SENT TO THE MINISTRY OF FINANCE

A few days before the end of 2020, the Ministry of Finance (MoF) asked the IFGR, within the Analysis of Gambling Regulation (ARHA) project, to answer several additional questions on costs, barriers to entering foreign markets, taxation and the positive effects of gambling. These were constructive questions that can have a positive impact on the regulatory, social perception of the gambling industry and on the final report of this project, which will be submitted to the government by mid-2021. Although the Ministry did not provide much time to prepare answers to these questions, aware of the responsibility, we approached their preparation responsibly. We have prepared a material (available here), which discusses each of the areas concerned in detail; we also based our conclusions on foreign analyses. We expressed the wish that the regulator changes its behaviour, communication and, following the example of foreign regulators, ceases the demonizing and ostracism of legal gambling operators. This way, we would like to thank all those who sent us their suggestions and comments. We hope that the Ministry of Finance will use some of our recommendations and will further discuss the conclusions of the ARHA project with us.

NEWS FROM ABROAD

OBLIGATION OF VERIFICATION IN REP ALSO APPLIES TO EMPLOYEES IN SLOVAKIA

The Office for the Regulation of Gambling in Slovakia has issued a new statement, which deals with the obligation of the operator to verify its employees in the Register of Excluded Persons. It is clear from the statement that the operator must verify every natural person entering a casino or gambling establishment, and this obligation also applies to the operator's employees. You can find the statement here.

Unlike Slovakia, there is no such obligation in the Czech Republic, which was confirmed by the Customs Administration in its own statement.

AUSTRIA REPORTS INCREASE IN THE NUMBER OF ILLEGAL SLOT MACHINES

Bundesministerium für Finanzen (Austrian Ministry of Finance) announced a few days ago that there was an increase in the number of illegal technical devices seized in 2020. The increase compared to 2019 is even more surprising as it occurred despite the smaller number of inspections carried out, the number of which was negatively affected by the ongoing COVID-19 pandemic.

Now to the statistics themselves. The Austrian financial police, which supervises gambling games, confiscated a total of 1,463 technical devices last year, a year-on-year increase of approximately 100 devices, i.e., 7.3%. The operators of these illegal devices were fined a total of EUR 32.2 million.

For comparison: The Customs Administration of the Czech Republic confiscated a total of 770 technical devices last year, of which 433 were quiz machines. How huge the fines imposed were is not yet known.

GAMING1 FOCUSES ON RESPONSIBLE GAMBLING

Company Gaming1 released **a new set of responsible gambling tools based on artificial intelligence** in August last year to monitor player behaviour and identify any early signs of problem gambling. If a player is identified by the highest level of danger according to the models, they will be provided with quick and comprehensive assistance from an internal team specializing in player protection.

By providing a safer form of entertainment, Gaming1 seeks to differentiate itself especially from illegal online gambling operators, who, by contrast, expose players to a high risk of pathological gambling.

However, this is not all. Gaming1 has even developed a **responsible gambling course**, in collaboration with the Gaming Clinic at Brugmann University Hospital, that is for **its employees, designed for both existing as well as all newly hired employees**. The aim of the course is to introduce the issue of responsible gaming itself, to show the tools of prevention and possible protection. This will introduce employees to key risk indicators and detection tools that will make it easier for them to identify vulnerable players.

Emmanuel Mewissen, CEO of Gaming1, said: *"It is our responsibility as legal gambling operators to fight addiction. That is why we have opened our eyes and are trying to recognize the dangers associated with excessive gaming. We also want everyone in our company to be aware of this problem."*

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EFFORTS TO PROTECT SWEDISH PLAYERS DURING PANDEMIC CAUSE INCREASE IN ILLEGAL OPERATORS

Following the extension of deposit restrictions and bonus limits until the end of June 2021, gambling operators in Sweden are facing further bad news. They must deal with the increase in illegal competition, which is targeting vulnerable players with its websites and advertisements. To do this, they use motivational texts that directly encourage players who excluded themselves or reached the limits that they are in the right place where they can keep gambling.

Local media believe that many illegal websites and advertisements use advanced search engine optimization (SEO) techniques to appear frequently and high in the rankings. The attractiveness of the illegal websites is also confirmed by a survey conducted by Bonusfinder.com, which shows that **between January and November last year, searches for "unlicenced casinos" in Sweden increased by 54% and a total of 75 illegal operators were recorded.**

There are several reasons why illegal online gambling is so successful now. According to Gustav Hoffstedt, Secretary General of the Swedish Trade Association for Online Gambling (BOS), the main reason is the introduction of the deposit restrictions and bonus limits, which were supposed to help protect players during the pandemic but have so far been stifling legal online gambling operators. At the turn of July and August, they already recorded a record drop in earnings. According to Hoffstedt, if this continues at this pace, we can expect further massive drops not only of operators, but also of state tax revenues and the absence of player protection.

The Swedish government did not wait long to respond, and a few days ago, they came up with a **proposal to ban advertising for online casinos from 6:00 am to 9:00 pm**. On the positive side, online casinos should not be subject to the limits (€ 494) adopted in connection with the pandemic. These will continue to apply only to land-based casinos.

CRYPTOCURRENCIES' PRESENCE IN CASINOS

The long-term growing worldwide interest in cryptocurrencies has motivated many technology companies to develop new products. We are used to the fact that players can bet in the cryptocurrency in the world of online gambling. Recently, however, **International Game Technology (IGT) has announced a patent that could soon offer players such a betting option on slot machines in casinos as well as gambling establishments**. The patented technology allows players to transfer cryptocurrencies between casinos, external accounts and e-wallets. Each player will have their own PIN-protected card, which they will insert into the appropriate slot machine if they are interested in a specific game. The bets are deducted from the player and, in the event of a win, the funds in the cryptocurrency will be safely deposited in the secure wallet. The procedure is the same as what players have already been used to.

BRIEF INFORMATION FROM UKRAINE

Those interested in operating gambling games in Ukraine can **apply for a licence. This happened after a part of the new Act on Gambling entered into force on 30 December 2020.**

According to current reports, the first operator to obtain a licence to operate online casino games is Spaceiks LLC, which operates the Cosmolot brand. This was even though it had to provide additional information on the ownership structure for the Regulation of Gambling and Lotteries (KRAIL) to assess the fulfilment of the condition of the company's registered office in Ukraine.