INSTITUTE FOR GAMBLING REGULATION

NEWSLETTER

august/21

Summer came to an end. Although it is said that during the summer, there is the so-called low season, this was definitely not the case this summer here in the Institute. On the following pages, you can read information about our activities and meetings with representatives of public administration, as well as interesting information that could be useful to you in the future.

In the news from abroad, we are focusing this time on Austrian checks of illegal gambling establishments, there is also an up-to-date comparison with the Czech Republic included. We did not miss the interesting shifts of players in the Italian market, which followed the reopening of gambling establishments or the effort to stall the advertising ban. In two articles, you can read about the streaming page Twitch. It may seem that it has nothing to do with our market at first glance, but the opposite is true.

We believe that each of you will find something interesting to read here. Enjoy.

EVENTS IN THE CZECH REPUBLIC

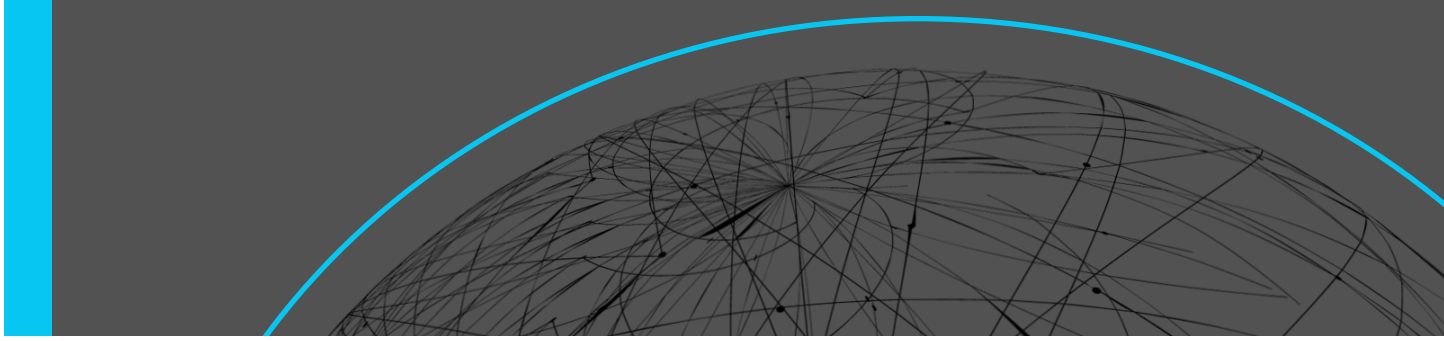
IFGR DISCUSSED THE FORGIVENESS OF INTEREST ON DEFERRED TAXES WITH FINANCIAL ADMINISTRATION

Based on the requirements of some IFGR members, who were allowed by the tax administrator to pay gambling tax on the basis of payment schedule, we approached the Ministry of Finance (MoF), Specialized Finance Office (SFI) and General Financial Directorate (GFR) with a request to extend the "general pardon" concerning interest on deferred taxes. These are in many cases very high tax amounts reaching even tens of millions of crowns with regard to the amount of deferred taxes and the time of delay.

16 August was inexorably approaching, and the related end of the "pardon general" (the minister's decision of December last year), through which the interest on deferrals and deferred taxes were forgiven. After this date, it is possible to forgive the interest on the deferred amount received only on the basis of an individual request of the tax subject (operator). Before the "general pardon" itself ran out, the Institute had started a meeting with heads of the Financial Administration (FA), the aim of which was to set up procedural steps with the FA so as to facilitate the submission of the interest forgiveness applications and their positive handling by the SFI.

The basic starting point for submitting the applications is Instruction No. GFR-D-44 on the forgiveness of interest on deferrals, interest on the deferred amount and fines for failure to submit a check report, which defines the following basic conditions that the applicant for the forgiveness of interest will have to meet:

- **proof of the existence of a justifiable reason due to which it was not possible to pay the tax in the proper original due date (in this case, it is an obligation to close the gaming space or another form of restriction on the provision of services)**
- **proof of the existence that the economic or social circumstances of the taxpayer give rise to the severity of the interest claimed (the FA points out in this respect that the person that has the deferred taxes should primarily use their free funds precisely for the payment of the taxes and not for "private" purposes)**
- **frequency of breaches of obligations in tax administration (when dealing with the applications, the**



FA will always take into account the discipline of each applicant when fulfilling, for example, the payment schedule and other tax obligations)

According to this instruction, the application itself can be submitted only after the deferred tax is paid in full, when the relevant assessment will subsequently be made by the SFI.

We were reassured that the FA would try to positively handle the applications as much as possible, although the percentage of interests forgiven will always depend on the specific circumstances of each case.

At the same time, we were told that a 100% interest forgiveness would probably not be very possible, however, it can be expected that a significant part of the interest would be forgiven. Of course, how long after the resumption of operations the operator will file the application for forgiveness of interest on deferrals will also play a role (the longer this period, the smaller the impact of covid measures on the economic performance of the operator, etc.) in this regard. On the basis of Instruction No. GFŘ-D-47, it follows that the mere fact that the operator was allowed to the tax deferral and that the operator paid this tax according to the allowed deferral means that SFI forgives at least 20% of the relevant interest (see Article IV.2 (4) of the instruction). If other criteria are met, this part may be significantly higher.

The result of this meeting is an agreement between the IFGR, the GFD and the SFI that the IFGR will prepare a draft text of the application for forgiveness of interest on the amount deferred and, after it is approved by the GFD and the SFI, will hand it over to its members for further use. Therefore, we will repeat the procedure that led to positive handlings of tax deferral applications in most cases. We expect that the final text of this application should be available by September at the latest.

RESPONSIBLE GAMBLING PROJECT PRESENTED TO IFGR MEMBERS

In the IFGR, we have been working for some time on the Responsible Gambling project, whose aim is to bring together legal gambling operators who share the same values. Namely, they want to contribute with their self-regulation to the increased protection of players against possible high-risk gambling, regardless of whether it is a Czech or foreign player, the online environment, casinos or gambling establishments.

This self-regulatory effort has already been appreciated by the MoF in the updated version of the final report of the ARHA project, stating: *"In addition to various prevention programs and measures, the possible self-regulation by the entities concerned, in particular gambling operators, is also essential in this area. Any measures aimed, for example, at detecting high-risk behaviour by gambling participants, offering assistance and help to such persons strengthens and properly completes the meaning and purpose of the overall regulation in the field of gambling."*

At the beginning of August, the goals and basic pillars of the project were presented to the Institute members. The attendance at the presentation was very high, which we are very happy about as many members understand the importance of this trend in their approach to players. Although it is an IFGR project, the participation of its members is voluntary. However, in this case, the constant position of the IFGR's activities applies even more, namely the unity of the gambling market, from which all members can only benefit together. That is why we will be happy if as many members as possible join the Responsible Gambling project and agree with the mentioned values.

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PERSONAL SETTLEMENT OF ARHA'S COMMENTS

In the first half of August, the promised personal settlement of comments on the Analysis of Gambling Regulation (ARHA) took place. We would like to begin by thanking Deputy Kouba in particular for the opportunity to meet with representatives of the Ministry and discuss some of our comments in more detail.

The round table meeting was attended by Deputy Kouba on behalf of the Ministry and representatives of Division 73 - Procedural Agendas and Gambling Regulation, headed by Director Šabo. Furthermore, representatives of the IGFGR, the Association of Casino Operators, the Association of Fixed-Odds Betting Operators and a representative representing foreign operators were all present.

We see very positively that there was a mutual agreement that the **primary output of the ARHA process is the conclusion that the current level of the regulation of gambling operation is set optimally and in general, there are no reasons for its further tightening**. The prevailing interest of all the interested parties is to prefer stability to further changes when they are not necessary.

The written settlement, as well as the personal meeting, showed several areas in which we jointly managed to persuade the ministry to adopt certain conclusions, on the basis of which the current conditions could be eased and a more favourable operating environment could be set in the future. We informed you about these specific areas some time ago.

In general, the representatives of the Ministry, and especially Deputy Kouba, tried to present the idea that the main element of the ARHA process is the stability of the regulation of gambling operation. The entire material will be discussed by the government during September; **however, no legislative amendments will be proposed during the current government's term of office from the point of view of the Ministry**. Any changes to the Gambling Act will, therefore, depend on the decision of the future government. Nevertheless, a number of areas were identified during the ARHA process, where it is possible to achieve a change in the regulation without changing the Act, that is, for example, by changing methodologies or interpretative statements; in these areas, the Ministry promised the option to have the expert consultation on their content.

At the same time, we were given the opportunity to deliver other documents and suggestions concerning, for example, the procedure of customs officers during checks, unrealistic requirements for monitoring live games or defining value bases and principles on which the whole regulation should be based, according to the sector's opinion. We are going to continue to work together on these issues.

After the meeting, we had a positive feeling and we believe that, taking into account the possibilities and time we received for comments, we did our best to make the output from ARHA relevant and as reasonable to the market as possible.

OPERATING RESULTS FOR THE SECOND QUARTER OF 2021

Operating results in the second quarter of this year were also affected by government measures and the inability to operate for a part of the market. The comparison of results between individual periods is largely skewed depending on which specific measures were in force in the given period and which operations were allowed to be operated.

Therefore, we can also see such results as an astronomical increase in fixed-odds betting of 236% GGR at betting offices and of 137% GGR in the online environment compared to 2Q 2020. This is mainly because a year ago, most sports competitions were suspended and the associated offer of betting opportunities was considerably limited. Compared to 1Q 2021, however, this is no longer such an increase - the results are at 14% GGR.

Lotteries also did well. Those lotteries recorded an increase of 29.5% GGR at betting offices and of 39% GGR in the online environment. If we compare 1Q 2021 with 2Q 2021, the online lottery recorded an increase of only 7% GGR.

On the other hand, technical game in casinos and gambling establishments showed a decline, that is of

33% GGR. This is definitely because the operation was allowed to function only one month in this quarter. Last year, the period was a few weeks longer, and in addition, measures of testing did not apply. In contrast, online technical gaming increased by 64.7% GGR. However, if we compare 1Q and 2Q 2021, there was an increase of only 15% GGR.

To complete the summary, we are also including the results from live game. The one operated in gambling establishments and casinos recorded a decrease of 6% GGR compared to 2Q 2020, probably for the same reasons as in the case of technical game. In the case of live online games, an increase of 11% GGR was recorded.

In a direct comparison of the achieved GGR in 2Q in 2021 with 2Q 2020, there was a cumulative increase of 35% in GGR for all types of gambling games.

IS KURZARBEIT A REAL REPLACEMENT FOR ANTIVIRUS?

We have already informed you in previous issues about the discussion and subsequent approval of kurzarbeit as the replacement for the Antivirus program. Here, we would like to state the real benefits of kurzarbeit and the conditions for obtaining it.

Unfortunately, it must be stated at first that many employers will probably not be able to reach Kurzarbeit as it places much greater demands on them than Antivirus did. **On the other hand, its obtaining will not be conditioned by the fact that the employer already paid the wages compensation to employees or paid the mandatory levies.** If the employer closes the attendance of employees, calculates the specific wage costs and sends the relevant overview to the Labour Office, they can reach the benefit even before they actually use the wage costs.

Now let us get to the conditions themselves. Even in the case of kurzarbeit, the benefit will pertain to the employer for the entire calendar month in which their employees are not able to perform work due to any obstacle under Section 207 to 209 of the Labour Code. **The employer will be obliged to inform employees in writing about the specific type of obstacle at work before submitting the notice to the relevant regional Labour Office.** However, such an obstacle at work will have to be related to the emergency situation provided for in a government decree. In order for a government to be authorized to promulgate such regulation, the economy or its sector must be seriously threatened, namely by a natural disaster or epidemic, cyber-attack or other force majeure event.

In the regulation itself, the government would stipulate:

- the date since when one can apply for the benefit;
- the period during which the kurzarbeit adaptation is valid (can be extended repeatedly);
- the territory where kurzarbeit is valid, or the scope of employers concerned by kurzarbeit;
- the extent of working hours when the employer is unable to assign work to employees.

In addition, it should be pointed out that the benefit can only be drawn for employees whose employment lasts at least 3 months, that is as of the date of submission of the notification about the obstacle at work to the Labour Office. In order to prevent possible abuse of this legislation, it is not possible to draw the benefit in the case of applying the working time account or provided that the employer was fined for allowing illegal work.

Who is entitled to the benefit during part-time work?

Part-time work benefit is paid to those employers who, due to a serious threat to the economy or its sectors, cannot, for economic reasons, **assign to their employees at least 20% and at most 80% of their weekly working hours**. Fulfilment of the condition concerning the assignment of work to employees is assessed collectively for all employees of the employer.

How long can kurzarbeit be drawn?

Kurzarbeit can be declared by a government decree for a maximum of 6 months. However, this period may be extended repeatedly by three months. **However, the maximum duration of the benefit provision is 12 months.**

What is the amount of the benefit during part-time work?

The benefit is provided to the employer in the **amount of 80% of the wage compensation** pertaining to the employee and the social security premium, the benefit to the

state employment policy and the public health insurance premium. The maximum amount of the benefit during part-time work is 1.5 times the monthly average wage in the national economy. The specific amount of the benefit will then always have to be calculated with regard to the amount of the average wage in the national economy.

Are there any other restrictions?

In order to prevent the possible misuse of the benefit during part-time work, the act provides for certain guarantees to ensure that the benefit actually leads to the preservation of jobs with the employer affected by the emergency situation. The employer will be obliged to declare that **they will not terminate the employment of the employee for whom the benefit will be drawn for organizational reasons (i) for the period for which the benefit is provided, and (ii) from the termination of the benefit provision for a period corresponding to half of the number of months for which the employee benefit was provided**, i.e., for example, if the employer draws the employee benefit from January to July (i.e., for a period of 6 months).

Furthermore, the employer may not draw other public funds during the period of the benefit provision, or may not pay extraordinary profit shares or make early repayments of loans in the month preceding the entry into force of the government decree. These measures aim to ensure that funds are actually provided to the employer in order to protect and promote employment.

The adoption of kurzarbeit stipulated the possibility of relatively quick and targeted assistance to companies affected by emergencies. **However, a strong influence was left to the government and its judgment, as government will be** the one who has to activate kurzarbeit for its applicability and determine its scope and impact on employers. All we have to do is to wait for the way kurzarbeit will be implemented in practice.

NEWS FROM ABROAD

NUMBERS IN ITALIAN ONLINE SECTOR DECREASING AFTER OPENING PREMISES

June was the first month when Italian premises were open every day. Did it have any effect on the gambling market?

With the return of premises, sales to online gambling operators have declined. Total revenues from online gambling reached EUR 263.2 million, the lowest result since November 2020, while online sports betting - despite the holding of the Football Euro - reached the lowest result since September 2020, that is EUR 102.5 million. Revenues from online casinos and slot machines were similar, recording the lowest results since November 2020, that is € 134 million.

Although online casinos are also losing positions, it must be stated that this result actually exceeds all the results that preceded the one from November 2020, which only illustrates the rapid growth of online casinos in the last two years.

The published economic data clearly show that with the opening of premises, sales of online gambling operators have decreased, regardless of the type of gambling games was involved. We can see that the regular players have found their way back, and fears that the established trend from the time of the pandemic would continue at the same pace even after the pandemic were put to rest.

AUSTRIAN POLICE MAKE MASS RAIDS AGAINST ILLEGAL GAMBLING ESTABLISHMENTS

The Austrian financial police carried out a coordinated intervention at **39 locations** in central and eastern Austria, seizing **121 illegal slot machines**. However, this is not a unique event to detect illegal gambling establishments and secure illegally operated slot machines.

In June, a police intervention of similar size took place, during which **17 illegal gambling establishments** were discovered.

Operators of illegal gambling establishments try to avoid the checks and, therefore, come up with various obstacles, which make the work for inspectors difficult. During the last check, they placed signs on the front door with the words "closed" and "beware of electricity, danger to life", so eleven establishments had to be opened by a locksmith. Certain slot machines are deliberately anchored to the wall so it is more difficult to remove and seize them.

According to Austrian Finance Minister Gernot Blümel, this illegal business is becoming less and less attractive to operators due to the regular interventions of the Austrian financial police. The latest raid was a severe blow to organized crime in Upper Austria. According to Blümel, the financial police will continue to conduct these raids and to fine illegal operators severely.

Regarding the fight against it, Wilfried Lehner, head of the financial police, said: *"Neighbours and relatives of gamblers can feel relived now, the Wels and Linz area has now been freed from illegal gambling establishments. If they are reopened, we will repeat the raids immediately."*

And how are we doing in the Czech Republic?

For comparison, the Czech Customs Administration in 2021 discovered 9 illegal gambling establishments and casinos, where it seized a total of 48 devices (18 quiz machines and 30 other technical devices). The last illegal establishment discovered was a luxury casino located in the basement of the hotel at the entrance to the Sapa market in Prague 4.

Inside, there were 15 slot machines, a large roulette wheel, two tables for live game and a wheel of fortune. The operator was a Vietnamese national and did not have the appropriate licence from the Ministry of Finance and the city district to operate the casino. In addition to the gambling equipment, cash in the amount of CZK 41,000 and other items used for illegal gambling, such as keys, chips and smart cards was also seized.

TWITCH BANNED SHARING LINKS TO ONLINE GAMBLING GAMES

Twitch, a streaming site owned by Amazon banned users from sharing links and recommendations to gambling sites after repeated criticism.

Online gambling games, especially those with cryptocurrencies, has enjoyed great popularity on the streaming site in recent years. Likewise, streamers themselves have become a key part of the gambling ecosystem during the pandemic, as they transcend traditional business models of premises and involve the public in games by directly engaging them.

It might not matter but about a fifth of Twitch users are between 13 and 17 years old, and many streamers even mislead their followers because they often pretend to invest their own funds into games, but this is not the case in most cases.

In addition, websites that allow cryptocurrency betting often only have licences from jurisdictions, such as Curaçao, which are not exactly known to enforce age restrictions or responsible gambling initiatives.

Last month, Wired magazine found that 64 of the 1,000 most popular streamers streamed cryptocurrency slot machines or advertised a variety of gambling offers.

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TWITCH BLOCKED IN SLOVAKIA

Let us mention Twitch in connection with gambling once again. In June of this year, **this popular streaming site was temporarily blocked in Slovakia. The reason was the ruling of a court which intervened against one of the users at the request of the Slovak Office for the Regulation of Gambling**. The user allegedly violated the Act on Gambling on Twitch, but the details are not mentioned in the public list of banned addresses not in the ruling. The Slovak O2 was the first to intervene, and after the issuance of a court order, the remaining operators and internet connection providers will have to do the same.

As it **was not possible to block a specific person's profile, O2 decided to surprise Slovak users and make the entire platform inaccessible** with the exception of the mobile application, according to certain people.

Blocking the service in Slovakia has, of course, met with a huge wave of resentment. People could not access the site; they were told in a pop-up message that their connection was not private instead. After agreeing on the possible risks, they received a message that Twitch.tv is one of the prohibited items on the Office's list instead of loading the homepage of the streaming service.

After a few days, the Slovak O2 finally gave in to public pressure and, after consulting with the regulatory authority, will wait with the blocking until the court order is issued, or until a better technical solution is found.

A similar situation could occur in the Czech Republic. This is not only the streaming website Twitch, but also social networks such as Facebook, where the illegal game called dipping often takes place in closed groups. It is an Internet raffle for material and monetary prizes, for which the Ministry of Finance has not issued a licence. In the event of the detection of such an illegal Internet game and its entry on the Czech black list, operators would block the entire social network, for the same reasons as in Slovakia.

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