NEWSletter

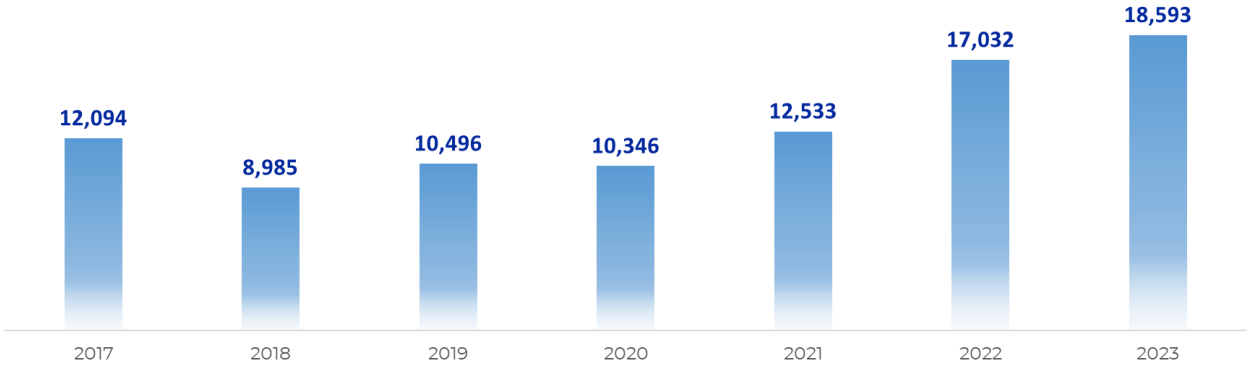


Winter

INSTITUTE
FOR GAMBLING
REGULATION

2024

LAST QUARTER OF THE YEAR 2023 IN NUMBERS



Taxation of gambling brought 18.6 billion Czech crowns into the state budget last year, according to data we managed to obtain from the Ministry of Finance of the Czech Republic. This represents an increase of 9.2% compared to 2022. The increase has been consistent since 2020 when the state collected 10.3 billion Czech crowns in taxes from gambling.

Last year's record collection is also due to the high tax burden on gambling in the Czech Republic, which is cumulatively the highest in the European Union.

According to the data, the last quarter was the most successful in history. The total assessed tax for the fourth quarter of last year amounted to approximately 5.213 billion Czech crowns. Of this, internet gaming accounted for 2,571,241,000 crowns and land-based gaming slightly more, specifically 2,641,659,000 crowns. In total, across all types of gambling, the tax obligation in the fourth quarter increased by 17.2% compared to the third quarter of 2023 and also saw a year-on-year growth of 7.7%.

How did individual types of gambling perform?

Year-on-year, all types of gambling saw an increase. The tax obligation increased the most year-on-year in live gaming by 37.9%, followed by slot machines by 8.8%, and lotteries by 4.4%. Betting remained at similar levels to 2022, with only a 0.8% increase.

ICE BID FAREWELL TO LONDON

Every year, ICE London is a highly anticipated event eagerly awaited by the gaming and gambling industry worldwide. The event, where leading companies in our industry exhibit, attracts tens of thousands of visitors. This year, it took place in London for the last time, with over 600 companies exhibiting and attendance exceeding 35,000 visitors.

We couldn't miss this event and drew inspiration from current international trends. We had the opportunity to attend discussions on various approaches to safer player engagement, sustainability, and other emerging trends. It's evident that safer gambling is an increasingly resonant concept in our sector, reflected in the growing number of attendees and discussions each year.



In addition to the ICE exhibition, the grand international ICE VOX conference is also part of the event. Director of IPRH, Jan Řehola, had the unique opportunity to speak at it. Together with representatives from Ukraine, Bulgaria, and Romania, he participated in a regulatory panel for Central and Eastern Europe, presenting an

overview of the current Czech market and the latest regulatory changes.

This year's ICE and VOX conference was the last to be held in London. The next edition is moving to Barcelona. It will still be a three-day event, but this time it will take place at the end of January.



WHAT METHODOLOGIES WERE ISSUED BY THE MINISTRY IN THE FIRST MONTHS OF THE NEW YEAR?



The Ministry of Finance continues its methodological activities, issuing one methodology after another in the new year. It's no wonder, as the amendment to the Gambling Act brings a significant amount of new obligations. And they are not always entirely clear. Rather, it's a completely new law than just a few amended provisions. The first methodology of the new year was a methodology for municipal authorities outlining the impacts of the amendment on administrative proceedings they conduct regarding permits or changes to permits for the placement of gaming premises.

Unfortunately, at the beginning of the new year, the Ministry of Finance issued a methodology explaining the individual points of extensive transitional provisions with a bit of ambiguity. Fortunately, the methodology, apart from the issue of abolishing temporary user accounts and transferring them to permanent accounts, did not bring anything groundbreaking.

A highly anticipated document was the release of the technical specification for the implementation of the so-called panic button. Eventually, it was issued as an update to the existing specification for the register of excluded persons, as the same authentication service will be used for sending information about the use of the panic button by players or registration in the register. The date when the testing environment will be launched will be specified by the Ministry of Finance on their website. The obligation to offer the panic button is set for July 1 of this year, and therefore, the effectiveness of the specification is also set for this date.

Shortly thereafter, a guide was issued for operators of gambling games on how to complete an application for the issuance of a placement permit and notification, including new templates. There are no groundbreaking changes in the templates, but only adjustments in connection with the new data, the registration number of the gaming table, and the modification of attachments, removing the proof of deposit and adding a floor plan of the gaming premises. Furthermore, the Ministry of Finance updated the FAQ on the reporting decree regarding answers regarding sports betting. The Ministry described how to report a BetBuilder-type bet and the situation when both a regular and a so-called super-odds will be offered in one betting opportunity. The methodological wave concludes with the recently issued information on internet applications through which online games are operated. The name and identifier of the application will need to be assessed by an authorized person and stated in the expert assessment. Based on this information, it will also be included in the basic permit.

THE MINISTRY HAS TIGHTENED THE PRACTICE OF EXTENDING DEADLINES FOR SUPPLEMENTING ATTACHMENTS

Within administrative proceedings for issuance or amendment of basic permits, it was common practice for the ministry to repeatedly extend the deadline for supplementing missing attachments. However, that is now over. The ministry has tightened its procedure by stating that applications should be submitted without defects, and their documentation should include all required documents. Applicants should therefore submit complete and flawless applications, including all required documents, and only in exceptional cases should the administrative authority assist the applicant in removing defects due to minor faults. The ministry will thus thoroughly assess the reasons provided by the operator in the application for extending the deadline, so it will be important to pay considerable attention to them. Operators can no longer expect a standard approach where applications for extending deadlines were approved in most cases and the operator was given more time to supplement mandatory attachments. The ministry will individually evaluate each application and assess, for example, the following criteria - whether the applicant is a professional in the given field, whether the stated defects in their applications recur regularly, repeated failure to provide documentation without their fault, or obstructive tactics.

So, what deadlines will the ministry establish?

The total deadline for removing deficiencies and faults in the applications and attachments will be provided to the applicant for a maximum total period (including all extensions) of one month. In objectively warranted cases, up to two months maximum. In completely exceptional cases, consideration could be given, taking into account individual circumstances, to extending it for several additional days. From the operators' side, therefore, there can no longer be an automatic expectation of a standard repeat extension deadline.

THE PREPARATORY PHASE OF THE NEXT ROUND OF THE NATIONAL RISK ASSESSMENT IS UNDERWAY AT FAO

A meeting of the working group in preparation for the sixth round of evaluation of the Czech Republic by the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism of the Council of Europe (MONEYVAL) took place at the Czech National Bank, with the participation of IPRH. Representatives of the Financial Analytical Office (FAO) began by evaluating the results of the previous fifth round of evaluation, which took place in 2018. Unfortunately, the Czech Republic did not perform well in this round, and in 2021, it was placed on the "grey list" of countries by FATF. For example, the Czech Republic was found to be only partially compliant with the recommendation on the adoption of targeted financial sanctions related to terrorism and its financing, or with the recommendation on reporting suspicious transactions.

Subsequently, participants received information regarding the preparation and progress of the sixth round of MONEYVAL evaluation. We are currently in the first preparatory phase, which will last until June next year. By then, it is necessary to prepare questionnaires on the technical state, identify critical areas, and jointly propose corrective measures. In April 2026, an "on-site" evaluation by MONEYVAL assessors will take place. Finally, experiences from representatives who participated in the fifth round of MONEYVAL evaluation and practical experiences were shared with the participants. This year's evaluators should be careful to thoroughly prepare before the evaluation, improve communication with evaluators, and demonstrate the improvements achieved. Therefore, FAO may turn to IFGR in this phase with a request for cooperation and information from our sector.

ITALY SEEKS TO RAISE LICENSE FEES. WHAT WILL IT DO TO THE MARKET?



Not only in Italy, there is concern over the proposed new Italian decree on online gambling, which is currently being discussed by the Council of Ministers. The decree contains provisions that would introduce a significant reorganization of the sector, particularly in terms of licensing fees. The possible introduction of (quasi) prohibitive licensing regimes and fees also raises concerns about compliance with EU law, which deserves attention.

Recent reports indicate that the decree sets an unprecedented licensing fee of EUR 7 million, far exceeding other EU member states. Many argue that the substantial increase in licensing costs is unwarranted, especially compared to previous licensing tenders in the country for operating online gambling. The proposed fee represents a 35-fold increase from the 2018 licensing fee of EUR 200,000 and triples the previous Italian authorities' proposal for a licensing fee of EUR 2.5 million, which was never implemented.

The significant increase in licensing fees will have serious consequences. The high fee will deter new entrants to the Italian market and likely drive out existing license holders, especially smaller operators, from the market. This will lead to a single outcome. And that is a drastic reduction in the number of licensed operators from the current 91 license holders to just 15-20, which would contribute to a significant increase in the size of the black market for online gambling in the country, posing an increased risk to player protection.

Italy's black market for online gambling is already one of the largest in Europe, with an annual value exceeding EUR 1 billion, and the proposed fees would not improve this situation, rather the opposite.

Estimated revenues from the proposed licenses range from EUR 105-140 million in the most optimistic scenario for the Italian state.

The main goal of Italian gambling regulation should be player protection and the promotion of a fair and competitive market environment. However, by limiting economic competition to only a few operators and inadvertently strengthening the black market, Italy risks undermining player protection.

WE KNOW STRATEGY OF THE FRENCH REGULATOR

The French gambling regulator ANJ, in unveiling its strategy for the next two years, has pledged a renewed fight against illegal gambling while emphasizing the need to curb excessive gambling in society.

In announcing its strategic plan for 2024 through the end of 2026, ANJ stated that it would particularly focus on reducing the "social harm" caused by gambling activities.

ANJ took over regulation of most of the French gambling market in 2021. Since then, the market has seen a "boom," with gambling becoming the primary consumer activity for people of all ages.

According to the regulator, more than half of French people now engage in gambling activities, and the revenues in this sector exceeded 13 billion euros in 2023. Allegedly, however, 38 percent of the sector's turnover is attributed to problematic gambling, and 21 percent to

what it calls excessive gambling.



"These figures illustrate the reality of social problems, especially for young people, with collateral damage to people in the immediate vicinity of the player," ANJ stated in a press release.

"Although gambling operators have made significant progress in this area over the past three years, problematic gambling still plays too large a role in the gambling market," the regulator said.

ANJ President Isabelle Falque-Pierrotin added, *"After three years in office, we now believe that gambling regulation must undergo a shift that includes a gradual transition of the market to a less intensive model. This voluntary goal to reduce the number of at-risk players and strengthen the protection of minors will be monitored for three years and adjusted in accordance with monitoring indicators and prevalence studies."*

"This can only be achieved if all players join forces together with the regulator, gambling operators, public authorities, institutions, associations, etc."

Among the details of the regulator's strategic document is a warning that fines may increase in the coming years. ANJ stated that it would monitor compliance with "issues related to the protection of key players" and may impose sanctions if deficiencies are found.

However, it has also committed to more regular dialogue with legal operators and stated that it will intervene throughout the supply chain, including payment companies, technology suppliers, and platform providers, to tackle the French black market.

ESTONIAN GOVERNMENT SAID NO TO BANNING ADVERTISING

The Estonian Ministry of Economic Affairs and Communications (MEAC) does not consider a ban on advertising to be a suitable solution; on the contrary, a ban raises several new concerns. Therefore, the government is preparing to commission a study focusing on the correlation between negative consumer behavior and advertising. The results of this study are expected to be the cornerstone for the establishment of new advertising regulations.



MEAC announced several key changes in advertising on February 1, including rules for social media influencers. These changes could also significantly affect the way gambling is promoted. However, MEAC's main goal is to initiate a discussion among all stakeholders.

The assessment of a possible ban on gambling advertising was part of the agreement to form the Estonian coalition government in April of last year. Shortly thereafter, a working group was established, which recently concluded that instead of banning gambling advertising, it would be better to focus on improving other consumer protection measures, such as preventing players from circumventing self-exclusion.

Current restrictions and their consequences

Merike Koppel, head of the business environment at the ministry, told local news: "The most important thing we want to change is for advertising to comply with the law. Today, we are witnessing many violations."

Koppel stated that in 2023, there were 20 proceedings related to gambling advertising law violations. Advertising restrictions for gambling in Estonia are already very restrictive; license holders can only advertise their pro-

ducts in a very limited number of places, such as casinos or on their websites.

MEAC's announcement states that allowing license holders to advertise their gambling products is a "significant privilege" and that a ban "puts Estonian companies in a significantly worse competitive position than companies from other countries."

"The state will lose tax revenue from both advertising income and business-related income. In addition, there is a risk of illegal operators entering the market, leading to the growth of the so-called black market."

What the future holds

In 2024, the Estonian government plans to commission a study on the relationship between negative consumer behavior, such as indebtedness or addiction, and advertising for certain products, including gambling. The results of this study will contribute to the preparation of a future bill. The completed proposal is scheduled for the end of 2024, and the new advertising rules are expected to come into effect at the end of 2025.

GAMBLING ADVERTISING IS BAN IN LITHUANIA

Just a few days after the Estonian government was warned about the potential negative consequences of a ban on gambling advertising in their market, 40 members of parliament from another Baltic country, this time from Lithuania, have submitted a draft law proposal to ban gambling advertising.

The Lithuanian draft law was presented to the country's parliament, Seimas, by members of the largest party in the current ruling coalition.

According to the proposal, starting from January 1, 2025, the only permitted form of advertising would be displaying the name and brand on the building of the operator's headquarters or at the location where the gambling company is situated, or directly at its entrance. Additionally, operators would be allowed to publish information about the types of games they offer, both in their brick-and-mortar establishments and on their websites.

The proposal envisages a general ban on any kind of promotion. Specifically, it prohibits "the dissemination of information about sponsoring any public events, activities, individuals, or legal entities by companies operating gambling."

Lithuania has already begun heavily restricting gambling advertising as of November 1, 2021. However, the restrictions did not have the intended impact, prompting lawmakers to take further drastic steps.

Lottery and gambling operators spent €12.73 million on advertising in 2023, more than double the €6.36 million spent in 2021. Operator profits also increased from €20 million in 2021 to over €53 million in 2022, as stated in the explanatory note accompanying the draft law proposal.



"It is evident that the advertising restrictions currently in place are not only inadequate but also create conditions for further aggressive advertising of gambling and enticing people to gamble. For example, captivating advertisements in educational institutions, creating the illusion of quick and easy wealth, are currently very common," the explanatory note states.

The number of players "may decrease" as a result of the ban, which will affect companies operating in this industry. Media companies are also expected to be affected, "as it will reduce the financial resources allocated by gambling companies for advertising," the note states.

LIMITY NA MAXIMÁLNÍ SÁZKY U ONLINE AUTOMATŮ POTVRZENY

Vláda Spojeného království oznámila nová opatření na maximální sázky pro online automaty. Pro osoby ve věku 18-24 let si budou moci maximálně vsadit 2 £ na jedno zatočení a starší 25 let pak 5 £.



Tato opatření s platností od září představují první zavedení maximálních sázek pro online automaty ve Spojeném království. Vláda toto oznámení uvítala jako „mezník“ pro regulaci online hazardních her.

Sázkové limity vstoupí v platnost od září letošního roku v návaznosti na sekundární legislativu. Pro provozovatele bude zavedeno šestitýdenní přechodné období, aby splnili obecný limit 5 liber. Druhé šestitýdenní období umožní veškerá nezbytná technická řešení, aby bylo zajištěno, že operátoři plně dodržují spodní hranici vkladu.

Rozhodnutí zavést sázkové limity následuje po 10týdenním období konzultace. Během toho vláda uvedla, že většina respondentů souhlasí s návrhem na zavedení nových zákonných limitů pro online automaty, které pomohou snížit riziko poškození hazardního sektoru. Odpovědi na konzultace zahrnovaly názory průmyslu, akademiků, poskytovatelů léčby a jednotlivců.