NEWSletter



February

INSTITUTE
FOR GAMBLING
REGULATION

2023

We have had quite a busy month. We have started a round of meetings at full speed, where we have presented both the Institute itself and its activities as well as long-term views on the direction in which gambling regulation should go. So far, we have had the opportunity to meet deputies V. Munzar (ODS), J. Navrátil (KDU-ČSL), J. Jakob (TOP 09) or M. Výborný (KDU-ČSL). We have also met with the minister's advisor M. Jurečka (KDU-ČSL), Ms. Š. Slavíčková and O. Závodský (former deputy at the Ministry of Finance). All these meetings have one thing in common: everyone is very interested in our activity. We intend to keep going at the established pace so that awareness of the IFGR, and especially our ideas, deepens among political representatives.

WHAT IS AHEAD IN THE NEAREST FUTURE?

We have been promised by the management of the Procedural Agenda and Gambling Regulation department that, after the completion of the internal comment procedure, the complete draft of the amendment will be discussed with us at a round table. We believe that there we will get acquainted with the already completely written draft of the amendment. After that, the draft will be sent to the external comment procedure. The interdepartmental comment procedure could take place during March. It must be said that the IFGR is a comment place, and therefore, the draft should be sent to us and we should have another opportunity to comment on individual provisions.

MEMBERS' MEETING HAS ITS DATE! ATTENTION: CHANGE OF LOCATION

The traditional spring meeting of the Institute's members has its date. It will take place on Tuesday, **4 April, at 1 p.m.** However, we are leaving the premises of the Holešovice market after many years and will meet newly at Smíchov, Prague, in the modern premises of the OREA Hotel Angelo Praha at **the address Radlická 3216/1g, Prague 5**.



It is a pleasant place with excellent accessibility and, of course, parking is provided. In addition to our company and excellent refreshments, you can look forward to important topics such as a more extensive analysis of the amendment to the Gambling Act or the issue of the transition to new basic licences- The meeting will also be attended by Aleš Rod, a member of NERV, who will present the conclusions of the analysis carried out focusing on the benefits of gambling on the Czech economy. As usual, we will inform you about the IFGR activities, held meetings and projects as well as look back at this year's ICE and discuss together the plans for the following period.

THE BLACK BOOK OF ILLEGAL GAMBLING IS HERE!

The state has been fighting against illegal gambling for years, even fighting it is the government's main priority in the field of gambling. However, no one had attempted to create a comprehensive mapping of how big an adversary this was. Therefore, the state has no information on how much of the its annual income is lost in taxes every year, how big the illegal gambling market actually is, or how many players play and what gambling games are played with illegal operators.



That is why we at the Institute decided to comprehensively map the illegal gambling market and create the first Czech study of its kind. We have managed to do that. In addition, the study shows that the illegal gambling market in the Czech Republic reaches much larger dimensions than many experts realized until now. According to our analysis, **the value of the illegal gambling market reaches 6.6 billion crowns, and it costs the state and municipalities 2.1 billion crowns annually**. The data prove that the Czech legislation and current instruments are not enough to solve the problem.

The aim of the *Black Book of Illegal Gambling* is to show the public as well as experts and relevant regulatory authorities how big a problem illegal gambling is in the Czech Republic, its forms, but also its causes and risks. Until now, only narrowly focused research or estimates by administrative authorities were available on the Czech market. However, the *Black Book of Illegal Gambling* maps the entire market, including gambling premises and the virtual environment, based on surveys, analyses and other available data.



The interest in the book exceeded all our expectations. Addictologists, deputies, senators and representatives of ministries and government offices are getting in touch with us. They all want us to send the publication and get informed about its conclusions. Since there was also interest in its digital form, we decided to publish the book for free. It is now possible to download the *Black Book of Illegal Gambling* in Czech here.

SAC HAS RULED: IS THIS THE END OF STANCE ON BONUSES?

The stance of the Ministry of Finance from 2017, which fundamentally limited the offer of bonuses to players, has now run into problem. The Supreme Administrative Court (SAC) has recently ruled and to some extent, it brushed the stance aside. The SAC addressed the question of what happens when a player plays for points that they received from the operator and came to the conclusion that in the case of a bonus in the form of participation in a game using "game points" it is not gambling within the meaning of the Gambling Act. And therefore, such a bonus cannot be qualified as a violation of the law on gambling in the form of accepting a non-monetary deposit (bet) in a gambling game.

From the opposite point of view, it can be said that bonuses in the form of participation in a gambling game can be offered to players, as they are not a non-monetary deposit (bet) in a gambling game, which

would be in violation of Section 7, par. 4 of the Gambling Act (in violation with the opinion of the Ministry of Finance applied so far).



The SAC also negatively reacted to the automatic exchange of bonus points for monetary means, the so-called "in the background of the system", and their subsequent use for a deposit (bet). Even in this case, according to the Court, it is not a gambling game, because even here the basic feature of a gambling game is missing - the participant's voluntary bet, and these "exchanged points" also do not meet the definition of monetary means.

At the same time, the Court explicitly recommended the legislator to express their legitimate intention to penalize forms of gambling support in the future with an understandable, certain and therefore predictable legal regulation. There is no doubt that this court ruling was behind the starting of the issue of bonuses during the debates on the GA amendment. And that is why the Ministry of Finance will want to set the conditions for the use of bonuses in a certain way directly in the act (SAC explicitly mentions "motivational" bonuses).

PRAGUE HAS NEW CITY AUTHORITIES! PRAGUE MAYORS WANT MONEY FROM GAMBLING PAID UP

Prague has new city authorities. **After five long months of political negotiations, representatives of Spolu (ODS, TOP 09 and KDU-ČSL), Piráti and STAN signed a coalition agreement at the Prague municipality**. The coalition, whose composition is similar to that of the government, has a majority of 36 votes in the 65-member assembly. The negotiations lasted the longest in the history of the Czech Republic, and Prague was the last municipality in which new local authorities were elected. Bohuslav Svoboda, the current deputy and former mayor of Prague, was elected as the head of Prague.

Kordová Marvanová expelled from SPOLU club



In December, Hana Kordová Marvanová refused with the ANO movement to elect Bohuslav Svoboda as mayor. This extended the negotiations by two months. During the mayoral election in February, she again did not vote for Spolu leader Bohuslav Svoboda, and subsequently did not vote for any of the candidates for deputy mayor and councillors. In Spolu's opinion, she thereby damaged its good name. That is why Spolu decided to exclude the senator and representative Hana Kordová Marvanová from the representative club at the municipality.

Prague mayors are calling for money: Top up gambling money

The mayors of Prague have prepared a list of tasks for the new councillors that must be solved. One of them is to fix the "debt" that they say was caused by the outgoing city administration. Specifically, it is a supplementary payment of money collected from gambling. This year is the last year when the metropolis will receive money from levies for technical games. At the end of

the year, the capital city approved the redistribution of money that Prague had collected mainly from slot machines.

"*The revenue from gambling for the city is almost a billion a year and is intended for sports organizations, schools and social services. The then councilor Marvanová promised us to cover this money, which never happened*," complains David Vodrážka (ODS), mayor of Prague 13. This point was also supported by the mayor of Prague 7, Jan Čižinský (Praha sobě), who specified that the mayors do not want to abolish the gambling ban, they are just appealing for additional payments.

SAC RULES AGAIN IN THE CASE OF QUAZI-CASINOS

The Supreme Administrative Court (SAC) once again dealt with the issue of the so-called quasi-casinos and the rule "one live game table, one croupier". In its ruling, it confirmed the administrative ruling of the Customs Administration, by which it imposed a fine of CZK 100,000 on operators of a quasi-casino. It emphasized that the main activity of a casino must be a live game, as this element distinguishes it from a gambling establishment, where the main activity is a technical game. Although the legislation does not explicitly contain the rule "one live game table, one croupier", according to the SAC, the purpose of the live game directly requires that each live game table has its own croupier throughout the casino's operating hours. Otherwise, it would not be possible to talk about the immediate and continuous operation of live game, as stated in the Gambling Act.

The Customs Administration made it known that they perceive this ruling as a clear confirmation of the established administrative practice and will actively continue the fight against quasi-casinos and their operators.

CASINOS WILL FACE SIGNIFICANT CHALLENGES, EUROPEAN AND AMERICAN MARKET REPRESENTATIVES AGREED

According to representatives of the European Casino Association (ECA) and the American Gaming Association (AGA), casinos in Europe and the United States are facing many tough challenges. "***Illegal gambling, tighter regulations and employment issues*** *need to be addressed*," ECA chairman Per Jaldung said at the International Casino Conference (ICC) in London in early February.

The combination of these factors has created a more complex business environment in recent years. In addition, the casino sector, especially in Europe, has not yet recovered from the crisis caused by the pandemic. According to Jaldung, approximately 80 casinos out of 1,000 operations were permanently closed.

The challenges are becoming more difficult due to rising energy prices, supply chain costs and the ongoing war in Ukraine. To tackle this long list of obstacles, Jaldung urged interested parties to work more actively with regulators and supervisors.



Jaldung called on ECA members to **fight against advertising bans and gambling bans on general level**, which have become politically popular in a number of countries in recent years. On the contrary, the ECA chairman is calling on governments to **stabilize tax rates for casinos** in these turbulent times **and to introduce "adequate" EU-wide anti-money laundering rules.**

Jaldung sees one way of solving some of the mentioned challenges in operating online casino games. About 62% of ECA members currently offer online casino games in addition to building casinos.

The CEO of Holland Casino, Petra de Ruiter, assesses the challenges in the field of employment as a long-term problem that needs to be addressed with due care. In her opinion, it is necessary to attract and retain new talents, and at the same time, explore which roles can be digitized. "*Our reputation in the industry is not very good when it comes to responsible gambling, so it is important to show what we are already doing to allay those concerns*," she added.

Interestingly, the challenges faced by casinos in Europe are 90% identical to those faced in the US. Michael Pollock, CEO of Spectrum Gaming Group, clarified that several US states are fighting the spread of illegal slot machines at gas stations and restaurants across the country. In his words, "*these devices threaten regulated gambling businesses because they disrupt and change the dynamics of trust*."

FRENCH REGULATOR SEEKS MORE POWERS IN THE FIELD OF ADVERTISING

France's National Authority for Gambling (ANJ) is looking for new ways to better control operators' marketing. It mainly wants to focus on social networks, which have so far escaped the main attention.



Out of concern for minors and vulnerable groups, the ANJ pressured operators to reduce the intensity of their media advertising before the FIFA World Cup, in which - according to the ANJ report - they succeeded. "*The operators' obligations to reduce advertising pressure was generally respected*," the office said. **According to a poll commissioned by the ANJ, 49% of respondents felt there was "too much" sports betting advertising during World Cups. However**, the results show a downward trend: after the 2018 World Cup, 54% of respondents gave this answer.

In the advertising campaign, the operators placed less emphasis on signs of wealth or false hope that winning could change the social status of the betters. The targeting of young people from working-class neighbourhoods was also less blatant. Welcome and retention bonuses were more transparent and operators respected the recommended €100 limit on welcome bonuses, the authority representatives said.

However, ANJ officials found that some operators found ways around the recommended rules. They mobilized around 100 social media influencers who inappropriately promoted betting on channels and social networks popular with young people in particular, such as YouTube, Instagram or Twitter.

According to ANJ president Isabelle Falque-Pierrotin, the regulatory mechanisms set up before the FIFA World Cup, combined with the tools available to the ANJ, succeeded in reducing advertising pressure. How-

ever, the office's determination to continue with the next steps remains in place. The main reason why ANJ is taking a strong stand against gambling advertising is the results of the latest OFDT (Observatory of Drugs and Addictive Tendencies) study showing the increase in excessive gambling and the resulting problems in society. The ANJ cannot be expected to do anything more than propose to the relevant authorities in the coming

CHECKMATE FOR THE MECCA OF "ILLEGAL" GAMBLING

We have already written several times about the change of conditions on the Caribbean Island of Curaçao. **Now it seems that it will only be a matter of months before the legendary checkmate with the main licences and countless sub-licences will happen.** The long-awaited legislative overhaul of Curaçao's decades-old licencing model for online gambling is expected to be approved before the end of the second quarter of this year.

The new system will destroy the current non-transparent model in which only five companies are known to have the main licence and the rest is one big secret.



Even Curaçao officials themselves do not know how many online gambling operators are based on the island. The finance ministry believes there are about **600 sublicensees** operating around **8,000 different websites**, said Mario Galea, Malta's former top regulator and veteran gambling lawmaker who played a major role in crafting the new act on the island of Curaçao.

The current main licence holders will no longer have control over the market. And after the new legislation comes into force, they will be able to apply for a licence under the new system. Galea revealed that the online platform for licences has already been launched. Companies currently operating in Curaçao will have three months from the date of implementation of the new act to apply for a licence, after which the newly formed regulator will have three months to issue a temporary licence.

This temporary licence will be for a period of 12 months, during which the operator will have to document and complete the remaining steps. Unlike the current non-transparent system, licensees will have to provide information about the real owners and follow the rules for safer gambling or dispute resolution.

Although conditions for operators will generally be tightened and Curaçao will appeal to licensees not to offer their products where they do not have a licence, it will also be up to other states to enforce their own acts to help combat illegal gambling, Gale said. Currently, operators linked to a licence from Curaçao make up almost 40% of all records on European blacklists.

New licensees will need to increase their physical presence on the island. **The companies will have to employ at least one local nominated person and increase the number to three people within five years. Companies must also buy or lease business premises** and equip them with equipment "*exclusively for the purpose of carrying on the business activities under their licence*". The industry's concern is the lack of qualified personnel - the island itself has a population of only 150,000. This was acknowledged by Galea himself, who said the government had started working with schools to tackle the problem.

ITALIAN BETTING OFFICES ARE SET AGAINST RETROSPECTIVE TAXATION

The Covid-19 pandemic has had a devastating impact on Italy. Among other things, sports organizations that the government had wanted to help were significantly affected. However, it did not have the finances to support this, and that is why it came up with a proposal for extraordinary fees for betting offices. Those are now set against it.

And why?

Betting offices are set against it after the regulator Agenzia delle Dogane e dei Monopoli (ADM) **wants fixed-odds betting operators to pay up to €40 million more within six months**, on top of the already hefty check that they paid during the pandemic.



In early January, ADM sent a letter to all licence holders stating that it was necessary to "recalculate the amounts owed" and pay the arrears for all licences. ADM let it be known that any overpayments on the payments made have already been used to repay the amounts owed.

It was originally intended that operators would pay 0.5 percent of revenue, with a maximum of €40 million for 2020 and €50 million for 2021. Now ADM has come up with the idea that there is no limit for this tax. That is why they believe that operators owe tax from May 2020 to December 2021. For some companies, these "arrears" reach up to EUR 40 million. The operators had no other option of defence than to turn their complaints to the administrative courts.