# NEWSletter



# December

INSTITUTE
FOR GAMBLING
REGULATION

# 2022

Dear members, the end of the year is here and with it the Christmas holidays as well as the period of reflection and closing of the year coming to an end. Allow me to take this opportunity to look back on the past months and recapitulate it a bit.

After years of our industry being affected by the pandemic, this year has been a return to "normalcy". In fact, according to the economic results, it looks like this year will be the most successful in modern history. According to our predictions, tax collection from gambling should exceed CZK 17 billion, which would be an increase of more than CZK 5 billion. It is obvious that if a stable environment, which is not interfered with suddenly, is set up, it bears fruit.

Throughout the year, we were following all the news and informing you about our activities through our information e-mail service or newsletters.

A number of important meetings took place this year as well. These were meetings with legislators, among whom were Minister of Finance Zbyněk Stanjura, Deputy Speaker of the Chamber of Deputies Klára Dostálová, future mayor Bohuslav Svoboda, Chairman of the Budget Committee Josef Bernard or Member of Parliament and President of the Union of Local Governments Mrs. Eliška Olšáková. It is also necessary to mention meetings with representatives of the Ministry of Industry and Trade, the Ministry of the Interior or the Union of Towns and Municipalities of the Czech Republic.

There was a breakthrough in relation to the Ministry of Finance. The invitation of director M. Šabo to the meeting of the IFGR Expert Council had a positive effect and allowed us to discuss the regulation and its future development in more detail. Therefore, we had the opportunity to solve current problems and, at the same time, interpret your views on future regulation.

We also emphasized mutual cooperation with a jointly organized workshop on the topic of illegal operation, in which the Customs and Financial Administration participated. The fight against illegal gambling is our important topic. We tried to draw attention to it in various fields. In this area, we have established cooperation with Google and are completing work on the Black Book of Illegal Gambling, which maps illegal gambling and its practices in the Czech Republic. Next year, we will distribute it to all key places involved in the regulation of gambling.

As part of the Responsible Gambling project, the aforementioned Expert Council was established, to which experts from the fields of addiction, psychology or economics accepted the invitation. Based on their expertise, the entire Responsible Gambling project took on a new dimension.

The second year of the Week of Responsible Gambling took place; during the week, we, among other things, organized the National Gambling Conference, which was well received both by you as well as by representatives of the public administration. In this regard, we would like to thank all our partners who joined the Responsible Gambling project and who are working on its further development.



## And what can we expect in 2023?

Next year, we can expect to face certain rough times. After a few "calm" years, the stagnant waters will be stirred up by two fundamental amendments affecting our sector. The first of these is the amendment to the Gambling Act. Its final form from the Ministry of Finance should be known in the spring of 2023, and it will be subject to a legislative round in which a major parliamentary initiative can be expected.

Another already "public" secret is that the government is looking for new revenues for the state budget, which is why the policy statement of the government will be changed; during this, they will focus on state expendi-

tures and especially on the area of taxes. Unfortunately, this will mean only one thing for our sector, which very likely will be the start of the debate on changing tax rates.

My colleagues and I are already preparing for next year's important events. The CETA company is completing for us an economic study mapping the benefits of our industry to the Czech economy. We are in contact with other members of parliament, with whom we will meet at the beginning of next year and introduce our industry and the progress it has made in recent years.

At the same time, it will be important more than ever before that we all stay on the same "deck" and successfully sail through the stormy sea together.

We at the Institute will also be ready next year to tackle the obstacles that the coming year will bring, hopefully to the satisfaction of all our members.

Allow me to conclude by thanking you for your cooperation and wishing you good health, happiness and strength in 2023. May 2023 be successful and fulfilling in every way.

Mgr. Jan Řehola, Ph.D.

Director of the Institute for Gambling Regulation

## NEWS IN THE GAME AND FINANCIAL DATA REPORTING FIELD IN RECENT MONTHS

At the end of November, a workshop was held, the organization of which was also initiated by the IFGR, under the patronage of the Ministry of Finance. The main topic was the **evaluation of the current practice of reporting game and financial data according to the so-called Reporting Decree, news from this field, statistical data of the Register of Excluded Persons (REP) and verification of persons in the REP.** On the day of the workshop on 21 November, there were 196,831 people in the REP, for the following reasons:

| At own request | Receiving benefits in material need | Jointly assessed person for benefits in material need | Bankruptcy | Preliminary ban of games and bets | Restriction of obligation to refrain from GG or protective treatment | Substitute maintenance |
|---|---|---|---|---|---|---|
| 4 863 | 60 481 | 23 870 | 105 126 | 2 | 52 | 6 663 |

This is not the highest number of people - that number was the case in May last year. What is growing, however, is the number of people registered at their own request, which is the highest since the beginning of the REP's operation (December 2020).

The most important conclusion from the meeting is the MoF's warning that the **time of "defence" and informal calls to correct errors in the data sent is ending. Reporting errors will continue to be dealt with in offence proceedings.** Failure to provide a self-restricting measure was identified as the most common error. Frequent mistakes also occur when matching individual bets and games. The entire presentation presented by representatives of the Ministry of Finance and the State Treasury Centre of Shared Services, which is the operator of the AISG system processing the data sent, can be found here in Czech.

On the same day of the workshop, the MoF also published a **methodical warning about frequent errors in the daily game reporting**, which refers to live games operated in land-based. You can find it here.

Before the Christmas holidays, the MoF published the updated list of input checks (validations) of automated outputs of error codes of the Analytical Module AISG and planned changes in the confirmation package, which were already announced at the workshop. These will be valid from 23 January 2023; however, they have already been applied in the test environment. In this environment, changes in the acceptance of factual error corrections, which will be in the live environment from

7 February 2023, have already been implemented. The Ministry therefore gives space to gambling operators and especially central authorities to try out the planned changes.

## REVOLUTIONARY OPINION OF THE MINISTRY OF FINANCE REGARDING REGISTRATION MARKS

At the beginning of November, the MoF issued surprising information for the gambling market regarding registration marks, the full Czech text of which is available here. It is related to the transitional provisions of the new Decree No. 433/2021 Coll., *On Exit Documents*, establishing the mandatory requirements for expert assessment, certificate, and registration marks themselves.




The whole year, authorized persons could issue registration marks with the requirements according to the original Decree No. 439/2016 Coll., *On The Minimum Requirements For Output Documents*. However, no one knew that such marks would have a limited one-year validity, as the MoF states in its statement.

Although the IFGR repeatedly presented arguments supporting the opposite interpretation to the MoF, the Ministry stands its ground. **From 1 January 2023, all end devices and free-standing random number generators (drawing drum) must contain a registration mark that meets the new requirements of** Decree No. 433/2021 Coll. These are, for example, the identifier of the certificate according to which the mark is issued, the serial number, the number of game positions, protective holographic elements or the font used on the mark that must be at least 2 mm. The only exception is registration marks issued and attached before 1 January 2022; these are fine and do not need to be changed.

## REGULATION OF GAMBLING GAMES THROUGH GBDs

In mid-December, the Office for the Protection of Economic Competition (hereinafter referred to as the "OPC") issued an information sheet in which it analysed the current form of legislative regulation and explained what changes the proposed amendment should introduce. For example, the possibility to terminate administrative proceedings based on the acceptance of commitments ensuring the restoration of the competitive environment by the party to the proceedings will be essential.

The vast majority of cases resolved so far in this area are related to generally binding decrees of municipalities regulating gambling. Therefore, it is not surprising that this issue is given considerable attention in the information sheet. There, the most important cases are described, as well as case law of administrative courts and verdicts of the Constitutional Court, which confirmed the correctness of the decision-making practice of the OPC. Since the decision-making practice of the OPC in recent years has been largely involved in the trend of blanket bans on gambling games in municipalities, we consider every shift in this practice and every clue to improve the situation to be worthy of increased attention. Therefore, we will try to give you more detailed information in the next issue of our newsletter.

You can find the complete Czech information sheet here.



## SWEDEN IN NUMBERS

Swedish **operators took in 7 % more revenue year-on-year in the third quarter, thanks mainly to record revenues from online gambling games.**



Preliminary results from the Swedish gambling authority Spelinspektionen show that operators licenced in Sweden received SEK 6.77 billion (€616.1 million) in revenue in the third quarter; this is an increase of 7.2 % compared to the third quarter of 2021.

Revenues from online gambling reached SEK 4.31 billion in the mentioned period, which is 10.5 % more in a year-on-year comparison. Compared to this year's second quarter, which was a record since the opening of the Swedish market in 2019, this is an increase of 2.1 %.

Revenues of SEK 1.40 billion from state lotteries and other games operated by Svenska Spel increased by 1.2 % in the 3rd quarter of 2021. Interestingly, however, they decreased slightly compared to the second quarter of this year.

In addition to purely economic data, Spelinspektionen also published data on the number of people excluded from gambling. At the end of the quarter, almost 81,300 people were excluded from gambling via Spelpaus.se; compared to the previous quarter, it is an increase of 5 %.

## DUTCH PLAYERS DEMAND REIMBURSEMENT OF LOST MONEY FROM OPERATORS

A group of Dutch players filed a lawsuit demanding the operators return their money, which they lost at a time when online gambling operators were still operating in the so-called grey zone in the Netherlands. Online gambling was not regulated at all in the Netherlands until October 2021, and players claim that the contracts between them and operators from that time are invalid.

The group of about 100 players is represented by lawyer Benzi Loonstein, whose practice focuses on claims against gambling operators who, in his opinion, "*breached the duty of care or illegally offered their services.*" Loonstein was unsuccessful with the players' claims against the operators out-of-court, so the public hearing will now take place.



Kindred, the parent company of the Dutch operator Unibet, commented on the case in the sense that it is nothing more than a law firm looking for sensation and sources of additional income. Kindred also pointed to a case from 2016 where the court ruled against the player who took the operator to court under similar circumstances. But still, Kindred has definitely not won yet.

Especially if we recall the ruling of the Council of State from 2021 which, in a separate case, ruled that the operation of online games before 1 October 2021 was against Dutch law. Additionally, courts in Austria and Germany have recently addressed similar legal issues and their rulings, especially those in Austria, were in favour of the plaintiffs.

In September 2021, the Austrian Supreme Court ruled that foreign online casino operators operated their gambling games illegally and, therefore, the contracts concluded between them and the players were considered invalid. Based on this ruling, operator Entain's bwin had to pay EUR 1.1 million. Similarly, in May, Frankfurt's higher regional court ruled that an online casino based in Gibraltar had to repay €26,000 to a player who had gambled on the website before the company was even licenced.

A few weeks ago in Cologne, Flutter's PokerStars was ordered to refund €58,000 to players. The case was based on the fact that the operator did not sufficiently explain the legal status of their website to the players.
So, it remains to be seen how much the Dutch players will follow up on the success of their colleagues from Austria or Germany.

## ONLY TEN PERCENT OF PLAYERS CAN IDENTIFY LEGAL WEBSITES

Swedish **players' awareness of how to avoid illegal websites is still extremely low. Only 10% of players know how not to be tricked by them, a survey revealed.**

The Swedish regulator had Skopm company conduct a survey on gambling habits for the year 2021. In addition to the usual data on how many people gamble, it also looked into their awareness of illegal gambling or the responsible approach of legal operators.

Although the vast majority of players believe that gambling on legal websites has its advantages and for a third, the licence is one of the most important reasons for choosing the right operator, it is a surprise that only **10% of players know how to find out if an operator really has a licence.**



This rather alarming finding is unchanged from year to year which suggests that no progress has been made in educating the public about the differences between legal and illegal gambling.

To make matters worse, **21%** of respondents even stated that they either decided to or plan to gamble with illegal operators.

The survey also dealt with the social responsibility of operators and its perception by the public. When asked whether operators take responsibility for problem gambling, 31% of respondents said they did "to certain extent", 7% said they "absolutely" did and 24% said not at all. Players were not sure if the operators were doing this sufficiently, and 48% of them answered "probably" no.

## DUE TO LACK OF KSA RESOURCES AND CAPACITY, THE NETHERLANDS DID NOT TACKLE ILLEGAL ONLINE GAMBLING

The Dutch government had the consulting company Kwink Groep prepare a report that maps the activity of the Kansspelautoriteit (KSA) regulator from 2017 to 2021. The experts focused on these years quite deliberately, as this was the period full of preparations and getting ready for the opening of the on market with online gambling games.



### And what did the report reveal?

The report states that the KSA put a large part of its available funds into suppressing illegal online gambling, yet the KSA's capacity was "too limited" to adequately tackle the task.

Representatives of the private sector and various government organizations do not fully agree with this. They believe that the KSA has not been managing the fight against illegal gambling seriously and intensely for a long time. Therefore, the notion on the Dutch Internet is that operators from Malta or Curaçao were and are receiving room to offer their illegal services.

### Is there any solution?

The report suggests that among other measures that should help in the fight are the blocking of payments and websites, also known from other European countries.

Experts believe that the KSA could and can do a lot about it. For example, they can urge telecommunications entities to shut down illegal websites or payment service providers not to provide payment services to illegal operators. With the new act regulating gambling, the provision of payment services to unlicenced online offers is expressly prohibited and the KSA can take a number of enforcement actions against such offers.

### Recommendation

The report proposed a number of recommendations, including three that are related to priority setting. These

should strengthen risk-based supervisory procedures, improve monitoring using various supervisory tools and adopt a more data-driven approach.

The KSA took the recommendations to heart and are already working hard on their implementation. According to the KSA, they will go even further than recommended in a number of areas. We will continue to monitor the situation in the Netherlands to see if some of the solutions could be an inspiration also for the Czech Republic, where illegal online gambling is a long-term problem.