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THE GOVERNMENT HAS APPROVED THE COMPREHENSIVE REPORT ON ADDICTIONS.

The government has approved the comprehensive report on addictions in the Czech Republic for the year 2022. This is the second report from the National Monitoring Center for Drugs and Addictions (NMS), which provides an overall view of the situation regarding the use of addictive substances and other forms of addictive behavior in the Czech Republic in a single document.

The report summarizes the current situation and developments in legislation and policy, presents the results of studies focused on the extent and patterns of illegal drug use, summarizes the situation and changes in prevention, treatment, and risk reduction, describes the evolution of crime and current trends in markets with addictive products.

For the area of gambling, the NMS employees relied on data from 2021. It has long been estimated that 150,000 to 250,000 people are at risk of developing gambling problems, with 80,000 to 100,000 people falling into the high-risk category. The estimated number of people at risk of developing problematic gambling is stable long-term, but the number of people in the high-risk category is increasing slightly.

At first glance, compared to other addictions, gambling seems to be one of the least problematic areas. Of interest are the results of addictions associated with modern times and digital advancements, which could have an impact on gambling in the future. These include excessive use of digital technologies and risky gambling in digital games. Various video games or mobile games containing loot boxes could serve as gateways to problematic gambling.



CONSOLIDATION PACKAGE

The Consolidation Package of public budgets has been a crucial topic for many months and will continue to be so. It affects 63 laws and is also linked to the fate of the amendment to the gambling act. At the same time, it's a key proposal for our sector from an economic perspective as well. This is because it includes significant changes, which we have previously announced, in the area of gambling tax, the allocation of gambling tax to budgets, and last but not least, new adjustments to the winnings tax.

At the end of May, there was a public consultation process, which was the first opportunity for representatives of the private sector to become more acquainted with the proposals. Given the tight schedule, this period was quite short because in June, the government had to discuss it, so that the first reading in the Chamber of Deputies could take place in early July.

Only within five working days, similar to other consultation bodies, we had the chance to express our opinions on the proposed changes to gambling taxation. During the consultation, there were suggestions for modifying the allocation of the tax revenue from technical games. This involved redistributing the tax revenue not based on the number of permitted devices in a specific municipality but based on the population count. The Ministry of Finance did not support this proposal, and the taxes went to the government in the subsequent form.



Winnings Tax

A proposal has been put forward to reduce the exemption income limit from all gambling games, currently set at 1 million CZK, to 50,000 CZK.

For lotteries and raffles, the limit will continue to be applied from the gross amount, and the method of taxation will remain as withholding tax. For other games, income will still be exempt if it does not exceed the difference between the total winnings and deposits within a specific gambling game, as long as it stays within the designated limit.

Gambling Tax

The tax rates for games are proposed as expected at 30% and 35%.

The originally proposed categorization into numerous subtypes of games remains.

The minimum partial tax on technical games will be maintained, along with adjustments to budget allocation.

At the end of June, the government approved the consolidation package, including the amendment to the gambling law, with no significant changes. The fate of this package will be decided in the Chamber of Deputies. Various voices and ideas for modifications have emerged, unfortunately without any substantiated data or analyses. The strongest of these voices has come from KDU-ČSL, which has again suggested redistributing the tax revenue from technical games operated in brick-and-mortar gaming facilities, not based on the number of machines allowed in a given municipality, but based on the population count.

MF PLANS CHANGES TO THE REPORTING DECREE

In connection with the upcoming amendment to the Gambling Act, the Ministry of Finance (MF) is also preparing a change to the reporting decree. This change should respond not only to the new provisions of the law but also to the insights gained from the previous functioning of reporting by the customs authorities and the market. The MF presented the intended changes, which are expected to take effect from 2025, together with the State Underlying Shared Services Centre (SPCSS) at an online workshop attended by IFGR. This is perhaps the first time that the MF has invited industry representatives to be part of the "brainstorming" phase in preparing legislative changes. No legislative text or draft of the amendment is ready yet. It's fantastic that the MF has heeded our longstanding efforts for this form of legislative creation, meaning that before final solutions are adopted, their proposals are discussed with the market to assess the pros and cons of the intended solutions.

What changes are being considered?

The provision of packages will be reduced from 3 times a day to once a day. The MF also intends to introduce only two package regimes, namely the consolidated package series (packages that are "across" - e.g. operator, account, self-limitation, etc.) and the specific package series (related to individual gambling games). A positively evaluated change is the introduction of the so-called stand-by mode, which means only accepting a package that has all the previous packages marked as OK. Another set of changes responds to the amendments brought by the amendment to the law. These concern notification obligations, additions (central exchange rate for conversion) or removals (duration of participation) of data files.

Transitional provisions are always the stumbling block during transitions to new legal regulations. This case is no different. Operators should transition to the new reporting conditions on the same designated day. However, a significant challenge will arise when errors in data reported in the old reporting method (data generated in 2024) are detected during the validity of the new reporting (in 2025). How such identified incorrect data should be corrected is subject to further discussions.

FIRST MEETING OF THE WORKING GROUP FOR A UNIFIED EUROPEAN HARMFULNESS INDICATOR STANDARD

In mid-May, in Paris, the working group met for the first time, **with the aim of creating a European standard for indicators of harm related to risky participation in online gambling (known as Markers of Harm).**



As you may have learned from us earlier, we are actively involved in this group. This is primarily because of our experience in the Responsible Gambling project, where we address this issue and have already found answers to many questions. Following the introductory meeting of the entire working group, it's evident that IPRH is one of the few representatives from the sector. Apart from IPRH and the co-organizing European Gaming & Betting Association (EGBA), the group consists mainly of regulators, including the Czech Ministry of Finance.

The formation of working groups and the presentation of the basic proposal have taken place.

A fundamental proposal of eight indicators has been introduced, which are intended to represent a European standard. However, this doesn't imply that the outcome will establish specific threshold values, intervention system types, or lead to an overarching European regulation based solely on the group's outputs. The result will serve as recommendations for national regulators, which could be implemented on a national level in the future.

We openly expressed doubts about the utility of a mere list of indicators without clear specification of measurability or a more precise definition for each indicator and term. If only the names of individual indicators are set, the results will naturally differ depending on the approach of individual entities and the chosen method. Additionally, there was a complete oversight regarding the assignment of responsibilities for development from an expert perspective. This is significant for nominating local representatives to the working groups.

Based on three indicators - Stake Amount, Game Speed, and Client-Initiated Contact - three fundamental working groups were established. We nominated ourselves for all three groups because it's not possible to pre-determine any of them as less important.

THE FIRST OF THE FINES FOR PRAGUE CONFIRMED! PRAGUE AUTHORITIES ARE CONSIDERING WHAT TO DO NEXT

A few months ago, we wrote about a record non-final penalty of CZK 2.679 million imposed on Prague by the Office for the Protection of Economic Competition (ÚOHS) for generally binding decrees from 2012 to 2016. Shortly after that, ÚOHS imposed a second penalty on Prague, this time amounting to CZK 1.274 million. Again, this was a non-final penalty for violating competition rules in connection with a generally binding decree regulating gambling operations, this time from December 21, 2018, to October 14, 2021.



Now, the chairman of ÚOHS, Petr Mlsna, has confirmed the first penalty by rejecting the objections to the dissolution, including claims of the decision's nullity and non-reviewability, no disruption of economic competition, unrealistic requirements imposed by the Office for lottery regulation, non-discriminatory nature of the decrees, or disproportionate penalties.

Against this decision, there's no other possible defense but to turn to the court. The leadership of Prague is currently considering this option.

Currently, Chairman Mlsna is deciding on another dissolution filed by the city of Prague against the second penalty, which also concerns the current decree. It's highly likely that his opinion will remain consistent, and in this case, all objections will be rejected.

Among other issues, ÚOHS is concerned that gambling regulation is not uniform across the entire area of Prague, and in the case of live gaming permits, the decision lies with individual city districts.

Out of fear of further penalties and potential legal disputes with operators, the city will once again address the current decree. The legislative committee of Prague discussed the next steps on May 18.

According to information available, three possible options are on the table.

One is not to change the current decree and face potential legal proceedings with ÚOHS, risking penalties and possible compensation for damages. Another option is to enforce a zero-tolerance policy for gambling within Prague's territory.

The third option involves establishing general conditions for the entire area of Prague, possibly through an intentional draft, where the Prague City Council would indicate a preference for a zero-tolerance concept or a broader solution.

The committee is currently awaiting input from individual political clubs and the anti-drug commission.

CHANGES ARE AHEAD FOR THE UNITED KINGDOM. A WHITE PAPER HAS BEEN BORN.

In the past, we wrote about the UK working on the revision of gambling regulation, known as the White Paper. Now, its fundamental points have been presented, and therefore, we'll take a closer look at the changes and why they are being proposed.



Why is there a gambling reform, and how do the plans address addiction?

The government's White Paper outlining the proposed reform of gambling regulation spans 268 pages and covers almost every aspect of the UK's £10 billion annual betting and gaming industry.

Most measures are far from final, and detailed technical points are subject to a yearly consultation process, set to begin this summer. However, the proposals provide insight into how gambling might look in the future and why the revision was needed.

Why is this happening?

Laws governing gambling in the UK, except for Northern Ireland, were approved in 2005 and implemented in 2007. Between these dates, the first iPhone entered the market, changing the way people gamble today.

Since then, revenues from online casinos and sports betting have surged, while regulation struggled to keep up. As a result, activists and lawmakers argue that vulnerable individuals, addicts, and children were exposed to "high-octane" gambling products.

Will the reform prevent massive losses?

The government plans to introduce "affordability checks" with two severity levels. According to the proposals, if a player loses £125 per month or £500 per year, gambling companies would need to carry out lower-level checks, like assessing whether the customer suffered bankruptcy. If a player loses £1,000 per day or £2,000 every 90 days, stricter checks would be initiated. For individuals aged 18 to 24, the threshold values might be halved.

The government estimates that only 3% of gambling accounts would be subjected to these enhanced checks, which theoretically could be conducted without customer awareness, using data from credit rating agencies. However, customers might be asked for information such as pay stubs if checks raised specific concerns. Operators strongly opposed making these intrusive checks a standard practice, likely unsuccessfully.

Another measure to curb losses is limiting stakes on online slot machines, set at £2 to £15, but limits for those aged 18 to 24 might be as low as £2. The Gambling Commission will consult on affordability checks, while the Department for Digital, Culture, Media and Sport (DCMS) will decide on slot machine limits.

What about help for addicts and harm prevention?

Operators will be subject to a mandatory levy to replace the current voluntary system, funding research, education, and treatment for gambling addiction. The fee was projected to be set at 1% of revenue, yielding over £100 million annually. However, the DCMS will consult on the appropriate fee.

The Department of Health and Social Care, along with the DCMS, will take over responsibility for public warnings about gambling harm, which is currently in the hands of the industry and the charity GambleAware. This might lead to more serious warnings compared to

industry-created slogans, like "When the fun stops, stop" and "Take a break."

Customers might be required to set deposit limits on their online accounts or opt out altogether.

Will there be changes to advertising?

Yes and no, but mostly no. No new restrictions will be imposed on the volume or content of gambling advertising; instead, the industry will be encouraged to tighten controls to divert ads away from vulnerable individuals and children.

Direct marketing, such as emails and texts offering "free spins" and bonuses, could, however, face stringent limitations. Similarly, the White Paper criticizes labels like "free bets" and hints at a firm intervention in cases where players are encouraged to spend extended periods gambling without breaks. For instance, receiving a "bonus" free bet and being required to place up to 50 more bets within a short time frame before cashing out.

Likely, there will be constraints on marketing that could be considered "signing up" only. The DCMS revealed that 35% of problem gamblers receive daily incentives to play, while only 4% of other individuals do.

Any other measures?

The Gambling Commission will receive more resources to clamp down on bad behavior by legitimate firms and target parallel market operators. A new gambling ombudsman will also be introduced to help resolve disputes, where players claim losses due to companies' failures in social responsibility.

Casinos will be allowed more slot machines, able to offer sports betting, and provide "high-roller" customers with credit.

Another underreported measure is the ongoing work to share data among operators to prevent gambling addicts, banned by one company, from simply switching to another. New restrictions on the design of gambling games, slowing them down and removing elements known to encourage addictive behavior, are likely as well.

THE BALTIC STATES ARE DEALING WITH THE DILEMMA OF ADVERTISING RESTRICTIONS.

The Estonian Ministry of Finance is considering a ban on gambling advertising, even though neighboring Baltic states Lithuania and Latvia have been grappling with issues since implementing similar restrictions.

Rumors of likely changes come after the formation of a new coalition government in April, which explicitly mentions exploring a ban on gambling advertising in its policy statement.

According to statements from Henrik Mägi, an official from the Estonian Ministry of Finance overseeing the gambling industry, no changes have occurred yet, "but some are planned."

"We will start looking into advertising restrictions in detail and won't decide on anything until we consult the market. There is no legislative text prepared at the ministry level yet, but there is political will. Consultations are expected to begin in the fall of this year. It's likely that changes will come in the form of a new law or recommendations," said Mägi.



Examples of paths to take or rather avoid could be provided by other Baltic states. Lithuania's experience

suggests that significant limitations on gambling advertising deterred new operators from entering the market. Lolita Sumskaite, Head of the Department of the Lithuanian Ministry of Finance overseeing gambling policy, explained that since July 1, 2022, operators can obtain an online gaming license without having a physical establishment. *"However, as far as I know, there are no newcomers who have obtained this license yet,"* she added.

For new brands, entering the Baltic markets and starting from scratch is very risky. These are small markets, and competing against established brands to gain market share is costly.

An even more substantial warning against advertising restrictions comes from Signe Birne, Director of the Latvian Inspection of Lotteries and Gambling. She believes that it is "practically impossible" to completely ban gambling advertising. Daily reality significantly differs from what the law mandates. While Latvia's gray market share is decreasing, it still remains the largest in the Baltics. For a significant transformation, experts agree that legislation must be adjusted and a reasonable level of advertising allowed.

The Latvian regulator is well aware of this and is preparing a study to map the impacts of lifting the advertising ban on the public and vulnerable individuals. Radical or rapid changes aren't to be expected. The process of easing regulations will be very gradual, especially given the anticipated negative public reactions.

THE DOORS OF THE FRENCH ONLINE CASINO MARKET WON'T OPEN TO FOREIGN PLAYERS JUST YET. THEY WILL HAVE TO WAIT.

A member of the largest French political party has proposed opening the market for online casino games in France. This, in itself, appears to be a significant breakthrough and a substantial opportunity for strong foreign players. However, there's a catch.



For French companies to competitively compete with multinational operators in the online casino space, the proposal includes a five-year moratorium specifically for foreign operators. This means that the market would fully open only on January 1, 2030.

The proposal states: *"If the opening were to be complete and immediate, it would disrupt our regulatory framework, weaken the national casino industry, and upset the economic balance of the communities in which they are located, potentially with destructive consequences for employment in this sector."*

Until the moratorium ends, only brick-and-mortar casinos already licensed in France would be eligible to apply for an online casino license.

However, the proposal lacks some key details, such as when the online casino licenses would come into effect or what specific games operators would be allowed to offer.

The rationale for the proposal argues that the current French legal framework for gambling remains "very restrictive" for online casinos, despite opening markets for online sports betting, horse racing, or poker in 2010.

It's unrealistic to believe that French players aren't massively violating the May 2010 law and not visiting illegal online casinos that provide them with no protection whatsoever. This is confirmed by the proposal itself, which even mentions 1.4 to 2.2 million users playing in illegal online casinos in France. Attempts to block illegal websites, despite the efforts of authorities and court orders, have reached their limits.

According to Maarten Haijer, Secretary-General of the

European Gaming & Betting Association (EGBA), it "doesn't make sense" for France to continue its ban on online casinos, as it is one of the last two EU countries to do so.

The current ban leaves a million French citizens who play online casinos on websites operated from outside France without protection, exposed to the black market.

"Any move towards regulation is, therefore, positive and welcome. The success of the regulation will depend, however, on how the market is organized and whether there will be fair competition, giving everyone an equal opportunity to apply for licenses," added Haijer.

BRITISH GAMBLING COMMISSION ISSUED FINES

The UK Gambling Commission has issued a financial penalty of £490,000 to the company Flutter, owned by Paddy Power and Betfair, after sending promotional incentives to devices associated with customers who had self-excluded.

It was found that the license holder breached the provisions of the social responsibility code, which requires license holders to *"take all reasonable steps to prevent marketing material being sent to a customer who has self-excluded and to remove any name and details of self-excluded individuals from any marketing databases within two days of receipt of the completed self-exclusion notification."*

Kay Roberts, the Chief Operating Officer of the Gambling Commission, shed light on the situation. *"While there is no evidence that the marketing was intentional or that all individuals who had applied to self-exclude saw the marketing or that self-excluded customers could actually gamble, we take such breaches seriously."*

"We would recommend that all operators learn from this operator's failings and ensure that their systems are robust enough to always prevent the sending of promotional material to all those who have voluntarily self-excluded."

Ian Brown, CEO of Flutter UK and Ireland, stated that the company's ambition is to "lead the industry in safer gambling and apologize for this error." "We continue to work closely with the Gambling Commission across all areas and are committed to operating at the highest level of responsibility," Brown added.

While Paddy Power and Betfair accepted the Gambling Commission's conclusion, they appealed against the original penalty. Subsequently, an agreement was reached to withdraw the appeal and a substitute financial penalty of £490,000 was agreed upon.

Paddy Power and Betfair also agreed to engage an independent third party to conduct an audit of their marketing communication processes and procedures. Interestingly, the operator did not receive any complaints from affected customers regarding the marketing. The regulator also acknowledged that the license holder *"proactively informed the Commission of the incident as soon as it occurred, took immediate remedial action, and fully cooperated with the Commission during its investigation."*