INSTITUTE FOR GAMBLING REGULATION

NEWSLETTER

winter/21

INTRODUCTION BY THE DIRECTOR, OR LOOKING BACK ON THE PAST MONTHS

Dear members, year 2021 has ended which means that this is the last issue of our 2021 newsletters. Let me take this opportunity to look back on the past months and retrospect a little bit. The pandemic that hit us so unexpectedly in 2020 progressed into that year and was even more intense. As a result, gambling establishment and casino operations could not be opened for almost two quarters. Therefore, we tried in particular to fight for the forgiveness of the minimum partial tax on technical games, which must be paid pointlessly even for the days of switching off technical devices. Each time our arguments were accepted by the Minister of Finance's professional advisory bodies, the Minister set another condition (advisory capacity) confirming to her that this tax was really pointless at a time of forced closure of casinos. Unfortunately, after we managed to convince the National Drug Coordinator herself, the whole situation ended with the not entirely convincing stance of the Union of Towns and Municipalities of the Czech Republic.

Of course, we monitored throughout the year all the news from the area of measures taken, compensation programs, etc., and tried to inform you about them as soon as possible. I believe that this service was very beneficial for you and made your difficult year of operation easier.

A number of important meetings with the public administration took place in the year as well. In addition to discussions with the Financial Administration regarding tax obligations and their possible deferral or repayment schedule, we organized a large meeting between the IFGR, the OPC and the Ministry of the Interior where we talked about our views on the current state of municipal gambling regulation, where bans on the operation of gambling prevail, that is only out of fear of a fine by the Office. We will go on with this initiative this year.

We must not forget about our joint work on comments on the ARHA analysis and the verbal settlement on the premises of the Ministry of Finance. In our opinion, this was a very beneficial action, as we were able to express our views on the problematic points "face to face". Related to this is the prepared summary of priorities for this year, which is based on the conclusions of the ARHA analysis. At a joint meeting of the IFGR and the Ministry, future cooperation on these priorities was then agreed. We also stressed the mutual cooperation with a jointly prepared workshop on the topic of illegal operation, in which the Customs and Financial Administration should also participate. The fight against illegal gambling is one of the main government priorities and we want to actively cooperate on it. Therefore, we thank you for your trust in us becoming the central point for submitting complaints about illegal gambling.

We launched the Responsible Gambling project. We thank the members who participated in the project, as well as those who are outside of it for now. We are happy to hear your opinions, even if they are diverse because it is the different opinions in the joint debate that push us towards better solutions. We believe that this project has a future and can play a key role in the cooperation of the state, operators as well as addictology centres and clinics in building modern gambling regulation. The positive reactions of the representatives of the Ministry and the public in connection with the Week of Responsible Gambling are proof of this.

This year, we are ready to face the obstacles that the year 2022 will bring, that is to the satisfaction of all our members.

In conclusion, let me thank you for your cooperation and wish you good health, happiness and strength in 2022. May 2022 be successful and come up to expectations in all respects.

EVENTS IN THE CZECH REPUBLIC

THE RESPONSIBLE GAMBLING PROJECT PRESENTED TO THE PUBLIC

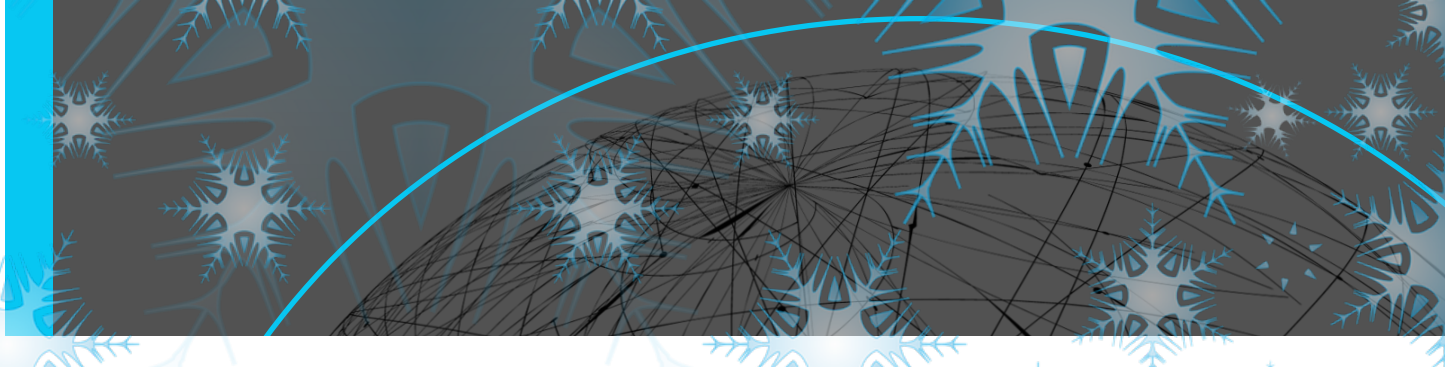
Although the new decree of the capital city of Prague declaring the so-called zero tolerance of technical devices throughout the territory of Prague and allowing only live game, only in some parts of the city, was supposed to avoid criticism and a possible fine by the Office for Protection of Competition (OPC), which could be imposed for the previous decree, the opposite is true. **According to the Office, the first conclusions of the its investigation into the new decree showed that it did not comply with the competition rules either.** The main problem are the inconsistent rules for different districts of the city, when some districts prohibit gambling throughout their whole territory and only live game can be operated. The Prague councillors were warned by the Office about the unacceptability of such regulation, but in vain. The official statement of the Office states: *"In accordance with the practice of administrative courts, the Office is of the opinion that although it is possible to proceed from the specifics of individual city districts, it is necessary that the regulation within the municipality affects all territories that show these specifics."* However, this certainly did not happen in the case of the Prague regulation, because different rules are being introduced for individual city districts and the Office, therefore, lacks a clear unifying aspect in the decree. The OPC is does not question the possibility of different regulation for individual city districts, but rather the absence of justification for such regulation.

The Office further states the following with regard to the current regulation: *"It can be considered inconsistent, as city districts that apply zero tolerance do not have common characteristics, which differ from city districts where live game is allowed. Therefore, the City of Prague municipality did not set any criteria according to which city districts, whose characteristics justify the blanket ban on gambling, would be selected."* However, it not only criticizes, but also states possible solutions to the situation. The key to success is clear and non-discriminatory rules, from which it would be clear what the authors see as the specifics of those city districts on whose territory it is possible to operate live game. **The need to adopt a completely new regulation is not ruled out either.** At present, these are 16 city districts, and the principle of strict zero tolerance of the decree is applied in the remaining 41 districts.

NEW GOVERNMENT CANCELLED THE OPENING HOURS LIMITATIONS

As expected, the newly appointed government decided not to follow the previous one's example and, therefore, did not extend the state of emergency, which ended on 25 December 2021. The obligation to close gambling establishments and casinos at 10 pm, which require the state of emergency, was cancelled. However, further restrictive measures in the form of allowing entry only to the vaccinated or those who have had COVID 19 in the last three months and hygiene measures (compulsory distance, disinfection, etc.) continue to apply. In the period around New Year's Eve and the new year, there was a measure in force (from 29 December to 2 January 2022) setting limits on the number of people at one table from six to four, with the exception of members of one household. In our area, the stated had an impact on the number of people at gambling tables or refreshment tables. However, the epidemiological situation continues to progress and we will see what it looks like in this new year.

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CHANGES TO THE IMPLEMENTING REGULATIONS MADE SOON

In the previous issue of Newsletter, we informed you about the planned changes in the so-called technical decree laying down requirements for game systems and gambling games and a completely new decree regulating the form of expert assessments, certificates, registration marks, etc. It is now clear that these changes will take effect in the new year. During November, the former Minister of Finance Schillerová signed their wording and they were published on the website of the Ministry of Finance here (in Czech).

A number of IFGR comments were included in the final form of the decrees, thanks to which their impacts are less strict than originally proposed. So, **what are the main changes** that we shall expect and that shall take effect on 1 January 2022?

In particular, a completely new form of expert assessments and Certificates of Operability and requirements for the new document "Changes Assessment Report". The authorized persons will then have to change their repositories, where they upload the issued reports and, therefore, meet the conditions of the Ministry of Finance. Fortunately, a number of new obligations have a transitional period to adapt to the implementation. This underwent a number of changes thanks to the comments of the IFGR, because, in fact, no transitional period was set originally at all. As a result, for example, registration marks for technical devices issued under the original decree will be valid until the end of their validity period and so no new ones will have to be issued. This will save operators the high costs they would otherwise have to spend on the new marks. In addition, they will also save up thanks to the removal of the obligation to mark the servers where the game systems are operated with these marks.

FIRST YEAR OF THE WEEK OF RESPONSIBLE GAMBLING SUCCESSFUL

At the end of November last year, a nationwide event called "Week of Responsible Gambling" took place, which focused on prevention, education and assistance in the field of gambling.

In cooperation with the participating counselling and addictology clinics, we managed to prepare a busy schedule. Through television screens, social networks, radio and print media, we reached out to millions of people and informed them about a responsible approach and current limit options that help players keep their playing fun and non-problematic.

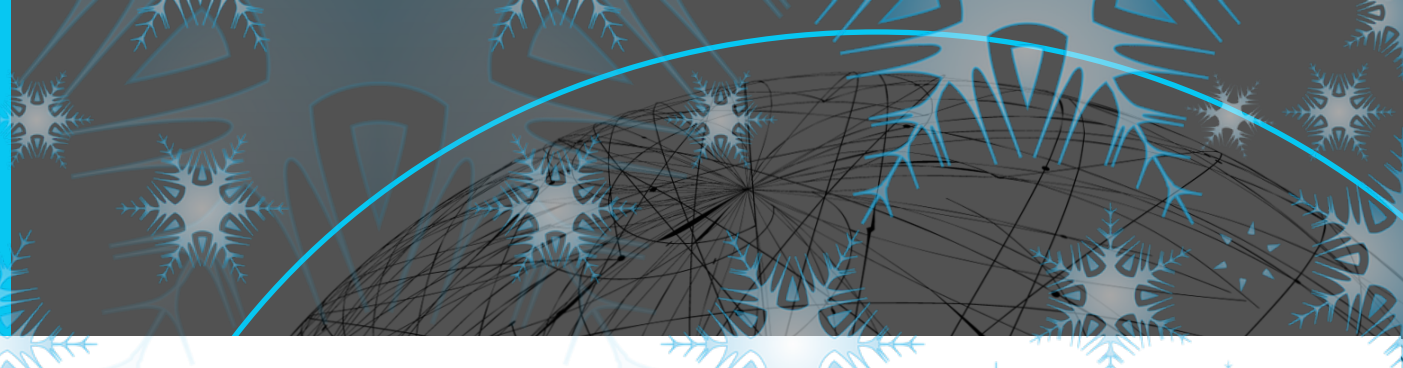
With the participation of experts, we prepared two debates on the topics of current regulation, its possible future development or when a player becomes really problematic.

Our expectations were not great as this was the first year of the event. Therefore, it was a surprise to us how much interest the whole event sparked and how many positive responses we received, not only from the public, but also from representatives of public administration. Of course, there were also negative comments, especially on social media, but we are at the start of a marathon now. One act cannot change the beliefs of all. Therefore, we will continue on in these activities and believe that this year, we will follow in the initial year and move forward with it.

RESPONSIBLE GAMBLING HAS MORE MEMBERS

After the four main partners, three more companies have signed up for the Responsible Gambling project. The first of them is company GTO Solutions, s.r.o., which focuses on content and affiliate marketing on the Czech online gambling market and is currently working hard with the IFGR to fight illegal online gambling. The second company is 69GAMES a.s., which operates gambling establishments and casinos under the go4games brand. And the third new entity involved is the Rebuy Stars group that operates gambling establishments and casinos throughout the Czech Republic.

Now, in addition to the online operators, the project



will also include those who operate mainly classic gambling premises. The number of companies involved in the project is not limited and its doors remain open. If you are interested in joining the project in the future, do not hesitate to contact us by e-mail zodpovednehrani@iprh.cz.

FIRST IFGR MEETING FOLLOWING THE ARHA CONCLUSIONS

As mentioned in the introduction, the IFGR prepared a list of priorities resulting from the conclusions of the ARHA project based on the votes of the members that it would like to address in cooperation with the Ministry of Finance. This list was handed over at a joint December meeting of the Institute and key representatives of the Ministry (Deputy Ing. Kouba, Director of Division Ing. Šabo and Acting Head of the Legal Department Ing. Bureš). The aim of this summary is to present to the Ministry of Finance the topics that are important for the gambling sector and to base their possible legislation on mutual professional discussion and researches of the Institute and the Ministry. At the meeting, the IFGR also proposed to the MoF the parameters of cooperation in the fight against illegal gambling, and the possibilities of further involvement of the MoF in the Responsible Gambling project were also discussed.

The goals of this first meeting were achieved and the Ministry accepted our proposals for setting up future cooperation, both in drafting the legislation as well as in fighting illegal gambling. Individual areas of the legislation will be discussed with the Institute in advance at regular meetings. The first of these is planned for the end of January. However, representatives of the MoF stated that no substantial amendment to the Gambling Act is being prepared now. In the area of illegal gambling, the MoF welcomed the IFGR's initiative to organize a joint workshop with representatives of the Customs and Financial administration. The workshop should be very practical and shall also take place in January. The Ministry then also evaluated the Week of Responsible Gambling within the IFGR's Responsible Gambling project very positively and is open to other forms of cooperation within the entire project. Minutes of the meeting were taken, which you can read here in Czech.

IFGR DISCUSSED EXTENSION OF PAYMENT SCHEDULES WITH STO

Due to the continuing limitation of the operation of gambling premises (it had been a limitation of opening hours until 22:00 until recently), the significant impact of the sales of individual companies has been seen for almost two years. Therefore, many companies have deferred payments, or rather a distribution of payments of gambling tax according to the payment schedule. In the effort to mitigate the effects of the ongoing COVID-19 pandemic, the Institute therefore turned to the Director of the Tax Performance Division and the Deputy Director of the Specialized Tax Office, Ing. Jan Vytejček, **regarding the possibility of changing these payment schedules**. The change would consist in extending their validity so that it is possible to pay most of the tax instalments at the end of the deferred periods, when the companies are not be burdened by the current unfavourable situation.

The meeting was successful. Mr. Vytejček understood the current economic situation of gambling operators, which they got into especially in connection with the ban on the presence of the public in their premises after 22:00. The director further stated that his office was ready to have individual meetings with individual gambling operators and to change the payment schedules. Now, therefore, **each operator must ask their tax administrator to change their repayment schedule**, documented by their economic situation.

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GAMBLING MARKET HIGHLY AFFECTED BY THE COVID-19 PANDEMIC OF THE LAST TWO YEARS

The IFGR prepared a year-on-year comparison of the development of the gambling market in 2020 and 2021, i.e., during the ongoing COVID-19 pandemic and the related restrictions on the operation of gambling as a result of the government measures. These affected land-based operation the most, as it meant the closure of gambling premises and betting offices. The tax periods of 2Q 2020 (the premises closed for about 66% of the period), 4Q of 2020 (the premises closed for about 75% of this period) and 1Q 2021 (the premises closed for the entire tax period) were affected the most. Within this period, however, the assessed tax did not correspond to the real economic results achieved, because the state - very questionably - applied the institute of the so-called minimum partial tax on technical games, even though the operation of these games was in fact completely prohibited by the state itself. Another significant decline was also seen in the fixed-odds betting market, that is in the tax period of 2Q 2020 (a decrease of about 50%), due to the almost global ban on sporting events, when there was nothing to bet on. We can hope that this new year will no longer have such fluctuations in market performance and that land-based operations, most affected by the pandemic, will return to their original numbers. We will continue to monitor developments in 2022 and regularly prepare comparisons.

NEWS FROM ABROAD

FIGHT AGAINST GAMBLING ADVERTISING IN ENGLISH FOOTBALL

A new coalition of British football fan associations is campaigning to ban all gambling advertising and sponsorship of football clubs by gambling operators.

The Football Supporters Against Gambling Ads coalition (Football SAGA) was founded at the end of November, at a time when Conservative MP and former Sports Minister Tracey Crouch issued a "football fan-led review" analysing the football environment, which, however, in no way mentioned the need for changes of advertising or sponsorship by gambling operators.

The Big Step campaign is led by people who have suffered certain gambling-related damage and is part of the Gambling with Lives charity and pressure group. It was founded by the families of bereaved people, who lost their loved ones due to suicides related to gambling.

James Grimes, founder of The Big Step, said that the gambling field should not be left out of the ongoing review of the UK's football environment.

"Banning gambling advertising and sponsorship by gambling operators in football generally has huge public support. We are pleased to have the support of nine fan clubs and look forward to welcoming many more to Football SAGA," added Grimes.

The spokesman for The Big Step said that statistics concerning the support for the ban on gambling advertising among fans were taken from a public opinion poll conducted by Survation in October 2020.

According to the poll, two thirds of the supporters believe that there are too many gambling adverts in football. In addition, 47% said that gambling operators should be banned from sponsoring football clubs and 44% even said that all sponsorship of gambling should stop.

It is true that there are not many clubs in the UK that would not be associated with some operator. Of the current 20 clubs playing England's top Premier League football competition, only one club does not have a gambling operator among its sponsors.

So far, the most notable supporters of The Big Step are the Premier League's Arsenal Independent Supporters' Association and Aston Villa's Supporters' Trust. According to Mo Razzaq, the club's liaison officer at Aston Villa's Supporters' Trust, the compulsive gambling has a

devastating effect on physical, mental and financial health. *"We must take action against the damage it causes to our communities and society as a whole,"* Razzaq said.

Gambling advertising is likely to be addressed in the government-prepared material on possible changes to the Gambling Act, which could first see the light of day in the coming months.

MALTA WEBSITES LINKED TO INTERVENTION AGAINST THE ITALIAN MAFIA

As part of operation "Game Over II", the Italian anti-mafia police arrested 12 people who were involved in illegal fixed-odds betting. Ten of them are accused of criminal conspiracy, aiding illegal online betting and fraudulent transfer of property, the police spokeswoman said.

As with many previous mafia gambling groups, the bets were accepted in cash and then redistributed through terminals in retail outlets throughout Sicily, especially in the capital city of Palermo.

The group had a comprehensive hierarchical structure, and all operations were overseen by an administrator who had a number of the so-called "masters" under him, a kind of regional vendors who were accused of opening and operating illegal betting offices throughout Sicily. At the level below them, there were agents commissioned to run a small number of the offices, and, ultimately, individual vendors managing specific branches.

The investigators stated that the betting network generated a monthly turnover of EUR 14 mil. with a net profit of 15%, all under the Maltese companies "Leaderbet limited" and "Hr management limited", as well as colmarbet.com and italbet365.com.

However, the CEO of the Maltese Gambling Authority (MGA) denies that the companies or brands mentioned are licenced by the MGA.

"Because we do not have all the information available to law enforcement authorities, we do not know whether companies registered in Malta were used. However, in the absence of a licence issued by the MGA or the EU/EEA regulator, we can assume that such companies would also be in violation of the Maltese law if this was, indeed, the case. We are monitoring the matter with local and foreign colleagues to provide all the assistance that is required from us," said MGA CEO Carl Brincat.

Operation "Game Over II" was named after the first major police raid on illegal betting in Palermo less than four years ago. After the initial investigation into operation "Game Over" in 2018, Benedetto "Ninni" Bacchi was accused of laundering money for Italian criminal families through 700 betting offices, managed by the Maltese company Phoenix Ltd. Although Bacchi continues to insist on his innocence and claims to be a mere victim of the mafia, he has recently been sentenced to 18 years in prison.

NETHERLANDS OPERATORS COMING UP WITH ADVERTISING CODE

The recently founded Licensed Dutch Online Gaming Providers (VNLOK), an association of land-based casino operators looking to try their luck in the online world soon, has developed a voluntary Advertising Code for online gambling in collaboration with VAN Kansspelen and the Advertising Standards Commission (SRC).

The Code complements the legal restrictions currently in force in the Netherlands. The current ban on advertising on gambling on the radio and television between 06:00 and 21:00 will, according to the Code, also apply to the Internet. The Code allows a maximum of three 30-second "high-risk gambling" ads per advertising break which will naturally lead to a reduction in the number of gambling ads in general. However, this step should not jeopardize the government's goal to keep 80% of current players with legal operators – in fact, on the contrary.

Although the Code is mainly focused on advertising, it also limits the amount and determination of bonuses. Therefore, it prohibits bonuses for players under the age of 25 and generally limits them to a maximum of EUR 250.

Any complaints of players and consumers in general will be dealt with by the above-mentioned SRC committee, which will ask individual companies to withdraw the

advertisement if a complaint proves to be justified.

However, not everyone is enthusiastic about the Code. Although the associations mentioned said that the Code had also been approved by the Dutch Online Gambling Association (NOGA), its representatives denied it. They regard the Code as not well-done and good, yet better than no code, but have strong reservations about the different types of gambling games being handled differently.

The Dutch consumers' association (Consumentenbond) criticized the Code even more harshly. It even ended its cooperation with the SRC after the SRC did not incorporate into the Code comments that would contribute to greater protection of vulnerable groups and against possible gambling addiction.

Therefore, it is a question of whether the goals of the Code and its creators will be fulfilled. The aim is to ensure that online gambling advertising leads consumers to a safe, legal and attractive gambling offer and at the same time, lures them away from illegal gambling.

WHERE ARE COMPANIES GETTING ADDED TO ILLEGAL WEBSITE BLACKLISTS FROM?

We repeatedly inform about events on the Caribbean Island of Curaçao, because it is mainly the companies from this island that get added to European blacklists. From Sweden to Poland to Belgium, regulators are trying to deal with this relentless situation. The Dutch government is still putting pressure on Curaçao to finally reform the 28-year-old legislation and end the flood of illegal websites.

Recently, the Dutch investigative journalism platform Follow the Money has tried to find out how many actually blocked websites belong to companies that operate their gambling under a licence originating in Curaçao.

They researched 150,000 blacklisted websites and found more than 22,000 unique business brands. Unfortunately, the origin of about two-thirds of all blocked websites cannot be traced as not all blacklists provide enough information to discover this.

Nevertheless, Follow the Money discovered 910 different companies whose websites are blacklisted and whose origins could be traced. **350 of them (38.5%) were originally from the Caribbean Island of Curaçao.** These 350 companies with their registered office in Curaçao are owned by about 1,000 operators who operate about 12,000 websites.

The operator with the largest number of blocked websites, almost 1,800, is 1xBet belonging to company 1xCorp. Until 2019, this company sponsored the English football league clubs Chelsea, Liverpool and Tottenham, before the clubs terminated their contracts with it. At present, however, 1xBet remains the sponsor of the equally well-known big club, FC Barcelona.

European experts are warning against the existence of these illegal websites in Europe. As there is more pressure to restrict legal operation offers, the demand for the illegal gambling increases - and it is the vulnerable players that these illegal companies are targeting.

KSA TOOK ACTION AGAINST ILLEGAL OPERATION ON FACEBOOK

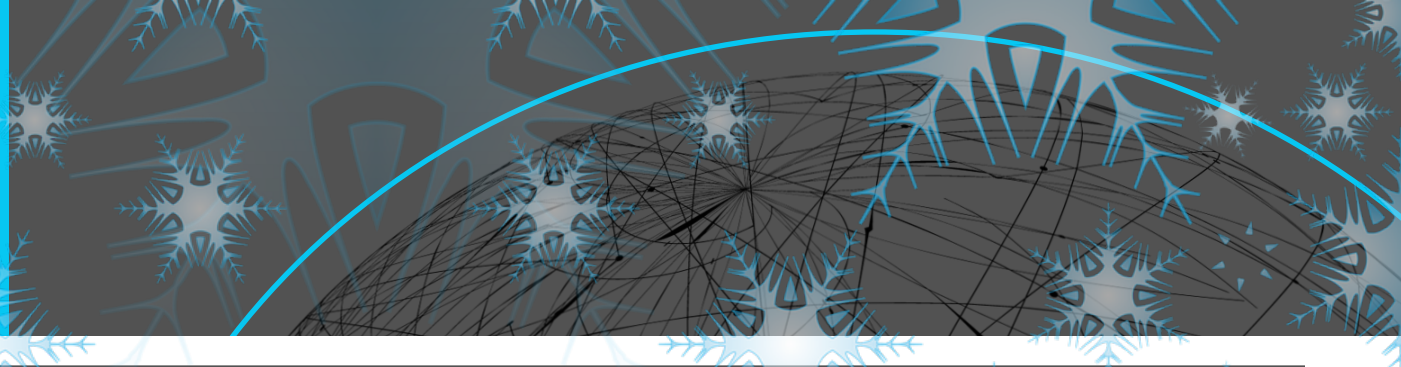
The Dutch gambling regulator Kansspelautoriteit (KSA) took action against illegally operated bingo in a Facebook group. The group, called Dordtse Queens, was run by eight administrators who advertised illegal bingo games through the group and on their personal Facebook profiles and almost 10,000 members joined it. The situation is all the more serious because the KSA has found that even minors could take part in these illegal games.

Therefore, the KSA turned to company Meta, which manages the social network Facebook, among other things, and pressed it to remove six Dordts Queens websites.

This is the second time that the KSA has taken action in recent months against illegal bingo offers on Facebook. In September, under threat of a fine, Luxury Bingo and BSB Shop were ordered to turn their products offline and faced fines if they did not comply.

This is a similar situation, which happened in our country, too." Types of raffles under the name "dipping" were operated in closed Facebook groups. This hobby

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was very popular, especially with parents of young children and housepersons who wanted to get rid of unnecessary things in a fun way. However, there were those who earned extra money and swindled the betters through this illegal activity.

Happy New Year

wishes

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