NEWSletter



January 2022

INSTITUTE FOR GAMBLING REGULATION

Welcome to the first issue of our newsletter in 2022. It has undergone a minor design change, and we hope that it will be even more attractive for you, and most importantly, better readable.

In terms of content, we are continuing to focus on key domestic and foreign topics. So, you do not have to worry about missing the most important news from home and around the world.

What do we want to focus on at the Institute this year?

This year, we want to build on the promised cooperation with the Ministry of Finance and be part of important topics concerning the future regulation of gambling in the Czech Republic. The first of these big topics is the fight against illegal gambling. In its policy statement, the government declared the fight against illegal gambling as the main priority in the area of gambling. Therefore, the Ministry itself as well as its subordinate organizations pay even more attention to this area than in the past.

The first workshop on the topic of the fight against illegal gambling in cooperation with the Institute (members GTO Solutions and APKURS), the Ministry of Finance and the Customs Administration was held at the beginning of February. You can read what it included and what its conclusions were in our first article.



FOCUSED ON ILLEGAL GAMBLING

At the beginning of February, at the initiative of the Institute, the historically first joint workshop of the IFGR, the Ministry of Finance (MoF), the Customs Administration and the Financial Administration, on the topic of illegal gambling took place. The topic of the fight against illegal gambling, which was successfully reflected in the government's policy statement, is one of the first fundamental priorities on which the IFGR and the Ministry agreed to jointly cooperate. Other key areas based on members' votes will follow.

The main goal of the workshop was to facilitate and streamline the procedure of state administration in inspection, administrative, and consequently, sanction proceedings against illegal operators, both in the online and land-based environment, and possible future regulatory changes in this area.

IFGR in cooperation with GTO Solutions and with the contribution of APKURS played a dominant role in the entire workshop. When the IFGR presented current experience and statistics in terms of the number of complaints filed, their current form, the number of proceedings conducted and the results to date, it did not omit a foreign comparison in the number of blocked websites. Within it, the Czech Republic has improved, but it is still lagging behind the best. **In the case of the land-based operation, the IFGR pointed to the persistently high incidence of illegal casinos, with the size of the illegal market reaching the size of the legal one, as demonstrated by the number of discovered 820 illegal gambling establishments and 1,007 legal gambling premises.**

GTO Solutions subsequently presented a detailed analysis of the activities that illegal online operators use for their promotion. What was crucial was to find out that **more than 50% of organic search engine results contained illegal gambling ads.**

During the subsequent discussion, the representatives of the Customs Administration greatly acknowledged the approach of the IFGR and its members in this area as the Institute prepared initiatives to speed up their work. **The Ministry also appreciated the activities of the IFGR and its members in this area and is definitely considering other similar joint meetings. It is in this context that Director Šabo emphasized that he counted on the Institute to cooperate on the previously defined key topics.**

In the end, the Ministry informed about future planned changes. One of them is the considered deviation from gambling targeting to persons residing in the Czech Republic to the availability of gambling games, especially in connection with the possibilities of blocking unauthorized Internet games. The addition of the process of deletion to the wording of the Act or the shortening of the duration of the blocking procedure was also mentioned.

The workshop was very helpful to all the parties involved and the IFGR will continue on in these activities.

Main conclusions of the workshop for L-B:

- Illegal gambling is still here and its power is not waning (820 discovered gambling establishments vs 1007 legal gambling premises)
- The CA finds the current form and the content of suggestions to be satisfactory and helpful
- To try to get as much material about illegal gambling establishments (exact location of the establishment, number of facilities, photographers, name of the operator) as possible

Main conclusions of the workshop for Online:

- The main activity of illegal online gambling operators is concentrated in the field of promotion and advertising (more than 50% of organic search results contain advertising for illegal gambling)
- The biggest problems are the identification of the propagators of illegal advertising or directly the operators of illegal websites - possibilities to improve the search?
- Possibility to block advertising sites promoting illegal online gambling
- The MoF will welcome further discussion with representatives of the sector on the possibilities of blocking illegal websites, adding the process of deletion to the GA, shortening the duration of the blocking procedure
- Finding solutions to check the obligations of Internet service providers
- The MoF would like to start a discussion on the topic of deviating from targeting to the availability of gambling, especially on how to handle this issue in the future and how to put the conclusions into practice in legislation. The Ministry will cooperate with all interested parties, including the IFGR and its members.

THE AMENDMENT TO THE PANDEMIC ACT APPROVED AFTER PROBLEMS

Although the IFGR was not an official comment place for the hastily prepared amendment to the Pandemic Act, we were able to submit comments from several sources. In the comments submitted, we drew attention to the reasons for why casinos and gambling establishments are not, in our view, in the riskiest category in terms of the spread of the epidemic. Just like during the entire pandemic, we pointed out the differences between the gambling premises compared to other service providers and restaurant facilities. The Ministry of Health dealt with our arguments properly and, not surprisingly, did not exclude us from the list of regulated premises due to certain inconsistencies.

The Pandemic Act was the main topic in the Chamber of Deputies for two weeks. At extraordinary meetings, deputies discussed extending its validity, as it was to end at the end of February in the case of the basic part of the Act. However, the opposition prevented its discussion by all available means. In the end, the amendment was passed by the Chamber of Deputies, but it faced complications in the Senate that eventually sent the entire amendment back to the Chamber of Deputies.

What does the amendment introduce in general?

The amendment supposes that emergency measures issued under the Pandemic Act will be able to include **restrictions on a wider range of activities than now. Authorities will be able to order testing on COVID-19 for freelancers, students, pupils and pre-schoolers, not just employees**.

Public health authorities will be able to inform about ordering isolation or quarantine according to the draft to people without decision, **even by telephone or short text message.** The Ministries of Defence and Interior were also given the possibility to issue measures for their ministries.

And what options were presented?

There were four options presented. In addition to the fact that government deputies would be able to outvote the Senate, there was a threat that the Act would expire on 1 March or that the state of emergency would be declared again. The last option was the extension of the Pandemic Act in the original wording proposed by several senators, i.e., without any changes or new conditions.

After dozens of hours of opposition speeches and several interruptions, the government deputies managed to outvote the Senate veto of the disputed amendment to the Pandemic Act on Friday, 18 February.

BIG BROTHER THAT SHOULD PREVENT THE USE OF THE FINANCIAL SYSTEM FOR MONEY LAUNDERING AND TERRORISM FINANCING

The European Union (EU) regularly assesses money laundering and terrorist financing as a very serious threat to the entire EU economic system. Europol itself, which helps Member States in the fight against serious international crime and terrorism, estimates that **around 1% of the EU's annual gross domestic product is "detected as a means involved in suspicious financial activity".**



During 2020, the EU Commission presented an action plan for a comprehensive policy on the prevention of money laundering and terrorist financing. In that action plan, the Commission undertook to take action to strengthen EU anti-money laundering and anti-terrorist financing rules and their application, setting out six basic pillars:

1. ensuring the effective implementation of the current framework

2. **creation of a single set of EU rules**;

3. **bringing supervision in this area to the EU level;**

4. **establishment of a support and cooperation mechanism for financial intelligence units;**

5. law enforcement and information exchange at Union level;

6. strengthening the international scope of the EU anti-money laundering and anti-terrorist financing framework.

In particular, the draft regulation aims to create a single set of EU rules. The aim is, among other things, to harmonize EU-wide rules, to set up an EU Anti-Money Laundering and Terrorist Finance Authority, as well as to link national analysis units within the EU and various information registers and systems.

The **aim is to connect** central registers, which contain information on bank and payment accounts and safe deposit boxes, that is **through a single point of access**, but in the future not only bank accounts, but all registers you can imagine: from loan registers, mortgages, exchange databases through records population, the vehicle register to the information held by the commercial courts.

MINISTRY INITIATED LARGE RELICENSING OPERATION OF BASIC LICENCES

It has been more than three years since the Ministry of Finance initiated the same operation called "relicensing a basic licence" for the last time. At that time, there were changes in licences related to the adoption of the Reporting Decree. Now there are more reasons:

1. **adoption of new implementing decrees** concerning, in particular, the form of expert assessments and certificates and registration marks (for example, affixing the registration mark to end device in accordance with the conditions laid down in Decree No. 429/2021 Coll.);

2. **harmonization of the conditions of proper operation** in individual licences and deletion of their duplications with the Act (for example, concerning self-restricting measures: "In connection with the setting of self-restricting measures, the operator must not do anything that could lead to their non-application or less-strict setting," or a change of the obligation to keep records for the gambling premises); and

3. deletion of unnecessary conditions regarding remote access, or rather the Reporting Decree.

The subject of these proceedings is all types of basic licences, regardless of the type of gambling games. Dozens of administrative proceedings had to be initiated. From our point of view, the amendments made to the Act and the current practice are in accordance. So, from the regulatory point of view, the changes made should not lead to disproportionate complications in operation. However, each administrative proceedings are individual and the procedure within it is at the discretion of the operator as a party to the proceedings.

RESPONSIBLE GAMBLING'S MAP OF ASSISTANCE GETTING BIGGER

The Responsible Gambling project combines knowledge, prevention, intervention and assistance into one comprehensive single package.

Therefore, in addition to the operators, various addictology and therapeutic centres are also involved in the project. Players, as well as their loved ones, can turn to them if they notice problems with gambling, either their own problems or problems of people around them. We are glad that you can already find our assistance partners in 12 regions in 30 different places. We believe that the number of these places on our map assistance will continue to Increase so that help is available in every region. We thank all the addictology and therapeutic centres that participate in the Responsible Gambling project and look forward to working together.

zodpovědné hraní

JOINT MEETING OF ADHP AND UNASO

The IFGR accepted an invitation to a joint meeting of ADHP-UNASO and representatives of Bonver Win, a.s., the main points of which were the government's policy statement and, in particular, the changes to basic licences and the Responsible Gambling project.

At the beginning of the meeting itself, Mr. Šnajdr reminded of the proposal to change the budget allocation of the gambling tax in the government's policy statement. As the Institute had previously informed, this proposal was not included in the chapter on public funding, thanks to our activity. Only the government's commitment to take action against illegal gambling remained in the gambling policy statement.

However, Mr Šnajdr also drew attention to the fact that the general clause concerning the change in the budget allocation of taxes could be found in the chapter on Regional and Local Development. This chapter contains the sentence: ***We will maintain the current financing of municipalities and change the RUD of regions on the basis of compliance with the AC CR and increase in the total allocation.*** This chapter is under the responsibility of the Ministry of Regional Development. In the IFGR, we are monitoring all channels, even those that could only *seemingly* be related to our industry. We agreed that it would be important to monitor possible initiatives related to the gambling tax, not only at the level of the Ministry of Finance, but also of other ministries.

The next item on the joint meeting's agenda was changes in the basic licences, which were carried out ex officio by the Ministry of Finance. The changes made are in line with current legislation and current practice, and in most cases should not imply any major complications in future operations. An exception could be changes in the recording of repairs or interventions made on the end devices of the technical game directly in the gambling premises.

The Institute informed those present about the obligation to keep records of interventions and repairs directly in the gambling premises, including all the requirements, so that the operators can best meet the new conditions, but also not burden the individual premises, i.e., no more than necessary. The ensuing discussion then revealed the need to link this area also with the issue of interventions in game systems and closer cooperation with manufacturers. In addition, it is necessary to resolve the issue of outages with the manufacturers.

The final topic of the meeting was Responsible Gambling.

For many years, gambling establishment and casino operators have been subject to restrictions by individual municipal and city authorities, at whose meetings the opinions of activists fighting against gambling in any form are mostly heard. Operators are struggling to find a support, and the number of generally binding decrees banning the operation of gambling is increasing tremendously. The further restrictions, albeit voluntary, that the Responsible Gambling project entails currently concern gambling establishment and casino operators a lot. One of the biggest concerns is the outflow of customers to the competition due to redundant recommendations for self-restricting, etc.

CHANGE OF MODE OF DATA MESSAGE DELIVERY

As of 1 January 2022, the amendment to Act No. 300/2008 Coll., On Electronic Acts and Authorized Conversion of Documents, entered into force, which **introduced the institute of the so-called delivery also to private-law communications carried out via a data box.**

A document sent by a natural person, business natural person or legal person to the data box of another natural, business natural or legal person will be considered delivered according to Section 18a, par. 3 of the said Act, that is on the 10th day from the day the document was delivered to the data box, even if the person who has access to the document does not log in to the data box.

Therefore, the same rules apply to determining the moment of delivery of public-law and private-law documents via the data box.

NEW QUALIFIED CERTIFICATE FOR REP

The Ministry of Finance has recently published information on its new qualified certificate for the REP on their website.

Its **use in the production environment is scheduled for 7 March 2022 at 10 a.m.** From then on, it will be necessary to use the new certificate, which you can find here.



ICE LONDON HAS A NEW DATE, BUT WILL IT REALLY TAKE PLACE?

Last year did not favour the organization of the ICE international trade fair in London. After several delays, its holding was cancelled. It seems that this year is the favourable one to its organization. The organizers have recently announced that although the date had changed, the **ICE trade fair will take place at ExCeL London, that is from 12th to 14th April 2022.**

ICE VOX conference is to be held together with the ICE London event. At the event, a number of topics will be discussed each day, from technology, regulation to responsible gambling. The possibility of registration and more information about the whole event, including the detailed program, can be found here.

However, the organizers were dealt another heavy blow. The second largest exhibitor, Merkur Gaming Group, issued a press release stating that it would not attend the event due to concerns about COVID-19, an unfortunate date around Easter and the Brexit-related bureaucracy.

Moreover, there was no certainty of participation of the Austrian manufacturer Novomatic who had waited for a while to confirm their participation or non-participation. According to Novomatic representatives, they "were monitoring the situation very carefully and were evaluating current developments" in order to, in the end, decide not to participate in the fair trade. Among the reasons for it, the representatives mentioned the still existing pandemic, logistical problems related to Brexit and the unsuitability of an alternative date. Of course, another reason was the withdrawal of Merkur Casino.

So, the question is whether this year's fair will face the fate of the last year's one or not.

ACCORDING TO ANALYSIS, 2022 SHOULD NOT BE AS BAD AS LAST YEAR

After the disastrous year of 2021, the outlook for the German gambling market in 2022 is slightly optimistic.

According to Morgan Stanley, declines of 50 to 80% in the revenues of many online casino operators are probably a thing of the past. These were related to the obligation for operators to close their operations down before applying for a national licence to operate online technical games and poker and adapting to the new strict rules.

Fixed-odds betting operators are also getting used to the new strict rules and taxing 5.3% of the betting tax. However, the biggest restriction, which is the monthly limit of a player deposit of EUR 1,000, still is not applied as everyone is awaiting the court ruling.

Other difficulties of the new rules include a central database of all players across the operator. This database is often called "cumbersome" or "impractical".

On the other hand, the strict restrictions imposed on fixed-odds betting are unlikely to get stricter. Also, the number of operators who get the appropriate licences to operate online technical games and poker will certainly increase in the first half of the year. All this will lead to the launch of marketing and advertising campaigns.

The positive news is also the fact that Germany's most populous state, North Rhine-Westphalia (NRW), is one of two stated that announced plans to open its markets to online casinos, which could motivate other states to do so as well. In terms of population, NRW is as large as the Netherlands, but we can find the difference in purchasing power per capita - the Netherlands clearly scores points here.



On the other hand, since NRW and Schleswig-Holstein announced their intentions last August, there has been very little progress. According to the latest information, four of the 16 federal stated have stated that they plan to have monopolies on online gambling games. Other stated are probably waiting for the national regulator to be fully operational, which is expected to happen in January 2023. We will, therefore, see how accurate the predictions are and whether something changes.

ŽADATELÉ O LICENCI JSOU ŠOKOVÁNI POŽADAVKY

Applicants for a licence for online gambling games in the Netherlands are unpleasantly surprised by the level of detail of the requirements and check by the local regulator. Even seasoned representatives with experience in licencing proceedings from the United States or other European Union countries were surprised by the complications, said Frank Tolboom of the law firm Kal-Katz and Franssen.



Checks focused on reliability evaluation and network diagrams were so strict for certain applicants that they decided to withdraw their licence applications or did not submit them at all, Tolboom said.

Not only directors and major shareholders, as is the usual case, but many other people in various positions in the applicant companies are subjected to the thorough "care". Within the application, the information not only about subsidiaries, but also about companies in which key representatives could have a 50 percent or more shares, is also inspected.

Tolboom believes that Dutch regulation of online gambling is among the strictest in Europe. In the opinion of his colleague Justin Franssen, this is evidenced by the very low numbers of licences granted so far. Until now, only 11 companies out of 33 submitted applications have gotten them.

The most common mistakes of applicants include failure to submit all the required documents and general negligence. *"For example, in some cases, the player registration principles differed dramatically from the data submitted about the actual registrations,"* Huijsson added.

She also advised potential applicants to rely only on qualified third parties and experts, as, in any case, the applicant is responsible for the application and not the external consultant, Huijsson said. Given the number of mistakes, it would not surprise her if between 20 and 30 applications were finally approved.

Franssen and Tolboom believe that the whole process could be much more efficient if there were more instructions in English. Likewise, if it were possible to submit the necessary documents in English, as they must now be translated into Dutch. In their opinion, webinars or information meetings similar to those organized by the British Gambling Commission would also be useful.

POLISH MINISTRY OF FINANCE ANALYZING NEW TAXATION OPTIONS

In Poland, an in-depth analysis of current regulation is continuing. One area that is currently in the spotlight is taxation.

The Polish Ministry of Finance is analysing the possibility of replacing the current 12% betting income tax with gross gambling income tax (GGR). GGR is a key metric used by gambling and betting companies that reflects the difference between the money that players bet and the money they win. It is important to note that the gross gambling income is equivalent to "sales" or "revenue", not "profit" or "earnings". The ministry's study compares the individual solutions that are implemented in other European countries.



In October, at a meeting of the Consumer and Business Protection Committee of the Lower House of the Polish Parliament, legislators and other interested parties discussed a report submitted to the Ministry of Finance by former Deputy Minister of Finance Konrad Raczkowski. He stated in his study that "the optimal level of GGR tax is 20 to 25% of GGR". At the same time, he proposed the cancellation of income tax, which he claims "equals 55 to 65% of GGR tax".

The replacement of the current system of taxation with the GGR tax has great support among the largest operators in the country, as well as local experts. One of them is Marek Plota, a lawyer specializing in gambling regulation at law firm RM Legal who predicts that "*the introduction of the GGR tax would provide the Polish Treasury with a wide range of medium- and long-term benefits. Online fixed-odds betting would attract more foreign companies that would get licences and start paying taxes in Poland.*" A reasonable GGR tax rate would also discourage Polish players from betting with illegal betting offices that currently pay taxes abroad.

However, it is a long shot, as even the most optimistic people assume that the changes in the tax and regulatory area are unlikely to be approved until the end of the current parliamentary term, that is in 2023.