INSTITUTE FOR GAMBLING REGULATION

NEWSLETTER

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Welcome to the next issue of our regular Newsletter. In this issue, especially lovers of numbers, statistics and prognoses will find something to their liking. On the following few pages, you can find news about compensation programs or operating results for the last quarter of last year. In the "News from Abroad" section, we focus on, for example, the study of how much the gambling industry contributes to the British economy, the Polish fight against illegal gambling or the planned changes in Austria.

EVENTS IN THE CZECH REPUBLIC

NEW ACTS THAT WILL HAVE AN IMPACT ON THE GAMBLING ACT

We are all aware that extensive amendments to the Gambling Act and the AML Act have entered into force since the beginning of the new year. Most of the changes that the amendments include are already being fully applied. However, there are two exceptions among them, namely the extension of the Register of Excluded Persons and the new way of determining the real owner of the company.

As a result of the adoption of the Act on Substitute Maintenance for a Dependent Child, the Register will be extended to include persons who do not meet their maintenance obligation for such child, and the state will pay it for them in the form of the so-called substitute maintenance. This act will enter into force on 1 July this year. However, the Gambling Act provides for a one-year transitional period before the Register is actually extended to include these persons. Therefore, these persons will be registered in this Register starting 1 July 2022.

However, the second mentioned change will become effective earlier, that is in June of this year. It is related to the adoption of the much-discussed Act on The Registration of Real Owners. As part of proving the clear ownership structure of the operator, the real owner shall prove their identity according to the new regulation, instead of the current AML Act. As a result of this change, the MoF could require a new ownership structure with the statement of the real owner.

WHAT DO NEW MF STATEMENTS INCLUDE REGARDING THE PAYMENT OF WINNINGS

As we have already informed you in the previous issue of our Newsletter, the Ministry of Finance has issued new statements regarding the payment of winnings to players. The first one could be described as legal rather than practical, as it deals with the explanation of some vague terms which the Gambling Act includes. This is, for example, the term of winnings or moments of paying winnings. An interesting piece of information is the ministerial understanding of dividing a player's financial means on a user account into funds i. deposited into their account, ii. the player's winnings from a game, and iii. bonus funds provided to the player by the operator in accordance with the statement on bonuses. The second statement is practical information for the players themselves, that is in situations where they were not paid winnings by the operator. This is basically a guide on how to proceed exactly to get the winnings. We have prepared a summary of the main conclusions from both statements, which can be found here.

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MIT FINALLY PRESENTED THE CONDITIONS OF THE NEW COMPENSATION PROGRAMS

The government announced some time ago that it plans to create two new compensation programs, which will not only replace the existing programs, but will also include all entities affected by the current coronavirus pandemic. In the current programs, there were always entrepreneurs drawing on them who were not entitled to draw the support. The new programs are called COVID 2021 and COVID UNCOVERED COSTS and their initial condition is that they cannot be drawn both at the same time, but always only one of them at the time. However, it is still possible to draw on the ANTIVIRUS employment program in addition to these programs. The first program was launched on Monday, 12 April 2021, while we will have to wait another week for the second one. Its drawing will start on Monday, 19 April 2021. The conditions of the programs are described in detail in the relevant appeals, but we are summarizing them below:

	COVID 2021	**COVID UNCOVERED COSTS**
Relevant Period	11 January 2021 – 31 March 2021	1 January 2021 – 31 March 2021
Drawing	31 May 2021	until 19 July 2021
Eligible Applicant	drop in turnover by at least 50 % compared to January, February 2021 in comparison to the same period in 2020 or 2019	drop in turnover by at least 50 % compared to January - March 2021 in comparison to the same period in 2020 or 2019
Amount of The Support	CZK 500 times the number of employees (full-time job times 80 (the number of days in the relevant period)	60 % of uncovered costs
Limit of The Support	it is included in the European limit of EUR 1.8 million	CZK 40 million per applicant
Material for The Application	statutory declaration of the eligible applicant	profit and loss account, statement of drop in turnover, an overview of all grants, subsidies and funds provided, and statutory declaration of the eligible applicant
Link to The Appeal	here	here

FOURTH QUARTER OPERATING RESULTS AFFECTED BY THE PANDEMIC

Operating results in the last quarter of last year had continued in the set trend since the beginning of the pandemic, when, thanks to government measures, gambling establishments, casinos and betting offices were closed for a long time. In a direct comparison of the achieved GGR for 4Q in 2019 with 4Q 2020, there was a cumulative decrease of 24% in GGR for all types of gambling games. More detailed information on the results of individual types of gambling games can be found here.

THE STATE OF EMERGENCY FINALLY ENDED

After more than seven months of living in the state of emergency, it is finally starting to get better. A few days before the end of the state of emergency, Prime Minister Babiš said that the government would no longer ask for its extension. This really happened, and the state of emergency ended on Sunday, 11 April. However, it was replaced by the so-called **state of pandemic alert**, which is the name of the new Pandemic Act, according to which the government is currently proceeding. This emergency may be cancelled by the Chamber of Deputies. This does not mean that the termination of the state of emergency ends all prohibition measures, they are just set in accor-

dance with the said Act or the Public Health Protection Act, either by the Ministry of Health or the Regional Health Authority with the consent of the government. Unlike the ministry, health authorities can only set measures for its region.

Pandemic Act generally includes:

- Interference with citizens' rights is more limited - it is not possible to ban movement or order work. Therefore, the current ban on movement between districts and the night curfew shall end completely.
- The measures should not take effect until the 4th day after their publication, except in the event of a threat of delay.
- Mandatory thorough justification of the measure.
- Obligation to review the ordered measures by the ordering authority, that is at least once every 2 weeks from their issuance.
- Strengthening judicial control - everyone will be able to bring an administrative action to the Supreme Administrative Court (in the case of a ministry measure) or regional courts (in the case of a hygiene health authority measure), with priority hearing, which will allow for timely court intervention.
- Limiting the compensation for damage to actual damage only, not lost profits, which is usually the dominant damage in the event of a pandemic.

However, no major easing of restrictions has taken place since Monday, 12 April. The Ministry of Health issued a statement banning the operation of gambling establishments, casinos and betting offices. Although the statement is already founded better – the Ministry was repeatedly criticized for not doing so earlier by the Czech courts – unfortunately, these are not very favourable and reality-friendly reasons for banning activities in our category. Therefore, we will look forward to the publication of a new version of the PES system, which is now being prepared by the new Minister of Health Arenberger and his team.

He has recently said that he will take a different path and does not intend to return to the PES tables prepared by Mr. Blatný. Although he admitted that he will base the prepared materials on the individual groups, but also pointed out that these groups can also undergo some changes, for example, depending on the feedback in the first version introduced. He also said that he wanted to fine-tune the entire system with interest groups. According to the statement, the introduction of the new system can be expected in the next 14 days.

NEW CHAIRMAN OF MLSNA HAS NOT CHANGED THE VIEW OF THE OFFICE ON GBDs

The Office for the Protection of Competition (OPC) with the new chairman Petr Mlsná has already decided on a fine for the city of Ostrava, whose generally binding Decree No. 8/2015 (GBD) allowed the operation of lotteries and other similar games at only a few listed addresses. The selection of these addresses was not made based on objective, non-discriminatory and known criteria, which distorted competition on the gambling market in the statutory city of Ostrava and favoured competitors who could continue to operate at the permitted addresses.

Although the chairman of the Office agreed in fact with the first instance ruling, he reduced the fine. He reconsidered the duration of the offence because the initiation of administrative proceedings led to the so-called interruption of the unity of the act. The offence was therefore considered only for the period from 1 January 2017 to 23 May 2018 that affected the final fine, which was reduced from CZK 1,078,000 in the first instance ruling to the final CZK 869,000.

The members' voting on the priorities for the IFGR in recent weeks has shown that we should address the current situation. Therefore, we want to initiate negotiations with the management of the Office, with the participation of representatives of the relevant department of the Ministry of the Interior. There, we would like to try to explain that the current practice of repeatedly imposing fines of hundreds of thousands crowns on municipalities and cities for generally binding ordinances regulating address places will only lead to total prohibitions. In our opinion, it is not necessary for the regulation of municipalities to be extreme, i.e., *"everywhere or nowhere"*. We hope that the conclusions of the negotiations will calm down the whole situation and dissolve the threats of fines and the fears of municipalities of accepting BVDs with address places so that the situation from Ostrava, Prague and other municipalities does not repeat itself.

NEWS FROM ABROAD

POLAND EXPECTES MORE HAZARD REVENUES IN 2021

The Polish Ministry of Finance expects revenues for the gambling industry to increase by 24.1% this year to approximately PLN 33.5 billion (EUR 7.3 billion). Slot machines are expected to grow their revenue by 135%, betting offices by 20% and casinos by 15%.

In addition to predictions of possible revenues in 2021, the local Ministry of Finance presented the results in the fight against illegal gambling. Interestingly, the share of the Polish illegal market last year fell to 17.5%, which is less than a quarter compared to 2016. Specifically, illegal betting offices had 9.4% of the market in 2020, a decrease of 3% compared to the previous year, while illegal online casinos controlled 40.3%, a decline of more than 19% compared to 2019.

The reason why there is such a decline in the illegal market in Poland can be based on the massive blocking of illegal gambling websites, which began in 2017 with the entry into force of the amended Gambling Act.

What Poland is still failing in during the fight against illegal gambling is the collection of fines from illegal entities. According to the information available, the Polish authorities managed to collect only 0.15% of the PLN 181.8 million fines (EUR 39.6 million) they imposed in the first half of 2020.

GAMBLING INDUSTRY ADDED GBP 7.7 BILLION TO THE BRITISH ECONOMY, EY STUDY SHOWS

The Betting and Gaming Council (BGC) commissioned **a study** from the international consulting firm Ernst & Young (EY) **to provide accurate data on how much money the gambling industry adds to the GB economy**. The data are based on 2019 and therefore, we can assume that, in view of the Covid-19 pandemic in 2020, the contribution to the economy may change, both in the financial and employment aspect. As it is already known, the pandemic led to the closure of 374 betting office branches, six casinos and the loss of 5,000 jobs. However, the report also contains prospects for the coming years and believes in the full recovery of this industry.

The study is published at a time of an ongoing government review of the current regulation of gambling in the GB and a few days after the publication of the Social Market Foundation study, which claims that gambling contributes less to the economy than many other leisure sectors.

BGC Executive Director Michael Dugher disagrees with this view, arguing that *"at a time of economic concerns and the enormous pressure on public finances caused by the Covid-19 pandemic, the contribution of the gambling sector to the GB economy could not have been more important."*

Now to the study itself. It shows that the gambling industry in the GB **employs 61,000 people and indirectly contributes to a further 58,000 jobs.**

The total amount that the gambling industry added to Britain's gross domestic product (GDP) in 2019, known as its gross value-added (GVA), **is up to GBP 7.7 billion**.

When broken down into individual items, we can see that GBP 2.6 billion were directly from BGC members. Another GBP 2.9 billion was indirect, that is through demand generated by these members in the supply chain. And the final £ 2.2 billion were from the expenses of people employed by BGC members.

In terms of taxes, BGC members paid a total of GBP 3.2 billion in 2019. Of this amount, GBP 1.6 billion was a gambling tax, while GBP 1.5 billion was paid by operators in other taxes. The related sectors were estimated to have paid around GBP 1.8 billion.

EY noted that while the **GVA of the gambling sector accounted for 0.13% of the British economy, the taxes paid by it accounted for 0.4% of all taxes**.

In the voting on the priorities of the Institute, there was an unprecedented consensus across the market on

the importance of changing the view of the public and public officials on our sector because we can see every day how important a public view of our sector is. Therefore, as part of project "Gambling in A Better Light"", we want to attempt a preparation of a respected study that, like the British one, would map the benefits of gambling, so that not only the social harmfulness of gambling is publicly discussed. We are currently contacting reputable consulting companies to prepare the study. We will inform you soon not only about the next steps, but also about other upcoming projects.

LONDON MAYOR PLANS TO BAN ADVERTISING IN THE METRO AND ON PUBLIC TRANSPORT BUSES

London Mayor Sadiq Khan has vowed to ban gambling advertising in the London Underground and city buses if re-elected in May. He would follow the ban on advertising promoting food and non-alcoholic beverages high in fat, salt or sugar, in force since 2018.

Sadiq Khan said that the reason for the ban is how gambling addiction can destroy lives and families.

CityAM reports that the current advertising ban costs Transport for London (TFL) GBP 13 million a year, but the organization expected advertising revenues to be £ 156 million in fiscal year 2020-21.

AUSTRIA WILL HAVE A NEW OFFICE TO SUPERVISE GAMBLING

The Austrian Ministry of Finance has presented its plans to hand over gambling supervision to a new independent regulatory body. It should start the activity on 1 January 2022 and will have two directors. One would be responsible for gambling games and the other would be responsible directly for the protection of players. Both will be appointed by the Austrian president for a five-year term. The office will be further supervised by a five-member council and licences will be granted by a three-member commission selected by the President of the Supreme Court.

The creation of the new regulatory body is largely a response to the long-standing saga of alleged political favouring of the Austrian gambling giant Novomatic and Casinos Austria. News of the establishment of the new office appeared just days after Finance Minister Blümel's house was searched by police on suspicion that the Austrian People's Party (APP) had received money from an unnamed gambling company.

Apart from this motive, the Ministry of Finance itself is exposed to conflicts of interest, because in addition to regulating the entire gambling market and collecting taxes, it also owns shares of the monopoly operator Casinos Austria. Thanks to website win2day.at, it holds a monopoly on online gambling operation in Austria.

Although the creation of the new regulator is generally welcomed, there are many concerns about whether it will be truly "100% independent" and it is not just an imaginary change.

These concerns are shared, for example, by the Spielerhilfe gambling addiction group, which describes itself as a non-profit organization of former gambling addicts and players lobbying for safer gambling regulation. According to the spokesman of this group, Christoph Holubar, in the case of the new regulatory body, it is more a question of replacing the old "label" of the Ministry of Finance with a new one, which, in his opinion, is typical of Austria. At the same time, Spielerhilfe considers the monopoly system to be old-fashioned, and says that *"modern regulation and an open market, as seen abroad"* is what Austria in fact needs.

The Austrian Association for Betting and Gambling (OVWG), which represents EU-licenced online gambling operators, also agrees with the opening of the Austrian market. It has reacted strongly against recent media claims that the new regulator is focusing on blocking unlicenced websites rather than opening the market to other operators.