NEWSletter



October

INSTITUTE
FOR GAMBLING
REGULATION

2023

FALL MEETINGS OF IFGR MEMBERS

The month of October was rich in meetings for IFGR members. At the beginning of October, **the regular gathering of all IFGR members** took place at the OREO hotel at Anděl, with the main topic being the upcoming amendment to the gambling law and the preparation of implementing regulations. This time, we welcomed a rare visit from the Ministry of Finance (MF), Mr. Director Šabo, and his colleague Tomáš Bureš, who heads the legal department. Mr. Director presented the schedule for the implementation of new obligations and the form of the prepared regulations. The presence of Mr. Director was considered very beneficial, as he could answer many questions from the audience immediately without further correspondence, as the implementation of new obligations continually brings additional operational inquiries.





Just two days later, **the main representatives of IFGR members** gathered on Národní třída in „Greensward" for the first informal meeting. The evening included a cultural component – a tour of the local gallery. However, the main purpose was networking and the initiation of potential collaborations.

THE MINISTRY REQUIRES NEW DATA FOR INTEGRITY VERIFICATION

As part of the licensing process, operators must demonstrate the integrity of their key executives. For Czech citizens, the Ministry of Finance can perform this verification using the Criminal Records Registry administered by the Ministry of Justice. In order for the Ministry of Finance to check in the registry whether the person representing the operator has a clean record, the operator must provide the personal details of this person. There has been a change in the extent of this information in October. The Ministry of Justice has launched a new system for submitting electronic requests for an extract from the registry, leading to a change in the process of providing the extract. **Now, in addition to the existing information, the operator must provide the identification number and type of identification document** *(identity card of a Czech citizen, passport, residence permit for a foreigner, visa sticker for a foreigner, or residence permit sticker for a foreigner)* of the verified person. The Ministry of Finance has issued information about this change, available here. It is advisable to include these new details in the documented list of individuals, which is an integral part of the mandatory attachments to the application.



NATIONAL CONFERENCE ON GAMBLING

On the last day of October, the second annual National Conference on Gambling took place. Key representatives from state and public administration, as well as experts in the field of gambling issues and legislators, gathered at the premises of the Czech Academy of Sciences to discuss topics related to gambling from various perspectives.

Each speaker has their own experience in the field of gambling or focuses on a specific aspect of it. Together, it was a unique opportunity for the audience to hear such a diverse range of opinions in one place.

In five panels, participants focused not only on the practical implications of the new regulation of gambling, the final wording of which is now awaiting the president's signature, and many obligations will impact the market from January 1, 2024. They also discussed the regulation of gambling at the local level and the financing of municipalities from gambling taxation, programs to reduce the risks of gambling, and their current underfunding. The discussion also included new products that could make gambling more attractive, aiming to make the Czech market more competitive against illegal gambling. Another topic was how to establish smart regulation of gambling in the Czech Republic and, based on goal setting, analysis, and evaluation, determine whether the preset goals have been achieved.

Practical Impacts of the New Regulation of Gambling

The gambling market in the Czech Republic is gearing up for the largest amendment to the gambling law since 2017. Hence, the first panel focused on discussing the practical impacts of the new regulation of gambling. Invitations were extended to J. Chudoba from Sazka a.s., E. Pertl Růtová from Bonver Win, a.s., L. Vojtko from cbData s.r.o., and M. Šabo from the Ministry of Finance.

For a long time, the final version of the amendment was unknown, creating a certain uncertainty across the market and concerns about the limited time for the development and implementation of technical solutions. There were also concerns about the necessary structural adjustments to all gaming establishments and casinos associated with the amendment. Nevertheless, both the Ministry of Finance and market representatives see positives in the amendment. These include tightening the fight against illegal online gambling, introducing the Panic Button (allowing players to self-exclude for 48 hours), the option to self-exclude from gambling directly with the operator, and refining several currently imprecise terms that the market has grappled with for a long time.



Changes in municipal financing and the impacts of municipal regulation

Regulation of gambling at the local level has long been a controversial issue. With the amendment of the budgetary allocation of the gambling tax, the topic of municipal financing from gambling and local regulation in general has entered into a lively debate. Invitations to the discussion were accepted by Member of Parliament E. Olšáková, who is also the chairwoman of the Union of Local Self-Governments, and R. Vladyková from the Union of Towns and Municipalities of the Czech Republic.

Both expressed their dissatisfaction with the amendment to the budgetary allocation of the gambling tax, believing that it is set in favor of the state and municipalities that have expressed a prohibitionist stance towards gambling. However, there is a disproportion, to the detriment of municipalities that have decided to permit gambling within their territories. Senator Šípová, who also accepted the invitation to this panel, highlighted the negative impacts of gambling and the violation of regulations by operators, as well as the underfunding of support services. She emphasized the necessity of obtaining more data on gambling, its impacts, and benefits. Other panelists, J. Řehola from IFGR and M. Fanta from CETA - Center for Economic and Market Analysis, agreed on the need to establish regulation based on data and studies.



Consensus across the panelists prevailed that prohibition is probably not the best solution, and it would be good for the revenues from the tax, whether held by municipalities or the state, to be allocated to research, prevention, and treatment of pathological gambling.

Challenges of programs and the reduction of gambling risks.

Programs for reducing risks are also perceived as a necessity by gambling operators. However, challenges differ for the online world and brick-and-mortar establishments. This is reflected in both the communication with the player and the tools and approaches developed. Participants in the discussion included M. Holan, an addiction specialist, F. Trantina, Z. Brázdil from Tipsport, E. Pert Růtová from Bonver Win a.s., and L. Vojtko from cbData s.r.o.

New products on the Czech market

To make the Czech legal market more competitive in the fight against illegal markets, it is essential to offer an attractive proposition for players. The amendment to the Gambling Act will allow the operation of a common Live Dealer Game abroad. The debate delved into the rules and technical possibilities of this game abroad and the specific conditions under which it can be operated here. A. Bargel from Absolute Live Gaming, M. Tuláček from the Ministry of Finance, and D. Huspeka from the Rebuy Stars group participated in this discussion.



In the final panel, attended by the CEO Dávid Lenčéš from the Office for the Regulation of Gambling, MP P. Nacher, and M. Šabo from the Ministry of Finance, they addressed the question of **what hinders smart regulation?**

In other countries, gambling regulation and taxation are established based on predetermined goals and analyses, as seen in Sweden, for example. Unfortunately, this is not always the case in the Czech Republic. Even the connection of the Gambling Act amendment with the consolidation package denied any political attention and discussion in the Chamber of Deputies of the Czech Republic.

All panelists agreed that the main obstacles to smart regulation are the stigmatization of the gambling industry and the lack of expert public debate, goal setting, and necessary analyses. To achieve any progress, education, communication, collaboration between experts, the state, and sector representatives are required. Self-regulation and responsible gambling are integral parts of this collaboration so that gambling operators are considered partners, as is the case in Slovakia.

Next year will also bring amendments to the AML (Anti-Money Laundering) Act



The year 2024 will be full of legislative changes. Not only will a comprehensive amendment to the Gambling Act come into effect, which is more like an entirely new law, but there will also be changes to the tax law and new implementing decrees. Additionally, the AML (Anti-Money Laundering) Act will undergo changes, though not as fundamental as in the case of the gambling law. Two amendments are expected for the AML Act. The first will take effect at the beginning of next year (January 1, 2024), and the second on the eve of the following year, 2025 (December 30, 2024).

The first amendment to the AML Act introduces the following changes:

1. Among obligated entities, operators of online lotteries and online bingo will be newly included.

2. There will be a change in the interpretation of the terms "domicile" and "country of origin." Currently, these terms (relevant in the context of highly risky third countries) are interpreted according to the CNB decree, which, given that it is intended only for financial and credit institutions, is not entirely suitable. Therefore, the AML Act adopts the definition of "country of origin" in a slightly modified form from the CNB decree.

3. The AML Act will now allow gambling operators to conduct remote player identification through the so-called first payment. This method allows the identification of players through a payment made from an account held in their name with a credit institution. To use this method of identification, the player must enter into a contract (registration, participation in the game) with the operator, send a copy of their identity card and supporting document, and make a control payment from the account held in their name.

4. The AML Act introduces a new institute called "Non-Performance of Customer Verification," which allows operators not to apply certain elements of customer verification if there is suspicion of money laundering, and there is a risk that these actions would alert the client (so-called tipping-off). If the operator chooses this option, they must immediately report the suspicious transaction to the Financial Analytical Office. This procedure can only be used in duly justified cases, so in practice, exceptional use of this provision can be expected. These changes need to be reflected in the internal policy systems after the effectiveness of this amendment.

A later amendment to the AML Act will bring a significant change regarding the institute of the contact person, who, from the effectiveness of this amendment, should be available to the Financial Analytical Office (FAU) for the entire operating time of the obligated entity and during the time when it conducts transactions. At the same time, the deadlines for reporting this person are shortened to 15 days from the original 30 days. Based on this amendment, there is also an expansion of the information obligation of obligated entities to the FAU. There is an obligation to provide the FAU with information it needs for the exercise of administrative supervision or for the conduct of strategic financial analysis, even if it may not necessarily be related to specific actions taken against a particular obligated entity. Furthermore, the obligated person must provide the FAU with the necessary information for the purposes of processing a national risk assessment. However, the amendment is still in the legislative process, so we will see what the final new obligations of obligated persons will be.

VIETNAM AND CAMEROON HAVE BEEN INCLUDED IN THE EU LIST OF HIGH-RISK THIRD COUNTRIES

With effect from October 18, 2023, these countries are listed on the so-called EU list of high-risk third countries. Operators of gambling services must apply enhanced identification and customer control measures in accordance with Section 9a of the AML Act towards players from these countries. How does this novelty reflect in the Internal Control System? Fortunately, it doesn't have any impact because the list of high-risk third countries typically constitutes only an annex to the Internal Control System, and its update is not sent to the Financial Analytical Office.

MF INFORMED ABOUT CHANGES IN REP VERIFICATION SERVICE



Player verification in the register of excluded persons and the population register has been functioning for a long time. However, during the operation of this verification service, the Ministry of Finance (MF) has made several technical adjustments to improve its functionality. Most recently in October, with the modified service set to operate from the beginning of November. Because requests from operators often included characters other than those specified in the technical specification, such as characters from the alphabet or digits, MF had to tighten the validation. Entering characters other than those allowed led to an error being sent by the MF, making it impossible to verify such individuals, even though they "exist," and therefore they could not play gambling games. MF has therefore issued information about the clarification of allowed characters, their form, and entry. You can find their exact form here. According to the MF, these adjustments should not result in any changes to the operators' systems.

HOW TO STOP THE WAVE OF FINES? PRAGUE FACES A DECISION!



Prague faces a serious decision on how to deal with the regulation of gambling in the city. After more than a million in fines, Prague must pay another. Originally set at 1.27 million Czech crowns, the fine was nearly doubled to 2.4 million Czech crowns by the chairman of the Office for the Protection of Economic Competition (ÚOHS) because, in his opinion, the office did not calculate the fine correctly initially.

The last option to avoid this fine is to file an administrative lawsuit against the decision of the chairman of ÚOHS. Prague city councilors have agreed on this course of action. However, filing a lawsuit does not have a suspensive effect, and the city must pay the fine to the Customs Office for the South Moravian Region anyway, within two months of the decision, by November 21 of this year. The funds for this will be taken from the budgetary non-purpose reserve. This is stated in a docu-

ment approved by the Prague city council.

However, this does not resolve the situation for the future, and Prague still faces the threat of further fines. Therefore, the Prague coalition "Spolu" (ODS, TOP 09, and KDU-ČSL), Pirates, and STAN discussed an amendment to the gambling decree at the coalition meeting on November 23. The goal is to draft an amendment so that the city does not incur fines from the Office for the Protection of Economic Competition (OPEC).

Each coalition partner will send four representatives to the meeting. It is unclear what the final proposal for the amendment will look like. Several possible solutions were on the table. One of them, to address the OPEC objections, is the option of a city-wide rule where gambling establishments should not be located near certain buildings. The proposal currently mentions schools and educational facilities, which include children's and youth houses or school clubs. There are 3169 such facilities in the city. Gambling establishments should not be within 200 meters in a straight line.

Some members of the committee and opposition councilors, who were guests at the meeting, criticized the municipal proposals. Opposition councilor Václav Bílek (ANO) said he understood the intended move only as an effort to avoid fines from OPEC, not as a solution to gambling in Prague. Councilor and committee member Patrik Nacher (ANO) criticized the proposal, especially the distance from schools. "201 meters, does it make a difference there?" he said. Subsequently, he suggested that the municipality should analyze how the gambling situation has changed since the decree was introduced.

Senator and councilor Hana Kordová Marvanová (elected for Spolu), who was a councilor when the decree was created, stated that the city's effort in creating it was to listen to the opinions of city districts. Moreover, at that time, the city did not receive any signals from any ministry that the decree should not be in order.

Nevertheless, the carousel of fines was not stopped by this decree. What the coalition agrees on will be known in the coming weeks.

IN POLAND, PROPOSALS TO INCREASE THE AGE FOR GAMBLING ARE EMERGING

The National Center for Addiction Prevention in Poland (KCPU) is pushing the new national government to raise the minimum gambling age to 21 and introduce limits similar to those in Finland. In this regard, KCPU has commissioned a report that comes with additional recommendations. Opposition parties in Poland won recent parliamentary elections, and it is expected that they will form a new government by the end of this year. This has stirred lobbying efforts from all stakeholders in the gambling industry, hoping that the new political representation will be willing to change one of the flagship legislative initiatives of the outgoing government.



The report, commissioned by KCPU, an agency under the Ministry of Health, was prepared by researcher Łukasz Wieczorek and lawyer Tomasz Bednarczyk from the government's Institute of Psychiatry and Neurology in Warsaw. The authors of the study compared gambling laws in Poland with conditions in several other countries, including Ireland, South Korea, Finland, Germany, the United States, Australia, and Italy.

Based on the analysis of regulatory frameworks in these countries, the report suggests several possible changes to the Polish system. Among other measures, the study authors propose:

Restricting the geographic availability of slot machines, stating that *"limiting this access can be beneficial either by reducing the number of brick-and-mortar establishments or slot machines available in specific areas... or by setting limits on the time one can play or setting the amount of loss per player."*

Introduce player identification cards, which will be required for access to slot machines and other forms of gambling. They could also be used to limit the amounts players can spend in a specific time period, similar to

the practice in Finland.

Raise the minimum age for gambling from the current 18 years to 21 years. Establish a voluntary exclusion system for players, similar to the one in the German market.

On October 15, opposition parties gained a majority in both chambers of the Polish parliament. After eight years of Law and Justice party rule, a new government is likely to be formed by a coalition of center-right, liberal, and left-oriented parties, expected to be composed by the end of this year.

The Law and Justice party government adopted the existing gambling law in 2016. Among its provisions, there is a monopoly on online casinos and slot machines for the state operator Totalizator Sportowy. Many stakeholders hope that the new government will consider abolishing the monopoly, along with long-requested changes in the tax area.

FINLAND TAKES FIRST STEPS TOWARD A LICENSING SYSTEM



Finland has officially initiated a process to abolish the country's monopoly on online gambling and replace it with a licensing system. The Finnish Ministry of the Interior has launched an official project to establish the conditions that will translate into a new gambling law. The ministry's team will determine everything from tax rates to the number of available licenses. However, it won't be a market decision without market input. Industry representatives have been invited to a roundtable to share their views with the government working group responsible for the legislation that will open the Finnish online gaming market to private companies.

The state operator, Veikkaus, which currently has absolute control over the entire legal market, will retain its exclusive position in land-based casinos. However, for over a year, Veikkaus has been lobbying for the government to open up the online market.

The government project will specifically identify which forms of gambling will be covered by new licenses, what tools must be offered to players to protect them from risky gambling, and rules for gambling advertising, according to the ministry. It will also outline measures to combat gambling offered outside the licensing system.

The official completion date for the project is December 31, 2025, but officials are already stating their intention to submit the new gambling law plan to the government in spring 2025. The Ministry previously set January 2026 as the market launch date, but some Finnish stakeholders fear that the commencement of licensing could be delayed due to broader political instability in Finland. Local experts vary in their predictions of when the new market will open, but even the most pessimistic believe it will happen by the summer of 2026.