INSTITUTE FOR GAMBLING REGULATION

NEWSLETTER

autumn/21

Here is the autumn issue of our regular newsletter, detailing events in the field of gambling both at home and abroad. We have already discussed most of the news during the meeting of all members of the IFGR. Nevertheless, we believe that the presented summary, including links to more information, will be useful, especially to those of you who could not attend our meeting.

In the abroad section, you can read a number of interesting articles concerning advertising and possible disputes in this area. We are also informing about a recent study that focused on E-sports bettors. Given the new IFGR agenda, current events on the Caribbean Island of Curaçao may also be interesting.

Enjoy!

EVENTS IN THE CZECH REPUBLIC

ARHA WAS DISCUSSED BY THE GOVERNMENT

The analysis assessing the impacts of the regulation of the Gambling Act and related legislation, called ARHA, prepared by the Ministry of Finance, was approved by the government on 13 September. You can find its final form in the Czech language on the Ministry's website here.

It is optimistic that ARHA was approved with the conclusion that the set level of the regulation is optimal, leads to the set goals and is effective, and, therefore, there is no need to intervene in the regulation in any significant way. Possible proposed legislative changes will be of a minor nature, leading to increased legal certainty of the entities concerned and higher efficiency of individual tools. However, it is still necessary to monitor regulation and analyse its effectiveness, technological changes and trends.

The possible legislative changes can be expected only from the new government, which shall emerge from the recent elections. However, we must bear in mind that changes can be achieved in a number of areas without legislative adjustments, through methodologies and statements. In the IFGR, we analysed the individual annexes and prepared a list of possible priorities that were presented to you and that you had the opportunity to vote on.

Based on the result of the voting, the order of priorities will be set, and we will further deal with them the Institute and discuss them with the Ministry in the future, or rather participate in the analysis and proposals of their solutions.

MEETING OF IFGR MEMBERS TOOK PLACE

After a long break caused by the epidemiological situation, a meeting of all members of the IFGR finally took place on 19 October 2021 in the Prague Startup Centre in Holešovice. The meeting was divided into two parts. The first of them concerned the Responsible Gambling project. At the very beginning of this part, Petra Šebo, who is in charge of this project under the auspices of the IFGR, thoroughly presented the entire project, including the possible involvement of individual members. At the end of this part, there was a discussion about the benefits and pitfalls of the members of the Institute joining this project. We would like to thank once again all the members who took part in this debate as it was very seminal for us to hear your opinion and at the same time, we are

glad that you heard out our arguments.

The second part of the programme was started by a guest, Mr. Kravka from MindBridge Consulting a.s., who presented the results of the public opinion poll which was taking place in August and early September so that it would not be affected in any way by the public launch of the Responsible Gambling project. The results of the poll showed how the general population views gambling.

Furthermore, the programme focused on the conclusions of the ARHA analysis, and the IFGR identified several areas that it could address in the future. All members of the IFGR had the opportunity to vote on these areas (priorities) in an online poll. Other topics were a comparison of foreign regulations, i.e., new things the individual regulators in Europe are setting about and the introduction of a new IFGR agenda, namely the reporting of the online illegal gambling operation and illegal advertising. At the very end of the meeting, IFGR director J. Řehola presented a new member of the team, that is the new secretary P. Kozák, who replaced P. Ďurovičová in this position. You can find the complete detailed meeting minutes on our website in the individual member sections or here.

FOCUS ON THE COALITION AGREEMENT AND THE GOVERNMENT'S POLICY STATEMENT

As part of our expert cooperation with the public administration, we actively tried to present the principles on which modern regulation of gambling should be based to the new government officials during the coalition agreement preparation. You can find out what these principles are on our website in the Czech language. Our efforts have so far led to a successful goal.

The coalition agreement contains a clear commitment to fight illegal gambling. We consider such a commitment to be the best possible, as the fight against illegal gambling is not only one of our main priorities, but a consistent fight against the illegal market should also be the primary interest of the state. Also, in solving addiction problems, the government is committed to pursuing a policy based on a scientifically validated and balanced concept of risk prevention and harm reduction, while ensuring sufficient funding for services, and that the regulation of addictive substances will commensurate with their degree of harmfulness.

Our efforts will now also be focused on ensuring that the policy statement of the future government, which elaborates the individual areas in more detail and factually, is based on the mentioned principles of the modern gambling regulation.

THE RESPONSIBLE GAMBLING PROJECT PRESENTED TO THE PUBLIC

A responsible approach to our clients has been present in many industries in recent years, and gambling is no exception. In Europe, such approach is probably seen the most in the United Kingdom, where measures and systems are being adopted at the level of individual operators to help better protect players from the possible pathological gambling.

However, many opponents of this approach believe that companies are doing this only to improve their image in political representation.

Rejecting this approach seems to be very short-sighted considering what is happening in foreign markets. Moreover, a few days ago, at a conference of the Kindred Group, which is strongly involved in this field, one of the leading experts on the issue of gambling addiction, Dr. Mark Griffiths, said: *"Players who set a voluntary limit on their bets with a company are more likely to be loyal to the company. It is better for companies to encourage players to set limits."*

With their responsible approach, operators will contribute to streamlining the regulations by focusing on vulnerable players. In an effort to protect vulnerable players, they do not discriminate themselves in any way on the market. On the contrary, their attractiveness and loyalty to players increases.

In the Institute, we are very pleased that the Czech

PERSONAL SETTLEMENT OF ARHA'S COMMENTS

Republic follows this trend and that the launch of the Responsible Gambling project, which is unique in Europe due to its scope and complexity, was successful in a relatively short time. In mid-September, it was presented in the premises of the Kaiserštejnský Palace on Malostranské náměstí to the representatives of the media, and especially to the professional public, which received it very positively. Among the positive reactions, a reaction of representatives of the Ministry of Finance, including Deputy Kouba, can be highlighted.

The "Week of Responsible Gambling" awareness campaign will take place in the near future, with the aim of informing the general public about the current possibilities of setting up self-restricting measures and other measures contributing to responsible gambling. The aim of the project is not to prevent high-risky players from playing, but to encourage them to set limits. If players do not use this option, the goal of the project is not to further prevent them from playing. The project respects the personal freedom and responsibility of gambling game participants.

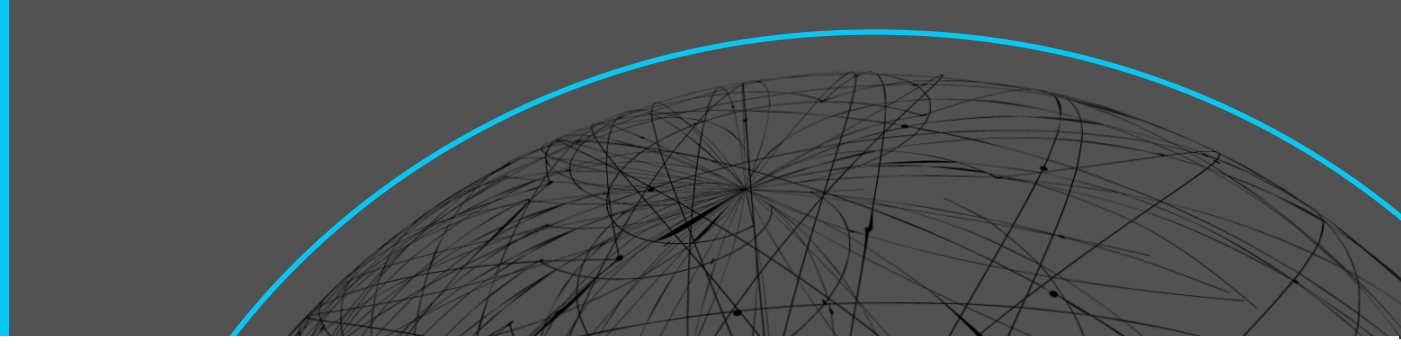
MOF PROPOSES CHANGE OF THE FORM OF EXPERT ASSESSMENTS AND CERTIFICATES

It has been almost a month since the comment procedure on the amendment of implementing decrees, the so-called technical decree laying down requirements for game systems and gambling games, and the new decree regulating the form of expert assessments, certificates, registration marks, etc., ended. **IFGR made a number of comments in it (see the document in Czech)**. In particular, we objected to the factual non-existence of transitional provisions, as the previously issued documents could, according to the draft decree, continue to be in force, but could no longer be updated (amended). However, such updates are very common in operational practice. For members, this would mean issuing completely new expert assessments, certificates, and especially registration marks for technical equipment in the new year. So, the process is very costly and time-consuming. On the other hand, the change in the technical decree is a positive change as the obligation to mark the servers of the game system with registration marks will be cancelled. This was difficult to accomplish especially with the servers located abroad.

And when will these changes be made? Probably very soon. The proposed effectiveness of both decrees is from the new year (1 January 2022). The legislative process for their adoption continues, and we are eagerly awaiting the settlement of our comments. The decrees should then be discussed by the relevant commissions of the Legislative Council of the Government, which, if approved, will be submitted for the signature of the Minister of Finance since the decrees are not subject to the often-lengthy process of adoption in the Chamber of Deputies and the Senate. There is still time for their adoption in the new year.

WHEN DO MOF OR MUNICIPAL AUTHORITIES' DECREES COME INTO FORCE?

This question is answered in the Czech statement of the MoF as amended with the additional answers to the questions asked by the IFGR. The practice had long been that if an operator wanted to continuously link the operation from one licence to another, they had to state in the relevant decrees, for example, day 8 May 2021 as the day of entry into force (deferred effect) of the old decree, and the following day, for example, 9 May 2021, in the new decree, i.e., consecutive days. However, the new statement introduces a change in administrative practice and uses a relatively vague legal term regarding the entry into force of a decree. It states: *"a decree shall not come into force until **the last moment of the day** on which it was submitted."*



However, what is this last moment of the day was not stated in the statement, where it has a significant impact on the operational practice of gaming premises or the tax liability of gambling operators. Therefore, the Institute asked the MoF several questions:

- The last moment of the day and the operational impact - according to the MoF, this moment is *23 hours, 59 minutes, 59.99 seconds, this moment is mathematically equal to midnight, i.e., the boundary between days.* In practice, however, the effects associated with the last moment of the day will take effect at the beginning of the following day, i.e., **if a decree comes into force on 11 November 2021, the operation itself may begin at "00.00 on 12 November 2021".**
- The day decisive for the calculation of the minimum partial tax from technical games - if the permission decree comes into force on 30 September 2021, or rather at the last moment of this day, the game positions are included only in the 4th quarter of 2021, i.e., from 1 October 2021, which means **not twice, in the 3rd as well as 4th quarters**.
- Continuous linking of old and new licences - if an operator wants to link the operation in their gaming premises, or to switch from the old to the new licence, they **must have the same date stated in the relevant decrees**.

In fact, this does not change much. One day, the decree comes into force and the next day, the operation is active on the basis of such a decree. **Therefore, the change primarily concerns the dates specified in the decree, which, however, are the only ones binding for the operation itself, so it is necessary to keep the new rule in mind.** Otherwise, there may be a daily delay in operation.

IFGR ACTIVELY INVOLVED IN THE FIGHT AGAINST ILLEGAL GAMBLING

Suppressing the illegal operation of gambling is a key objective of any gambling market, as it is the illegal operators who get prohibited economic benefits by failing to comply with local legislations. The new government is evidently aware of this, as one of its main priorities, according to the recently published coalition agreement, is the fight against illegal gambling.

Therefore, the IFGR, on the basis of cooperation with its members, will be actively involved in this area and will be the central communication point for reporting illegal operation to the relevant state administration bodies. Its task will be to process complaints on the basis of submitted documents of members, to keep records of sent complaints and their settlement by state authorities and to communicate with these authorities when speeding up sanctions for the illegal operation. Therefore, we are communicating with the Ministry of Finance and the Customs Administration of the Czech Republic and planning to organize a joint workshop where we would exchange the experience gained in this area and discuss the possibilities of making the fight against illegal operation and advertising more effective. The e-mail address nelegal@iprh.cz which is published on the IFGR website was also set up for public involvement and serves to report all suspicious activities of gambling operation without proper licences.

We believe that only the joint efforts and cooperation of all interested parties can lead to the greatest possible suppression of the disadvantages of legal gambling operators, who are obliged to comply with the strict conditions of Czech regulation.

In a recent vote by IFGR members, 100% of voters called for the Institute to be a central point for keeping records of and reporting illegal operation, including the land-based area. We will soon start with this activity and present the form of our cooperation, including the model of the initiative and the necessary documents.

NEWS FROM ABROAD

E-SPORT AS A BREEDING GROUND FOR YOUNG BETTORS

E-sports betting is gaining in popularity, but who are the people betting on these modern sports? Problem gambling is alarming in young Australians. Therefore, the Victorian Responsible Gambling Foundation asked itself whether these two things were not related, and commissioned a study from CQ University to determine whether this negative trend could be due to the e-sports betting and buying various "skins", "loot boxes" and the like.

A study of 298 regular e-sports bettors and 300 sports bettors (who regularly bet on traditional sports but not e-sports) found that the e-sports betting attracted a younger and more educated generation of players who are almost **four times more likely** to become addicted to gambling than people who bet on usual sports.

Four out of five e-sports bettors have suffered certain gambling-related "damage", such as stress caused by money problems, break-ups or anxiety - this number is **twice as high** as with the traditional sports bettors.

The results provide provisional evidence that the e-sports bettors are more likely to have gambling problems than their sports betting counterparts, potentially stemming from their involvement in emerging video game-related gambling products. You can read and download more detailed data and the complete study here.

ADVERTISEMENT DISPUTES RESOLUTION IN DENMARK SOLVED BY A NEW COUNCIL

A year ago, the Danish gambling industry decided to set up a self-regulatory council to deal with complaints about the gambling advertising and marketing. However, only now has the Gambling Advertising Council been formally launched. This was done after the positions of the Council's management had been filled, namely the chairman (who is a judge of the Copenhagen City Court) and four ordinary members (two representatives from among the operators and two representatives of the players).

It is now possible to make complaints about gambling marketing in Denmark. The aim is to shift the gambling industry in a more responsible direction. In the summer of 2018, the gambling industry agreed on an industry-wide code of conduct, and the constructive cooperation will continue with the final founding and establishment of the Gambling Advertising Council. The Council's intention is for the gambling industry to work together to create a better marketing culture, increased self-justice and common rules.

The secretariat of the Council is managed by the business and employers' organization HORESTA.

Morten Rønde, director of the industrial organization Spillebranchen (Danish Online Gambling Association), is very pleased with the formal establishment and launch of the Council. He said: *"I am glad that the Gambling Advertising Council is now finally formally established. In the gambling industry, we are well aware of the fact that we are responsible for the players. Thanks to the Gambling Advertising Council, we have an effective "watchdog" that will help ensure and continue to maintain responsible and ethical gambling marketing."*

According to the Council's code, marketing and all advertising in general should not indicate that gambling promotes financial or social success or that the chances of winning are greater than they actually are. Marketing materials should not target people under the age of 25 and should not promote "socially irresponsible behaviour", the Council said.

The Council expects that its decisions should be "immediately complied with" and, in serious cases or in the absence of any action by an operator, it may issue a press release and refer the case to a body, such as the Consumer Ombudsman, for possible legal action.

The Council has already received the first complaint and has also decided to deal with the next case, based on its own investigation.

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RULES FOR CARD PAYMENTS IN LITHUANIA CHANGED

The Lithuanian government plans to amend the Act on Gambling so that card payments can be accepted, which is not yet possible.

The reason for allowing credit or debit card payments is that they pose a lower risk of money laundering or terrorist financing than cash. The spokeswoman for the Lithuanian Ministry of Finance confirmed this plan and the reasons for its adoption.

ANOTHER SURPRISE AFTER ADVERTISING BECAME LESS STRICT IN NHL

Just over a month after the National Hockey League (NHL) council approved the opportunity to place ads on players' jerseys, beginning with the 2022-23 season, the Washington Capitals became the first team to have a gambling sponsor on their jerseys.

The 3 x 3.5-inch Caesars Sportsbook "sticker" will appear on the upper right chest area of the red home and third blue Capitals' jerseys. The NHL Jersey Advertising Program allows up to two sponsors (on jerseys) per team, and only one of them can always appear on home and guest jerseys. The Capitals are still considering potential offers for their range of white jerseys, because under the NHL rules, players can wear jerseys with sports betting ads only in those states where sports betting is legal.

Although the agreement with Caesars in the NHL is the first of its kind, sponsorship by various gambling operators has been common in European football leagues and other sports for more than a decade.

However, the advertising agreement in the NHL comes at a time when Europe is gradually withdrawing from this practice. In Western European countries such as Spain or Italy, sponsorship and advertising have already been restricted or banned. Similarly, the UK is currently reviewing regulation and it is very likely that the new wording will also include a ban on gambling operators' advertising on players' jerseys.

However, this form of gambling promotion has found its opponents even in the United States. Although sponsorship is there to provide the Capitals with a new source of revenue, proponents of responsible gambling in the United States have expressed concern about the further spread of sports betting advertising.

However, the NHL is not the only professional sports competition in the USA that allows the sale of advertising space on jerseys - Major League Soccer is the only other American professional sports competition that allows gambling operators' logos to be placed on jerseys. Last year, DC United signed a contract with Caesars Sports to place the logo on the right sleeve of their home and guest jerseys.

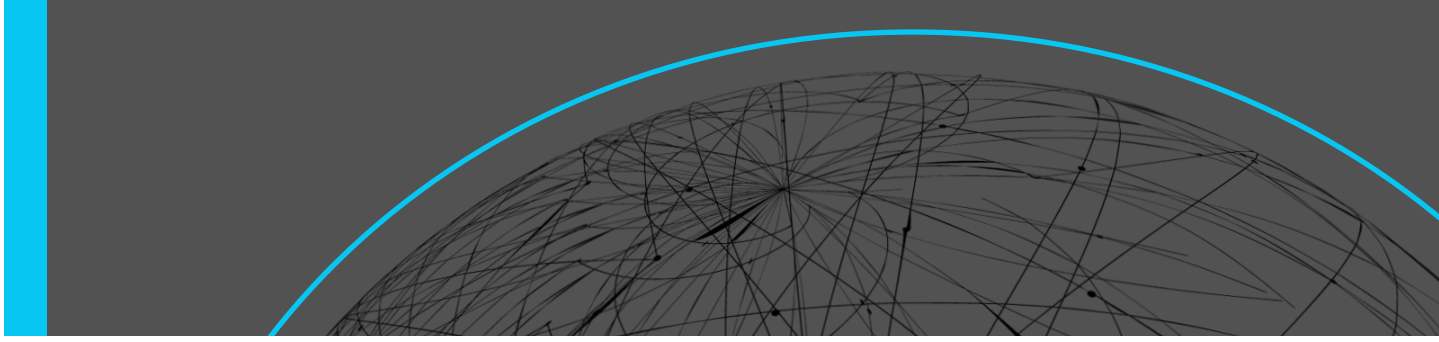
CURAÇAO UNDER PRESSURE FROM THE DUTCH GOVERNMENT

Under pressure from the Dutch government, Curaçao is preparing the second attempt to reform its decades--old and much-criticized gambling regulations. The first proposal was heavily criticized in the Social Economic Council's (SER) May report, which essentially stated that lawmakers should start from scratch.

Despite Curaçao's popularity as the location of online gambling operators, "not everyone always takes it seriously because it does not satisfactorily meet important requirements such as effective government oversight, internationally acceptable standards, lacks effective market communication and opportunities for efficient banking," the SER report states.

The unfortunate system of the main licensee and sub--licensee has for years exasperated regulators not only in Europe, as hundreds of holders of Curaçao sub-license appear on the black lists of Poland, Sweden, Greece, Slovakia and the Czech Republic.

The reason, in addition to the outdated legislation and the unfortunate licencing system, is that operators with sub-licences issued by the holders of the main licences are currently not, in principle, supervised. Curaçao Gaming Control Board, which oversees land-based casinos and money laundering, should soon be able to oversee online gambling games, according to the to the Ministry of Finance of 2018. However, this has not yet happened.



According to recent reports, this situation could soon change. Curaçao, whose tourist-oriented economy has been hit hard by the COVID-19 pandemic, has made a loan agreement with the Dutch government, partly conditional on the reform of online gambling regulation.

Under the agreement, the independent oversight of online gambling games with the possibility of issuing and withdrawing licences should be ensured by March 2021 and the fact that Curaçao's licensees "comply with the laws and regulations of the countries they target" should be ensured by September. However, both deadlines under the agreement were not met, so the suspension of credit-granting support is in the air unless a remedy is agreed quickly.

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