

GREEN PAPER
On on-line gambling in the Internal Market

Responses of the Ministry of Finance of the Slovak Republic

Responses by number:

(1) Market Regulations for online gambling in the EU do not fall in the harmonized area and therefore it is the responsibility of each Member State to regulate the provision of services in this area in an appropriate manner with regard to public interest. As there is no study on the EU online gambling market, the Ministry of Finance of the Slovak Republic (hereinafter referred to as MoF SR) welcomes the initiative for opening a extensive public consultation in the field of online gambling in other member countries.

(2) MoF SR as the regulatory authority in the field of gambling records all services offered from the region of Slovakia by entities not licensed under the Slovak law. In this context, MoF SR prepares a modification of the Act on Gambling, which should prevent the provision of online gaming by unlicensed operators.

(3) and (4) Operators of online gambling who are not licensed in Slovak Republic interfere with the competitive environment, discourage other operators with granted licence and do not pay contributions to the state budget. It is estimated that 90% of the total number of players are playing online games on portals of illegal foreign operators. Therefore, in order to protect our citizens and public interest, we are preparing a proposal for legislative barriers to restrict the availability of cross-border gambling. From the income flowing to the state budget from gambling operations the Slovak Republic provides different services in the interest of the general public, which are in particular the provision of health care, social assistance, humanitarian care, the creation, protection and restoration of cultural values, support to artistic creation and cultural activities, education and training, support to sports, the environmental protection and the protection of public health.

(5) MoF SR has not registered any problems that arise from the jurisprudence of national courts and the EU Court of Justice (CJEU).

(6) A fast-growing online gambling industry requires appropriate regulation in this area, that's why the Slovak Republic is preparing an amendment of the Act on Gambling in order to prevent cross-border provision of gambling services by unlicensed operators.

(7) Gambling games in the Slovak Republic are defined as games in which a gambler may obtain a winning in cash, material prize, or prize in rights, if he fulfils all the conditions prescribed by the game plan beforehand. A result of a gambling game depends solely or largely on luck or a previously unknown result of a certain circumstance or incident. The result of a circumstance or incident that determines the result of a gambling game must not be known to anyone beforehand and must not be tamperable by anyone and must not be at variance with the rules of a gambling game. Gambling games operated by means of the Internet are gambling games, in which a gambler participates through connection to the Internet to the game server of the operator of a gambling game or a subject authorized by him, on which game systems are placed in software way, through which a gambling game is operated, whereas a gambler always plays against this game system. The transmission and collection of data and information connected with the operation of gambling games realized by means of the Internet is not considered to be a gambling game by means of the Internet (for example betting games).

(8) Act on Gambling distinguishes advertising from the gambling games. Promotional contests are not considered as gambling in the Slovak Republic, but as a competition that is not an independent business activity and serves only for sales promotion of goods and services. It is also not required to pay a deposit as a condition of participating in the contest.

(9) In the Slovak Republic State has the monopoly over the provision of online gambling services. Online games are available to players not only in casinos and game rooms, but wherever it is possible to connect to the internet. Online betting games are operated in betting offices and also anywhere you can connect to the internet.

(10) In the Slovak Republic the Slovak legislation and resulting procedures for licensing in the field of gambling are applied only.

(11) With effect from 1.9.2011 the amendment of the Act of Gambling enters into force, which defines the promotion of gambling as any form of information and encouragement to participate in gambling available in the Slovak Republic, including the game operated through internet, in which the player can participate from the territory of Slovak Republic, mainly by paying the deposit or making a bet or any other form of information about gambling operators, the natural person or legal person, that without a license granted under this Act operates gambling in any form on the Slovak market.

(12) At this moment there does not exist a specific legislation on payment services relating to online gambling in the Slovak Republic.

(13) Player accounts are used primarily to identify the player, especially in relation to the prohibition of participation of juveniles under 18 years of age in gambling games.

(14) Under the Act on Gambling a Tax Office performs unannounced inspection of continuous supervision by the gambling game operator over the prohibition of participation of juveniles under 18 years of age in gambling games. The operator of gambling games must undertake measures to prohibit these individuals from taking part in gambling games. The operator of a gambling game and supervision bodies can, for these purposes, ask for the person's identification. If gambling games are operated in a game room, the operator must perform continuous supervision; the operation is governed by operation rules of the game room. In the field of online gambling the prohibition of participation of juveniles under 18 years of age in gambling games applies equally.

(15) MoF SR does not have direct evidence, that these factors are associated with the development of problem gambling in the Slovak Republic. However, in order to protect the consumer, the Act extended the interval between gambling played on gambling machines from 3 seconds to 4 seconds, because the larger spacing between games reduces impulsive, compulsive gambling, leading to the formation of pathological gambling and also proposed a 15-second interval between payment of winnings to start another game in order to protect the player against impulsive motivation to play.

(16) MoF SR believes that these tools are effective in preventing problem gambling. As the prevention of such problems for example playing age or obligation to verify the player by operator are applied. With effect from 1.9.2011 self-limitation and self-exclusion from gambling and restriction on commercial communications (promotion) of illegal gambling will be also included to the tools for limiting excessive/problem gambling.

(17) MoF SR does not have evidence (e.g. studies, statistical data) on the scale of problem gambling.

(18) and (19) MoF SR does not have evidence on whether on-line gambling for individuals susceptible to develop a pathological gaming pattern are likely to be more or less harmful than other forms of gambling, or which forms of on-line gambling (types of games) are the most problematic in this respect.

(20) One of the steps of preventing problems of gambling in the Slovak Republic is a statutory provision, which implies that if a person diagnosed with the disease of pathological gambling, or a close person of such person, submitted a written request, a gaming operator is obliged to restrict such person's access to the game room.

(21) For dependent gamblers in the Slovak Republic a special medical treatment is available. Gambling operators conducts mandatory contributions to the state budget and from these funds (inter alia) the provision of health care, social assistance, humanitarian care and also protection of public health are provided.

(22) Under the Act on Gambling it is not an obligatory for the online gaming provider to record the behavior of online players when playing online gambling games in regard to determine a probable pathological gambler.

(23) In the Slovak Republic participation of juveniles under 18 years of age in gambling games is prohibited. This age appears to be adequate.

(24) In the Slovak Republic controls of age of the players are required and the operator of gambling game must take measures to prevent these individuals from taking part in gambling games.

(25) and (26) In regard to underage players in the Slovak Republic it is forbidden Under the Act on Gambling to operate gambling machines, technical devices operated directly by gamblers and video games in schools, on school campuses, in buildings of social welfare services for children and youth, in youth dormitories, healthcare facilities and state institutions. It is also forbidden to operate gambling machines, technical devices operated directly by gamblers and video games, except for those in game rooms, within a 200-meter distance from schools, educational facilities, building of social welfare services for children and youth and youth dormitories.

(27) The Slovak Republic is aware of the typology of money laundering issued by the committee of experts of MONEYVAL Secretariat, Directorate General of Human Rights and Legal Affairs related to money laundering through on-line gambling.

(28) In the Act on Gambling there is an obligation set for an expert evaluation (standardization and certification) of equipment and software, designed to operate gambling games. Expert evaluation shall be performed only by authorized entities.

(29) FIU Slovakia performs the analysis of unusual transaction reports. There was not received an unusual transaction report concerning the fraud related to the on-line gambling till now, but this field of possible criminal activity is still monitored. By analysing of this field of crime, the FIU Slovakia used the best practices of other countries, where this crime is widespread. FIU Slovakia by its activity follows the preventive Act No. 297/2008 Coll. on the prevention of legalization of proceeds of criminal activity and terrorist financing and on amendments and supplements to certain acts. According to the Section 5 (1) (d) of this Act, the obliged entity is also a gambling game operator. FUI Slovakia carries out inspections of operators in terms of compliance with the regulations on preventive Act. Supervision of activities on online gambling operators carries the MoF SR and the tax authorities.

(30), (31) and (32) When applying for individual licence to operate betting games, the operator (applicant) is in accordance with the Act on Gambling obliged to provide MoF SR with an affirmation that there is no ownership, personnel or any other connection between the operator and sport organizations and clubs operating in Slovak Republic, whose scores will be subject of bets. At the same time, betting on events that are organized and governed by legal entities registered in the Slovak Republic may not be offered as a so-called solo bets, but only in combination with other bets.

(33) There have been demonstrated no money laundering cases related to the on-line gambling in the Slovak Republic.

(34) All payment systems require appropriate attention and control.

(35) For the purpose of detecting and preventing of money laundering was adopted the preventive Act No. 297/2008 Coll., which stipulates the rights and obligations of legal entities and natural persons in the prevention and detection of legalization of proceeds of criminal activity and terrorist financing. All of the requirements following from the 3rd Money laundering Directive were in the Slovak Republic fully implemented in this Act, including casinos/gambling game operator. According to this Act each obliged entity is obliged to performs identification of customer, customer due diligence, simplified due diligence and enhanced due diligence, detects, postpones and reports the unusual transaction, prepares its own activity programme, as well as provides

additional data on transactions, submit thereto-related documents and provides information on persons involved in any way in a transactions, if FIU Slovakia requests so in writing.

(36) By analyzing of the received unusual transaction reports, including the reports from casino, FIU Slovakia didn't detect the specific indicators, suspicions of Money laundering via on-line gambling or social web-sites in the Slovak Republic. To this category of obliged entity is paid an increased attention.

(37) Online games in the Slovak Republic can be operated only by the national lottery company, whose sole shareholder is the State represented by MoF SR. MoF SR shall ensure the transparent operation of gambling games, that are offered by this company, not only through conducting surveillance under the Act on Gambling, but also from the position of the owner (approval of financial statements, results of operations, business and financial plan, etc.). The State has no impact on the provision of services by foreign online operators of gambling without a licence, therefore various forms of criminal activity, mentioned in the Green Paper on online gambling, can't be fully excluded.

(38) Gambling operators are paying mandatory contributions to the state budget of the Slovak Republic. The state budget provides, inter alia, in particular the provision of health care, social assistance, humanitarian care, the creation, protection and restoration of cultural values, support to artistic creation and cultural activities, education and training, support to sports, the environmental protection and the protection of public health. By this mechanism are supported organizations that conduct activities in the public interest.

(39) In Slovak Republic there is no specific mechanism (fund) to redistribute income from gambling.

(40) The protection of population health is provided from the state budget expenditures, contributed also by gambling operators through mandatory contributions.

(41) and (42) In Slovak Republic there is no direct connection between income from sports betting and redirection of this revenue back into the sport. Betting on horse racing can only operate a state company. Income from the operation of horse racing bets, compared with income from other types of gambling is nominal. In order to promote equestrian sport, breeding and rearing of horses is by the Act set a minimum tax from the operation of horse racing bets.

(43) No.

(44) and (45) MoF SR considers that the risk of cross-border "sponger" in the field of gambling service does not directly involve the reduction of budget revenues of the Slovak Republic, and that's because revenues from gambling are not earmarked to finance specific activities in the public interest. Gambling operators paid mandatory contributions to the state budget of the Slovak Republic, and this state budget is applied towards services in general public benefits.

(46) Public administration bodies in the field of gambling games are: Ministry of Finance of the Slovak Republic (MoF SR), Tax Directorate of the Slovak Republic, Tax Offices. Their core competence in the field of gambling are as follows:

MoF SR

- exercises control over observance of this Act and other generally binding legal regulations by force of the Tax Directorate of the Slovak Republic, Tax Offices, municipalities of the Slovak Republic and authorized entities in the expert evaluation of equipment and systems for the operation of gambling,
- can exercise supervision over observance of this Act, other generally binding legal regulations and conditions determined in the license granted or issued according to this Act by the MoF SR or municipality,
- exercises activities as a manager over information system in the field of gambling games,
- issues a General License and decides on granting an Individual License, as it is stipulated by this Act,
- issues authorizations for execution of an inspection for an authorized entity.

The Tax Directorate of the Slovak Republic

- exercise activities as a operator over information system in the field of gambling games,
- keeps a central register of the operators of gambling games,
- updates the database and provides information to the MoF SR,
- methodically coordinates the Tax Offices during the operation of the tax information system in the field of gambling games,
- gives a methodological guidance for the tax authorities and municipalities in the area of supervision.

Tax Office

- exercises supervision over observance of this Act, other generally binding legal regulations and conditions determined in the license granted or issued according to this Act by the MoF SR and it is a second degree body of appeal for municipalities in the matters of individual licenses granted for the operation of gambling machines,
- executes an administration of levies to the state budget,
- can execute supervision over observance of this Act, other generally binding legal regulations and conditions determined in an individual license granted according to this Act by municipality,
- carries out an unannounced inspection of the gambling operator over the prohibition of participation of juveniles under 18 years of age in gambling games. If it finds that in the gambling is involved such a person imposes a penalty for the operator.

Except public administration bodies in the field of gambling has the competence also municipality, as follows:

- exercises supervision over observance of this Act, other generally binding legal regulations and conditions determined in an individual license granted according to this Act by the municipality,
- executes administration of levies to the municipality budget,
- decides on granting an individual license, if it is thus stipulated by this Act.

(47) National register of licensed operators of gambling services manages the Tax Directorate of the Slovak Republic. The list of operators that operate in gambling within the Slovak Republic is also publicly available at the website of Ministry of Finance of the Slovak Republic. MoF SR regularly updates this list.

(48) MoF SR takes occasionally part in discussions in a special forum for gambling GREF, where they are exchanged information about licensees, unlicensed operators, technical issues and best practices in gambling.

(49) In order to strengthen integrity in sport, to prevent undesirable situations, or to raise awareness of parties, MoF SR promotes open communication with supervisory body, authorized entities in the expert evaluation of equipment and systems for the operation of gambling, and also with gambling operators. MoF SR is also co-working in the TRIS system within the European Commission.

(50) and (51) The Slovak Republic is preparing an amendment to the Act on Gambling, which would limit the provision of "unauthorized" and cross-border services in the field of gaming. Tools to reduce the "unauthorized" gambling and restrain cross-border gambling should be blocking of illegal Internet domains, blocking the Internet Protocol (IP) and Payment blocking. An amendment to the Act on Gambling is at this time in the stage of completion, therefore, benefit from the proposed action is not yet possible to evaluate.