NEWSletter



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INSTITUTE
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IN SEPTEMBER, DISCUSSIONS CONTINUED ON THE AMBIGUITIES OF THE LAW AMENDMENT

Because operational uncertainties persist in the area of new conditions for the financial stability of the operator, the depositing of deposits when transitioning permissions, and the resulting overpayments on the deposit, the question of new certifications, and especially the wording of the upcoming implementing decrees, another meeting with the Ministry of Finance (MF) took place on the amendment to the gambling law.

The meeting brought clarification regarding the **financial stability** of the operator, namely that both conditions (the result of the current operating period and the results of past years) must be met cumulatively. However, the amount of the operator's debts will only be relevant if he showed a negative economic result in both past years and in the current accounting period. Concerning the overpayment on the deposit (deposited in cash) resulting from depositing a lower deposit amount under the new law than was deposited under the old law, we were confirmed that the difference will be returned to the operator without a test of refundability within 30 days. **Regarding the proposals for implementing decrees**, the MF stated that they are currently going through internal consultation between ministries, and only then will their form be known to us. The decrees will also need to be notified, so their official adoption will take place in December. The MF also presented their idea of pre-approval of gaming plans, but further discussions will be necessary. An interesting piece of information is the possibility of performing verification payments even after the new year for accounts that did not manage to register by the end of this year.

Although we have received answers to many questions, unfortunately, more are coming in the meantime. Discussions with the MF will continue.

FAO CHANGES ITS PREVIOUS INTERPRETATION OF THE TERM HIGH-RISK THIRD COUNTRY

The Financial Analytical Office (FAO) has changed its interpretation of what is considered a high-risk third country. It issued a statement on this matter. States on the EU list, states on the FATF blacklist (North Korea, Iran, Myanmar – which are also part of the EU list), and the Russian Federation are considered high-risk third countries. Enhanced identification and client control measures must always be applied when establishing and during the course of a business relationship, or before carrying out a transaction with such entities. **States on the so-called grey FATF list and EU member states (i.e., states that are not, or cannot be, included in the EU list; as of today, these include Bulgaria, Croatia, Turkey) no longer need to be considered high-risk third countries.** Operators are not required to automatically apply enhanced identification and client control measures to individuals from these countries unless the operator's internal policies state otherwise. However, as these countries have identified strategic AML/CFT deficiencies, dealing with them poses a risk factor or may be a sign of suspicious transactions under specified conditions (similar to HRTC).



In conclusion, it should be noted that both EU and FATF lists change several times a year. Since the HRTC list usually forms only an appendix to the internal policy system, its updates are not sent to the Office.

THE MINISTRY REQUIRES A MORE PRECISE DELINEATION OF THE REQUEST"

The duration of administrative proceedings at the Ministry of Finance has been a long-standing issue. According to the Ministry of Finance, one of the reasons is also the error rate in specifying the request. Therefore, the Ministry of Finance has issued a guide on how to correctly specify the subject of the request, i.e., what the operator is actually requesting in the application. Unfortunately, our previously sent information is confirmed that the Ministry of Finance will be much stricter regarding the definition of the subject of requests."

An appeal from the ministry for a precise specification of the subject of the request. It is not sufficient to merely state a general request for a change in the game plan or the addition of games. The guide includes points that requests for the issuance of a basic permit (with a breakdown by types of games) should include in the specification, which is an attachment to this email. Similarly, for requests to change a permit, for these changes:

- change of already approved rules,
- addition/removal of games or change of game name, and
- correction of clerical errors or formatting.

When submitting a request, it is necessary to carefully consider what is to be permitted. The so-called expansion of the subject of the request (during the proceedings, you realize that you would like to permit an additional 6 games or terminal devices) may not be allowed by the Ministry of Finance (the authority for its procedure is in § 41 para. 8 of the Administrative Procedure Code). Therefore, it is good to justify any such expansion (e.g., the manufacturer has added 6 more games to the requested set, the requested game has a new version, etc.) for the Ministry of Finance to even consider it.

Attachments must correspond to the subject of the request (e.g., in the case of a request for 4 new games, attaching a game plan with 6 new games would be incorrect), otherwise, the operator will be asked to correct it."

Adhering to the stated rules can expedite the processing of submitted requests and prevent repeated requests from the Ministry of Finance to rectify errors, which cause delays in administrative proceedings or even lead to their termination or rejection of the application.

PROJECT RESPONSIBLE GAMBLING WINS EUROPEAN AWARD



In Budapest, another edition of the GamingTECH CEE Summit and GamingTECH Awards '23 took place. Representing IPRH at this international conference were Secretary Petr Kozák and Director Jan Řehola. Petr Kozák participated in a panel addressing challenges and opportunities in the gaming industry, discussing upcoming regulatory changes in the Czech Republic currently undergoing the legislative process. Later, Jan Řehola joined a panel where participants discussed how companies can find a balance between gaming and responsibility. The Director of IPRH elaborated on the Responsible Gaming project, for which we received recognition at the conference. **We won the 1st place in the GamingTECH Awards in the category of BEST SUPPORT FOR RESPONSIBLE GAMING IN CEE 2023!**

SWEDEN INCREASES TAXES ON GAMBLING

Sweden is planning to increase the tax on gambling from the summer of 2024 to 22 percent, as the government believes that the market is stable, well-represented, and can therefore bear additional costs. At the end of September, Sweden presented the budget proposal for 2024, including the planned increase in taxes for the gambling sector among various tax reliefs for different sectors.

Ministers aim to raise the tax on gross gaming revenue (GGR) from the current 18 percent to 22 percent starting July 2024, citing that the market has stabilized since abandoning the monopoly model and transitioning to the licensing system in 2019. In justifying the planned increase, the government referred to research conducted before opening the market, suggesting that a tax rate just above 20 percent would be reasonable. Instead, the government says officials chose the 18 percent rate "for preventive reasons" to give space to legal operators and eliminate the potential impact of the illegal market.

"The gambling market has since stabilized, and the number of channels where one can play has increased significantly. In addition, measures have been taken to exclude illegal gambling from the Swedish market," stated the government. According to the government, this means it can increase the tax to 22 percent without pushing players to the black market.

The Swedish Gambling Authority estimates that around 90 percent of people play in the legal market, meeting the government's goal for regulatory change. However, this figure is strongly contested by the industry. A survey commissioned by the online trade group Swedish Trade Association for Online Gambling (BOS) estimated a channelling rate for online poker and casino games of only 77 percent.

BOS reacted with dismay to the report, with the group's CEO, Gustaf Hoffstedt, urging the Swedish government to "handle this situation much better." *"The government's announcement is a profound disappointment, primarily because it shows that the government does not understand or realize what kind of market it is about to manage. Even less so has the government understood the vulnerable position in which the market finds itself,"* he stated.

"We are looking for a regulator who can regulate such a challenging market as the gambling market," added Hoffstedt. The government estimates that the tax increase would bring in an additional SEK 540 million (EUR 43 million) annually.

ADVERTISING IN THE UK UNDER ACADEMIC SCRUTINY

A few months ago, the White Paper presented in the field of advertising regulation was a disappointment for many experts, and they want to respond in their own way. British academics have secured funding from the Wellcome Trust to finance research focused on exploring the connections between advertising for gambling, alcohol, and tobacco with professional sports.

Researchers from the University of Nottingham, the University of Glasgow, and the London School of Hygiene & Tropical Medicine want to "directly respond" to the insufficient pressure in the field of advertising regulation. The planned study will examine the close connections between advertising for gambling and other vices with sports such as football, rugby, cricket,



Formula 1, or tennis from 1965 to 2025.

"Given the almost ubiquitous presence of professional football and gambling partnerships, it is often difficult to remember that it wasn't always like this. As the gambling industry expands its partnerships into other sports, it is crucial to explore the steps taken to create this 'new normal," said Professor Heather Wardle, an experienced academic in the field of gambling from the University of Glasgow. *"This project will examine how commercial forces and decision-making have influenced our sporting environment and what should be done about it,"* she added.

25 BILLION EUR | THAT'S THE TURNOVER OF ILLEGAL GAMBLING IN ITALY



The black market for online gambling in Italy is estimated at nearly 1 billion EUR annually. This amount equals the combined revenue from regulated online gambling in Croatia (170 million EUR), Cyprus (100 million EUR), Estonia (150 million EUR), Latvia (180 million EUR), Lithuania (140 million EUR), Luxembourg (30 million EUR), Malta (70 million EUR), and Slovenia (60 million EUR). All indications suggest that the ban on gambling advertising in Italy supports the black market.

According to a recent report in La Gazzetta dello Sport, it is estimated that the value of bets placed by Italian bettors on the black market amounts to a staggering 25 billion EUR annually, of which 18.5 billion EUR, representing 75%, was wagered on websites for illegal betting.

Based on these figures, the European Gaming and Betting Association (EGBA) estimates that nearly 1 billion EUR annually from Italy's online gross gaming revenue disappears on illegal websites. Importantly, this means that many Italian players are betting on websites located outside the EU, providing them with no basic consumer protection. It is crucial for Italian authorities to take more steps to raise awareness among Italian bettors about the risks associated with using illegal platforms outside the EU and to refer them to licensed operators who adhere to regulated principles of responsible gaming and national regulations.

The Italian Customs and Monopoly Agency (ADM) has already taken action by blocking more than 9,800 illegal betting websites this year. This number is already 400 more than the total number blocked in 2022, indicating the growing scope of the problem.