NEWSletter



Winter 2023

INSTITUTE
FOR GAMBLING
REGULATION

FIRST RESPONSIBLE GAMING 2023 CONFERENCE IN SLOVAKIA

At the end of November, under the auspices of the Office for the Regulation of Gambling (ÚRHH), the first ever professional conference in Slovakia dedicated to the topic of responsible gambling took place.



The conference created a space for substantive debate and objective discussion among experts, addictionologists and other professionals in the field of gambling.

In the four main panels, the topics of market sustainability and regulation by the state, safe gaming in the conditions of the Slovak Republic and the Czech Republic resonated. There were also discussions on the topic of concern for problem gamblers, prevention and, of course, responsible advertising.

Among the main speakers were Anders Dorph (Director of the Danish regulator), Maarten Haijer (Secretary General of the EGBA) and Martin Šabo from the Ministry of Finance.

Jan Řehola also accepted the invitation of the Director General of the ÚRHH, David Lenčáš, who had the opportunity to share our experience and to introduce the activities we are engaged in at the Institute and the Responsible Gaming project. *"In the Czech Republic, it has been publicly stated several times by the CEOs of the largest operators that they do not want a single crown from people who have a problem with gambling. We want to work together to identify these people early and to intervene before they have a problem. That's why we are working on a preventive mathematical model that analyses gambling behaviour and will be able to warn players in advance,"* said Jan Řehola. The system is unique in that it is intended to work across operators and is linked to other activities of the Institute and the Responsible Gaming Project. When a risky gambler is detected, he or she will be offered help from the individual addiction centres involved and can also contact the Helpline.

This happened just a few weeks after David Lenčéš spoke at the National Conference on Gambling in Prague. The panel presented not only the work of his office, but also the regulation of gambling in Slovakia in general.

ALL ESTABLISHMENTS IN PILSEN TO CLOSE WITHIN TWO YEARS

Pilsen has a new ordinance regulating gambling. Thanks to it, all gambling halls and casinos, of which there are currently 38, should gradually disappear from the territory of the regional capital within two years. The ordinance has already been approved by councillors and will be effective from 1 April 2024.

On 14 December, councillors adopted an ordinance that provides for the gradual closure of all gambling halls and casinos. The last establishments should close by the end of 2025 at the latest.

Until now, Pilsen has regulated gambling by defining by decree the places where games can be played. With the promise that the stricter rules of the 2017 law will contribute to a gradual decrease in the number of gambling venues. *"This assumption was true until recently. According to our ordinance from 2017, it was possible to operate games in Plzeň at 98 gaming places, after the amendment of our ordinance in 2022 we achieved a reduction to 48 gaming places and according to the current situation in autumn 2023 we have 38 gaming places and casinos. Most are in the downtown area, followed by the second, first and fourth wards. Unfortunately, the trend of gradual reduction has stopped and is beginning to reverse, with several applications for new venues to be added to the city ordinance in recent months. Thus, it appears that regulation through statu-*

tory regulation has hit its limits, and without further tightening of regulation at the municipal level, the situation will not improve. That is why we are coming up with a new ordinance that means zero tolerance for gambling," said Mayor Roman Zarzycký.

Opponents of the adopted decree warn of an increase in black establishments or of casinos moving beyond the borders of the West Bohemian metropolis.

"The aim of this ordinance is zero tolerance of gambling in the city of Pilsen," said Mayor Roman Zarzycký. *"It is not immediate, our lawyers have advised us that a reasonable period of time is about two years," the* Pilsen mayor specified.

The town hall began limiting the number of gambling halls ten years ago, when there were more than 300. Forty-eight addresses are allowed today. "Thirty-seven of them are actually gambling," said opposition councillor Michal Vozobule (TOP 09). *"But can't it end in lawsuits? "* Vozobule feared.

According to Dominik Tomášek, head of the municipality's legal department, a number of towns have similar ordinances, "For example, Klatovy, Frýdek-Místek and Děčín. And they have stood up.

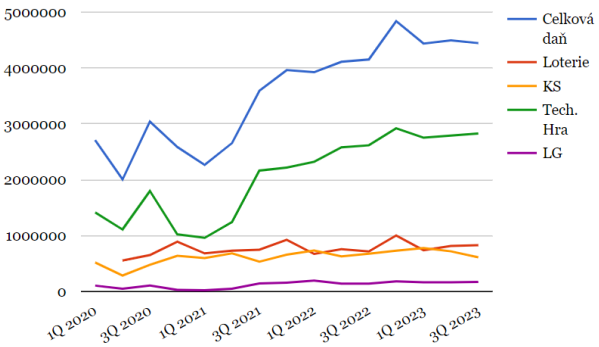
The ordinance was eventually approved by councillors across the political spectrum. Only Lukáš Hegner (ODS) was against the ordinance.In his opinion, the regulated form of gambling works in many large European cities, it is a business like any other and I don't know why we should ban it in Pilsen.

Aren't the arcades moving elsewhere?

The People's Party member Štěpán Krňoul abstained from voting. *"I would very much like to see gambling eradicated, but I am afraid it is eternal,"* he said. According to him, there is a risk of gambling houses moving out of the city. For example, to the Globus hypermarket, which is on the outskirts of Plzeň but falls under the nearby Chotíkov district. *"In five years, Las Vegas could be built next to it and we won't do anything about it,"* Krňoul warned.

THE GAMBLING TAX ASSESSMENT IS AT AN ALL-TIME HIGH

In the third tax period of this year, the total tax assessed on gambling is still over CZK 4.5 billion, namely **CZK 4.464 billion**. Compared to the previous tax period, this is a slight decrease of 1.1%. However, year-on-year, it recorded an increase of 7%. The trend of higher collections from online gambling than land-based continues. The **tax assessed for online operations is around CZK 2.229 billion and for land-based operations it is CZK 2.217 billion**. Both modes of operation are down slightly from the previous quarter, but only by one percent. For online, by 1.9% and for land-based by 0.2%. However, year-on-year growth was recorded, online by 10.4% and land-based by 2.9%. As regards the individual types of gambling, all of them increased year-on-year, with one exception, namely odds betting. Odds betting has seen a decrease of 9.3%. On the other hand, the highest year-on-year increase in tax liability was in live gaming, up 21.9%. This is followed by lotteries with an increase of 15.6% and technical games with an increase of 8.1%.



A more detailed table with a breakdown by gambling type and related charts can be found here.

THE FINAL TEXTS OF THE AMENDMENTS TO THE LAWS AND IMPLEMENTING DECREES ARE ALREADY KNOWN

Just a few days before the entry into force of the **final legislative text of the much-discussed amendments to the Gambling Act and the Gambling Tax Act**, which are part of the package of laws known as the consolidation package. The so-called "legisvakance", i.e. the period of time for adapting to the new conditions from the law's entry into force to its entry into force, is not long. Fortunately, the amendment to the Gambling Act contains relatively sufficient transitional provisions to give operators time for implementation. The consolidation package, including the laws referred to, was published in the Collection of Laws on 12 December 2023 and can be found in volume 163, number 349/2023 Coll. These are parts fifty-three and fifty-four.

Indeed, in "five minutes to twelve" the final forms of the **implementing decrees on the conditions of operation of gambling, on the output documents and on the technical decree** were published. The comment procedure for these decrees was only completed in early December, and IPRH made a number of comments based on discussions with its members. In particular, we consider the acceptance of the comments on the transition period to be a success, whereby a transition period was established for bonuses and output documents under certification. Bonuses or bonus programs that were offered prior to the start of the new year may be offered in their current form until the end of March 2024. Certifications initiated prior to the end of the year may not be completed until the end of January 2024 under the original rules. Unfortunately, the Department remains steadfast in its refusal to allow card shuffles in the context of operating Internet live dealer games.

The laws and decrees are also available in the member's area of our website under the Legal Regulations tab. Here you can also find the explanatory notes to these laws.

THE MINISTRY HAS PUBLISHED METHODOLOGIES FOR THE NEW FORM OF THE PERMIT PROCEDURE

The amendment to the Gambling Act brings a major change to the licensing procedure. It will no longer be sufficient to operate gambling only with a basic licence and a land-based gaming premises licence, but an **initial licence will now also be required**. This permit provides for a general time-limited authorisation to operate gambling, whereby the Ministry will consider the corporate circumstances of the applicant as part of the application process. The basic permit will then only relate to the authorisation of a specific type of gambling and the conditions for its operation. In accordance with the transitional provisions of the amendment to the Gambling Act, obtaining the initial permit is postponed until June next year, which is the deadline for submitting an application for the assessment of the conditions for the issuance of the initial permit. In view of the new developments in this area, the Ministry of Finance has issued **methodologies describing the procedure for submitting such applications, in particular the requirements for annexes required by law**. All the methodologies will be effective from the new year. The methodologies are:

- to apply for an assessment of compliance with the conditions for the initial authorisation
- to apply for an initial authorisation
- to complete the application for a basic permit
- to complete the application for a variation of the basic authorisation

The methodologies also contain a number of templates for the various annexes that will need to be submitted.

This package of permitting methodologies also includes a methodology for the provision of bonds, for which the amendment introduces fundamental changes to the amount and principle of their deposit. Bonds will no longer depend on the type of gambling but on the amount of tax paid. Thanks to transitional provisions, it is also possible to use deposits lodged at the same time to meet the new conditions of the initial authorisation.

AND WHAT'S IN STORE FOR US IN THE NEW YEAR?

We will definitely have a lot to do next year. Although the transitional provisions will dilute the new obligations over time, it will still mean a lot of work on the part of gambling operators. This is not only in terms of implementing the new obligations in the gaming systems, but also, and most importantly, in the licensing area, as the entire market has to go through the relicensing process for the initial permits and the adaptation of the basic permits to the new obligations. There are a lot of important deadlines in the coming year, so we have prepared a summary of them:



1 January 2024 - the amendment to the law and some new conditions (e.g. abolition of DUK, viewing of gaming premises, new form of risk bonuses) will come into force

Publication of the technical specification for the panic button - it will now state the date (but not before 1 July 2024) from which operators must apply it in operation.

1 March 2024 - the recording and notification obligations of the Decree on Conditions of Operation (notification of newly deployed games) will apply

until 30 June 2024 - submit an application for an assessment of compliance with the conditions for the initial permit - otherwise all basic permits of the operator will be terminated by law

1 July 2024 - the latest date for other new conditions of the amendment to take effect - e.g. "local" panic button, SOO, registration and account management

until 31 March 2025 - end of the transitional period for operation under the current conditions - e.g. max bet of CZK 1,000 on the online technical game

1 January 2027 - extension of the Register of Excluded Persons to include persons subject to enforcement proceedings

The announced publication of the technical specification will of course be monitored. According to discussions with the Ministry of Finance, a **workshop** on this **specification should be held in the first quarter of the new year** on the technical requirements for the introduction of panic buttons in gaming spaces and online environments.

THE COUNCIL OF THE CENTRAL BOHEMIAN REGION REJECTED THE PROPOSAL OF THE GOVERNOR

The proposal of the governor Petra Pecková (STAN) that municipalities that do not regulate gambling should not receive regional money was not approved by the councillors. The Central Bohemian Region will continue to pay subsidies to municipalities that have gambling on their territory.



According to the governor, there is no reason why municipalities that receive income from gambling should still receive money from regional subsidies. She believes it is better to support municipalities that have regulated gambling and "faced the problem head on" with these funds. According to the governor, the roughly CZK 40-50

million that would be saved annually could go towards prevention or be given to municipalities that do not have gambling revenue because they have already regulated it by a generally binding decree.

Peck's idea did not meet with the support of the opposition deputies from ANO or from the ODS coalition. Of the 59 councillors present, 28 were in favour, 14 voted against and 17 abstained. Of the coalition parties, all STAN councillors supported the motion, but no one from the ODS voted for it and some Pirates abstained.

Pecková said she is not happy about the result, but it will not deter her from continuing to work on the issue.

According to ODS, the procedure for including this item was also non-standard, as it was not approved by the Regional Council and the Commission for Security and the Integrated Rescue System issued a negative opinion on it.

"Nor was there any effort to find a consensus of opinion within the coalition, but we learned everything from the media," said Josef Pátek, an ODS deputy. However, Councillor for Education and Sport Milan Vácha (STAN) said the controversial proposal should not divide the coalition.

THE FUTURE OF GAMBLING IN PRAGUE? STILL IN SIGHT

After the selected representatives of the Prague coalition discussed the future of gambling in Prague at the end of November, the future direction of Prague was the main topic of debate among the members of the legislative committee just a few days later.

According to Committee Chair Arnotová, there are currently two proposals in play that the coalition has agreed on. Neither of the options envisages breaking the ban on technical games or slots in the capital. The first option is inspired by the regulation that has been in force in Brno for several years. The second would restrict gambling to hotels and shopping centres.

Both proposals were to be studied by the relevant department, which was to issue its opinions on the matter by mid-December.

The lively debate among committee members also brought other suggestions for possible solutions. For example, Mrs. H. K. Marvanová came up with a proposal that Prague should have one general ordinance regulating gambling and then the districts should have their own ordinances. For example, the Prague City Hall would ban only technical games and then the districts could ban gambling altogether. It is very likely that the Gambling Act would need to be amended, and the Senator has already discussed this with Minister Stanjura and, at the same time, with representatives of the Ministry of the Interior. The Minister is in favour of this possibility and the Ministry of Finance is said to be looking into it. The other members of the Committee do not entirely agree with this view. Although it is an interesting idea, they fear that it is not feasible in the current form of the law.

Mr A. Zábranský then admitted other possibilities besides the legislative anchoring of the proposal by Ms Marvan. For example, to comply with the Office of the Public Prosecutor's Office and not to address the opinions of the municipalities. In his view, the simplest option is to remove the annex to the decree and wait for the court decision. Or add another criterion that limits where casinos can be allowed.

He's not for zero tolerance. In his opinion, even technical play could be allowed under certain conditions, for example in hotels, but this is not possible under the current legislation.

Criticism has often been voiced by other members of the Committee against the creator of the current stalemate, Mrs Marvanova. In general, the majority do not want to ban all types of gambling outright, but are in favour of varying degrees of regulation. This makes it very difficult for them to see the current view of the OCC.

After two hours of deliberation, the committee members did not adopt any resolution. They will take up the gamble again when the opinion of the relevant department is known. The next meeting can be expected probably in the new year.

GAMBLING WAS ALSO A TOPIC IN SOBĚSLAV

In addition to large cities and counties, gambling is also a topic in smaller towns and cities. Most recently, this happened in Soběslav. It would seem that they have gambling regulation sorted out there. The local ordinance allows one address where gambling can be operated. This ordinance has even been successfully inspected by the Office for the Protection of Competition. Yet there are councillors who want to fight gambling and one casino is a thorn in their side.

During several hours of debate, most councillors concluded that they had no problem with the establishment there, and that one permitted gaming establishment was better for gamblers than a complete ban within the city limits. Therefore, a complete ban on gambling in Soběslav was not adopted. However, the councillor for the Pirate Party let it be known that he would present the zero tolerance ordinance proposal again at the next council meeting. Therefore, this story can be expected to repeat itself until the anti-gambling campaigners get their way.

AI WILL PLAY A SIGNIFICANT ROLE IN IDENTIFYING PROBLEM PLAYERS

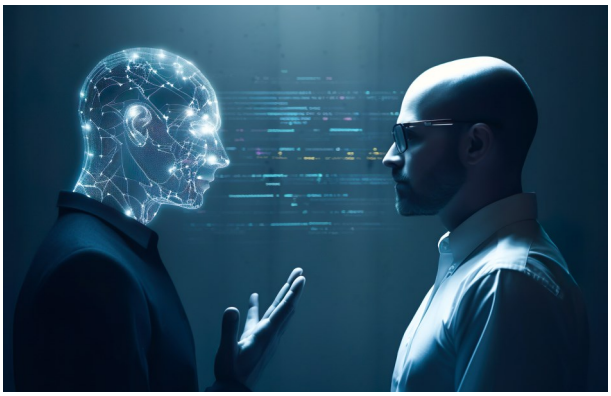
Online gambling companies are turning to artificial intelligence (AI) to help take a more personal approach to preventing the development of gambling addiction. One possible solution is individual communication through chat windows based on specific gambling behaviour patterns.

Regulators in Europe, North America and other global markets are placing increasing emphasis on monitoring player behaviour and intervention. Increasingly, these obligations are among the key requirements for obtaining a gambling licence. This was also a major driver behind Playtech's decision to fund academic research to measure the effectiveness of personalised responsible gambling solutions using data and artificial intelligence (AI).

The four-year project, which was launched last year, consists of a team of psychologists from Erasmus Rotterdam and the University of Amsterdam who are developing a library of messages and tools for responsible gaming.

Francesco Rodano, responsible for policymaker, institutional and industry relations at Playtech, said psychologists will use the risk insights provided by the company's BetBuddy product to conduct tests with real players in both the Netherlands and the UK.

"This research will further improve our understanding of player behavior and allow us to provide more effective



personalized interventions," Rodano said. He further added that AI can allow the operator to determine a player's behavioural profile, which will then allow the operator to take appropriate action based on that information.

"This is a truly revolutionary project with the potential for significant scientific advances," Rodano said. "Through extensive testing, we are trying to develop a library that will be effective and scientifically validated."

In the second phase of research, psychologists will incorporate artificial intelligence, specifically reinforcement learning, to carefully refine these messages. This means that if the system detects that the current messages are not optimal, it will learn to improve them over time.

Another area they are exploring is "using generative AI for player interactions".

Instead of just suggesting a break, the chat window can

have a conversation with the player. And suggest actions based on his behaviour, such as setting betting limits or longer pauses and considering self-elimination. Rodano said this approach could be extended to automatically handle interactions with multiple players.

The exploration of the use of AI and machine learning in responsible gaming comes at a time when regulators increasingly expect online gambling operators to monitor player behaviour and then intervene appropriately based on player gaming patterns.

Such a requirement already exists in the UK and Ontario, where operators have been subjected to enforcement action for failing to adequately monitor or respond to player data. Other markets, such as Germany and New Jersey, also require the use of monitoring systems for responsible gaming purposes.

In the future, artificial intelligence could be an alternative to human intervention based on transactional data. Rodano noted that people are generally becoming more accustomed to interacting with chat windows in other areas as well.

It is important to remember that individuals with gambling problems may hesitate to approach a person for help or advice out of shame or a sense of judgement. This psychological barrier can affect the effectiveness of talking to a professional. However, experiments have been conducted with other types of addictions where chat window conversations have been shown to be effective and efficient.

Therefore, the potential for the use of AI in this context seems promising.

As part of its responsible gambling strategy, Playtech relies on BetBuddy, a responsible gambling analytics platform it purchased in 2017. Rodano described BetBuddy as a behavioural analytics tool that uses AI to analyse the behaviour of every single player in the company's customer base and tries to match those behaviours against risk-taking behaviours. Instead of just providing a score for each player, we also identify specific behavioral traits that contribute to that score. This is key because it allows us to communicate with players in a personalized way and protect them as a whole."

For example, if a player is running up losses or increasing their stakes, instead of simply suggesting that the player may have a problem, BetBuddy may suggest the player set limits on their stakes, take a break after playing for a long time, or simply ask the player if they still enjoy gambling.

"This personalized approach has been proven to be up to 20 times more effective in eliciting a positive response from players, as our research has shown," Rodano said.

BRAZILIAN FOOTBALL CLUBS SPEAK OUT AGAINST ADVERTISING RESTRICTIONS

The management of the top football teams in Brazil have expressed their strong opposition in a letter to the amendment on advertising and sponsorship that was attached to the gambling bill by the Senate Sports Committee in early November.

The amendment restricts all sports betting advertising on television or social media to between midnight and 6:00 am. An even bigger hit for football clubs is the ban on sports betting advertisements placed in sports arenas or sponsorship of teams and tournaments by betting companies.

At the same time, the amendment bans former and current athletes from promoting bookmakers, which could cause problems for many Brazilian stars, including football icons such as Ronaldo and Neymar.

The reason for these strict measures, according to the author of the amendment, Eduardo Girão, is "to prevent celebrities and influential people from using their reputation in the world of sport to influence new bettors".

The letter to the senators, signed by 33 football teams, covering all Serie A teams in Brazil, says: *"The total ban proposed by the Sports Committee ... would not only not serve its intended purpose, but would also represent a complete and irreparable damage to the main current*

source of revenue for Brazilian football."

Of the 40 teams in Serie A and B, 39 already have some form of sponsorship agreement with a betting platform.

Approval of the amendment by the Senate Sports Committee is not final, as PL 3626/2023 still needs to be voted on in the Senate Economic Affairs Committee and also on the Senate floor, which is expected within the next ten days, according to local media.

The law must also be passed again in the Chamber of Deputies.

Rafael Marchetti Marcondes, legal director of the Brazilian betting trade association IBJR, and Brazilian fantasy sports operator Rei do Pitaco, believes the Senate Sports Committee's vote is not cause for concern. And this is particularly true of the power of football clubs.

The football clubs, who are signatories to the letter, "have influence and can cause a lot of fuss. I don't think this restriction on adverts will go ahead", he said.

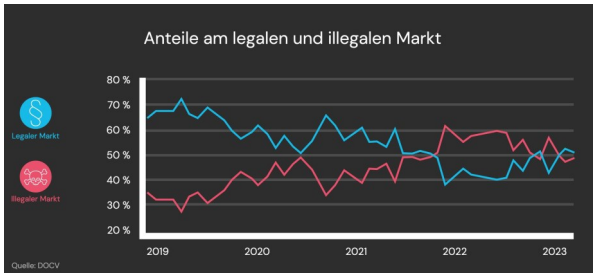
Udo Seckelmann, a lawyer specialising in betting at Brazilian law firm Bichara e Motta, said he was not sure how much lobbying power sports clubs have in Congress, but their power to attract media attention is unquestionable.

The basic problem, according to Seckelmann, is that *"sports teams are really afraid of losing the money that sponsorship puts into clubs".*

HALF OF ONLINE GAMBLING IN GERMANY IS CONDUCTED BY ILLEGALS

A new study by economist Gunther Schnabel of the University of Leipzig reveals worrying trends in the German online gambling market. Despite efforts by the federal states to redirect players to legal offerings, around half of them still indulge in black market online gambling. Protective measures for young people and players by legal providers, such as various limits and restrictions or ancillary services, often remain unsuccessful.

The reason for this situation is the huge black market supply on the Internet, which is available in a few clicks and is constantly advertised. At the same time, the legal German gambling market is so restrictive that it is often not attractive to players. This leads to tax losses of several hundred million euros and threatens the protection of players.



The commissioners of this study, the German Online Casino Association (DOCV) and the German Sportsbook Association (DSWV), have come up with eight specific requirements that should help to boost players' interest in legal gambling. There are also proposals to increase the competitiveness of the legal market, to adjust the taxation of gambling, to speed up and more effectively combat the illegal market by advertising that promotes it. Or improving the overall communication between the industry and the state authorities.