

Public consultation on the Green Paper on on-line gambling in the Internal Market

You are invited to reply to the on-line questionnaire. The questions listed in the Green Paper are reproduced in the same order hereunder. A pdf version of the [Green Paper](#) is available in all EU languages for guidance to the questions.

There are 51 questions in the consultation document. You may reply to those questions in any one of the EU languages. You may focus your contributions on the areas of most interest to you; you are not obliged to answer all the questions.

Please save this document on your computer. Once you have completed the questionnaire, come back to the on-line questionnaire. You will be able to upload your answers on page 3 of the on-line questionnaire.

The consultation will close on 31/07/2011.

We thank you for your participation.

Your name / Your organisation:

Lottomatica Group S.p.A.

Questions from the Green Paper on on-line Gambling in the Internal Market

1. Regulating on-line gambling in the EU: Recent developments and current challenges from the Internal Market standpoint
 - 1.1. Purpose of the consultation
 - 1.2. On-line gambling in the EU: current situation
- (1) Are you aware of any available data or studies on the EU on-line gambling market that would assist policy-making at EU and national level? If yes, do the data or study include licensed non-EU operators in the EU market?**

Firstly, we would like to underline that we do not adhere to the distinction made in the Green Paper between grey and black markets. We only differentiate between offerings that are licensed to operate in the jurisdiction in which the consumer is based and offerings that are made available to consumers without a license in their country.

As regards the Italian market, the Italian Regulator (Amministrazione Autonoma dei Monopoli di Stato – hereinafter “AAMS”) regularly publishes data about the online gaming sector with details on each different game distributed through the Internet, etc. Reports can be found on AAMS’ website: <http://www.aams.gov.it/?id=5320> . This data covers all licensed

operators but does not include what the Green Paper refers to as black and grey areas of the online gaming market.

At a European level, European Lotteries Association, of which Lottomatica Group S.p.A. is a member, collects data from its members on a regular basis on a number of elements. Data can be requested from info@european-lotteries.org.

We are not aware of other studies on the European online gambling market other than the private sources mentioned by the Commission in the Green Paper. There are 3 companies that, to our knowledge, publish data about online gaming markets:

- GBGC Global Gambling Report and Interactive Gambling Report
- H2GC eGambling Data Set
- LaFleur Lottery Abstracts

It is important to note that the H2GC data reported in the Green Paper mixes figures for legal and offshore operators ("where offshore means an activity that is not licensed in the same jurisdiction as the player – we monitor all of the sites that continue to target markets without onshore licenses and combine this information with onshore operators', regulators' and the offshore operators' views/information regarding this market size") and that, therefore, this does not provide an exact picture of the markets analysed.

In addition, we would like to draw attention to the fact that the data reported by the Commission is obsolete and should be updated, as the market has changed substantially since 2008.

As regards Italy, a number of researches on the Italian online gambling market have been carried out by the Politecnico School of Management of Milan, one of the major Italian Universities. A report issued on April 2010 "Gioco online: è boom. Tra innovazione e regolamentazione" (Online Gaming: it is a boom. Between innovation and regulation) has been drafted in cooperation with AAMS and its technological partner SOGEI (Information and Communication Technology Company of the Italian Ministry of Economy and Finance). An executive summary of the study is available at www.osservatori.net.

(2) Are you aware of any available data or studies relating to the nature and size of the black market for on-line gambling services? (Unlicensed operators)

First of all, we deem important to have a common definition of "illegal gambling" at EU level. The Lottomatica Group appreciates that the Council Conclusions adopted under the Spanish Presidency in 2010 include a definition of illegal gambling operators ("Illegal gambling may be defined as gambling in which operators do not comply with the national law of the country where services are offered provided those national laws are in compliance with EU Treaty principles").

As regards the Italian market, the Italian Regulator and the police forces have put in place a number of actions to combat unauthorized gaming. An IP blocking system allows the authorities to block websites operated by unauthorized operators. Data provided annually by AAMS on the number of illegal sites blocked is as follows:

2006 - 627

2007 – 1.240 (+ 613)

2008 – 1.447 (+ 207)

2009 – 1.888 (+ 441)

2010 – 2.547 (+ 653)

As mentioned above, a study on the Italian online gambling market has been carried out by the Politecnico School of Management of Milan. The Politecnico study underlines the results of the online gaming market that derive in part from the illegal gaming market generated by non-licensed websites. It also presents trends and market growth expectations for the next years with a focus on the convergence of operators from other e-markets (media; telecommunications and web) in the online gaming sector and the positive impact of new technologies for the offer of games (mobile; digital TV).

The executive summary of the study is available at www.osservatori.net

(3) What, if any, is your experience of EU-based on-line gambling operators licensed in one or more Member State and providing and promoting their services in other EU Member States? What are your views on their impact on the corresponding markets and their consumers?

We are firmly convinced that the fact that an operator has a license granted by an EU member State does not suffice to operate in another member State where the consumer is based.

In Italy, the law allows all operators based in the European Economic Area (EEA) to apply for a license to offer games and betting, both online and offline, provided that they comply with the requirements indicated by law and by the relevant request for proposal (RFP). This approach has a double advantage: It allows for competition between national and foreign operators, while at the same time ensuring appropriate regulation and control at national level of the gambling services offering for reasons of public order and consumer protection.

However, some unauthorised operators still continue to offer their services in Italy without applying for a license, or refusing to apply for a license for their convenience. This has a negative impact on competition, as it does not permit a fair level playing field among operators, and challenges public order, crime prevention and consumer protection.

In addition, regardless of the country of origin (EU or non-EU) of the unauthorised operator, the amount of expenditure for playing on non-licensed sites constitutes a loss to the national Exchequer (as taxation is applied abroad) and consequently to the community. It is important to notice that in Italy gaming contributes to good causes through taxation.

As regards the impact of unauthorised cross-border offerings on the corresponding markets and their consumers, attention should be drawn to the fact that illegal operators enjoy a wider flexibility, which often allows for a higher attractiveness of their games to players (higher payout, rake back, entry bonuses and free play time, offer of games not regulated in the country of the player and higher flexibility in launching and closing games). Moreover, illegal gambling services pose considerable risks for consumers. It is important to note that, for instance, many illegal sites do not impose limits on spending, so a single player can spend as much as several players on sites bound by legal limits.

Risks posed by the unauthorised offer include poor site security, as illegal operators are not controlled by the national authorities of destination and could therefore, for instance:

- quit without notice and without paying winnings;
- have uncertified or altered RNG - Random Number Generator - Adaptive control which could be exploited for fraudulent purposes;
- have variations of payout;
- put thresholds for withdrawing very high bonuses.

Monitoring the redirecting of sites - forwarding visits of a website to another website - (e.g. portals with sections dedicated to gaming) is undertaken by AAMS. From this monthly monitoring, it appears that this is a rapidly growing phenomenon in Italy.

(4) What, if any, is your experience of licensed non-EU on-line gambling operators providing and promoting their services in EU Member States? What are your views on their impact on the EU market and on consumers?

According to Italian laws, non EEA-based online gambling operators cannot get a licence for providing online gaming services in Italy.

Whether an operator is licensed in an EU member State or in a third country does not change the situation, because it still needs to apply for an Italian concession in order to operate in Italy.

See also reply to question 3.

(5) If any, which are the legal and/or practical problems that arise, in your view, from the jurisprudence of national courts and the CJEU in the field of online gambling? In particular, are there problems of legal certainty on your national and/or the EU market for such services?

The rapid growth of the use of Internet and the subsequent growth of cross-border services has created an entirely new situation which has generated a great deal of legal uncertainty for the gambling market in the member States. Evidence of this is given by the increase of legal cases referred to the Court of Justice of the EU (CJEU).

In the absence of an EU regulatory framework, the CJEU has been called on by national courts to clarify various questions. The CJEU has ended up acting as an arbiter and filling this legal void with several rulings. Although these judgments have clarified a number of key legal questions, it is neither acceptable nor correct that the regulatory framework for gaming is defined only through jurisprudence. Once the CJEU issues a ruling, the matter goes back to the national judges which are called to make the final decision on national rules. The sometimes limited knowledge of the problems at national level results in the judges making additional referrals on the same legislations.

A sustainable future for gambling policies and for the stakeholders involved is not possible if the concerned national rules are continuously challenged in Court both at national and European level. A clear example of this is Italy, where despite the controlled and successful opening of the market, the system is challenged by some foreign illegal operators. The current situation proves that national measures, even if in line with the Treaty, are under constant attack, thereby creating a situation of legal uncertainty. This has serious repercussions on the strategies of concessionaires who suffer unfair competition from illegal operators who do not abide by the rules established by the State where they operate.

All the stakeholders involved (operators, customers, beneficiaries, interest groups) need a clear, predictable, and proportionate regulatory environment.

(6) Do you consider that existing national and EU secondary law applicable to on-line gambling services adequately regulates those services? In particular, do you consider that coherence / consistency is ensured between, on one hand, the public policy objectives pursued by Member States in this field and, on the other hand, the national measures in force and/or the actual behaviour of public or private operators providing on-line gambling services?

As already pointed out, the existing secondary EU legislation which applies, amongst others, to gambling is in our view not sufficient to ensure a coherent approach, as for instance in these fields: Integrity of games and sport; contribution to society; prevention of problem gambling and consumer protection; licensing rules and procedures; prevention of crimes and fraud (including money-laundering and match-fixing and rules for the certification of games and software); commercial communications.

The Lottomatica Group welcomes the fact that several member States have started or have completed reforming their regulatory regimes for gambling and that stronger cooperation is being considered among national regulatory authorities for better enforcement of rules in this area.

Other comments on issues raised in section 1

2. Key policy issues subject to the present consultation

2.1. Definition and organisation of on-line gambling services

(7) How does the definition of on-line gambling services in the Green Paper differ from definitions at national level?

At this point in time there is no agreed comprehensive definition of online gambling and gambling in general. It is important that each member State has the power to decide which games are allowed in its territory, and how these should be regulated.

In Italy, there is no specific definition of online gambling, but specific regulations exist for it. In accordance with CJEU jurisprudence, the Internet is only a means/channel of distribution.

It is up to the national regulatory authority to decide if all the games are allowed, or if only some of them can be played without the physical presence of the player. In Italy, for instance, not all the games distributed on a terrestrial basis can be played through Internet or other “distant” means. It is also the responsibility of the Regulator to approve each new game design as well as the technological platform.

We would like to point out that the definition of online gambling reported in the Green Paper could be interpreted in a way to also include land-based types of games.

(8) Are gambling services offered by the media considered as games of chance at national level? Is there a distinction drawn between promotional games and gambling?

If by gambling services offered by the media, the Commission means a game offered by a TV program such as the “Wheel of Fortune” or “Millionaire”, in Italy these games are allowed and regulated by specific rules contained in the TV and Advertising laws. According to the Italian legislation, the winner cannot receive his/her prize in money, but in goods.

If promotional games are intended as games promoting the purchase of a product, the risk is that this kind of promotional games can be used to circumvent the rules prohibiting unauthorised gambling activities.

In order to avoid such a risk, in Italy there are some specific rules to comply with, and there are also strict controls implemented by two different national Ministries (the Ministry of Economic Development and the Ministry of Economy and Finance), in order to avoid that the State exclusive right for gambling is not respected. In case of breaches of these rules, it is also possible to ask for the intervention of the Antitrust Authority, which is competent for unfair commercial practises, in order to obtain additional sanctions.

(9) Are cross-border on-line gambling services offered in licensed premises dedicated to gambling (e.g. casinos, gambling halls or a bookmaker's shop) at national level?

This is illegal in Italy. However, unauthorised cross-border gambling services are still offered in outlets. For some years now, in addition to the official network of the licensed betting operators, a network of the so-called CTDs (data transmission centres) has existed, which are agencies (physical shops) dedicated to online betting with foreign bookmakers without a license awarded by AAMS and without the Police’s authorisation. The CTDs network is part of the illegal gambling market in Italy. This phenomenon brings significant economic losses for the public authorities and operators, as they divert wagers from legal concessionaires and therefore revenues from the State. Since the CTDs are illegal, they are frequently impounded, usually following a complaint. However, the progress and the follow up of such actions often has different outcomes, leading to a situation of legal uncertainty in Italy: Some prosecutors confirm precautionary seizures, others vanish.

According to a survey carried out by Lottomatica at the end of 2009, more than 1,000 CTDs were active in Italy.

(10) What are the main advantages/difficulties associated with the coexistence in the EU of differing national systems of, and practices for, the licensing of on-line gambling services?

We believe that – in accordance with the subsidiarity principle – member States should maintain their right to decide which regulatory model fits their gaming market best, in respect of the EU Treaty rules.

As an operator, we do not think that differences in the rules for granting licenses raise problems from the administrative point of view. Surely, it would be advisable to avoid duplication of administrative burdens in order to demonstrate compliance with certain common requirements for obtaining a licence. This could be achieved for instance through a deeper and structured exchange of information among the member States or through the use of the Internal Market Information (IMI) system.

As already indicated, the key element is the effective enforcement of national rules vis-à-vis the illegal offer of gambling. Legal certainty is the basis for any market model. A proper market model, whether "open" or "restricted", is one in which all operators comply with the rules imposed in that country.

Other comments on issues raised in section 2.1

2.2. Related services performed and/or used by on-line gambling services providers

(11) With focus on the categories mentioned in the Green Paper, how are commercial communications for (on-line) gambling services regulated for at national level? Are there specific problems with such cross-border commercial communications?

In Italy there is no specific regulation on advertising for online gambling. However, licensed operators must comply with the general rules for advertising contained in the consumer protection and competition law (so called "Consumer Code" – Codice di Consumo). Under these provisions, advertising must not be aggressive, must be fair and comply with the rules on unfair commercial practices. Generally, as gaming is not allowed for minors, TV advertising is permitted only outside the so-called "protected area". As far as advertising in print media is concerned, this is allowed only on publications which are not intended for minors.

In addition, specific rules are contained in the concession agreements executed by each legal operator with AAMS. For instance, the concessionaries must communicate in advance to the Italian Regulator the specific advertising campaign they want to launch both at local and at national level. In each campaign, it is compulsory to add the Regulator's trade mark, the "Safe Game" claim/logo, and the prohibition for minors to play (+18 sign).

Law n° 401 of 1989 prohibits advertising by gambling operators without a State license. Criminal sanctions are foreseen for those who promote gambling without having a concession granted by the Italian Government. In this regard, we think that a distinction between active and passive sale should be made. For instance, if a football team is sponsored by an operator which is not legal in Italy, it would be very difficult to prevent the football team to use the sponsored shirts while playing in another member State.

As regards sales promotions such as bonuses, in Italy they can be granted by concessionaires if they respect rules on unfair commercial practice. In any case, their use has to be communicated to AAMS for verification (prior to their offer) and should be explained in a clear and comprehensive manner to the player, before he/she agrees to use the bonus. In our view, it is essential that the consumer is fully informed about the bonuses offered by the concessionaires and that the legal offer of these promotions is allowed, as a prohibition or a too limited regulation could direct players towards the illegal offer of online gambling services.

More generally, Lottomatica Group values self-regulatory initiatives but does not believe that a code of conduct for advertising is by itself a sufficient tool to guarantee consumer protection and fair commercial practices. This is due to the inherent nature of online gambling, as well as the difficulty to ascertain the integrity of the operator. A code of conduct for advertising

cannot replace binding and enforceable national legislation, but can be a useful complementary instrument to national legislation, and possibly common principles on advertising at EU level.

(12) Are there specific national regulations pertaining to payment systems for on-line gambling services? How do you assess them?

In Italy, all means of payments are allowed and their use is defined in the national regulations regarding online gaming. Limitations and prohibitions are contained in the scheme of the gaming account contract, approved by AAMS, which binds the concessionaire to comply with the requirements contained therein.

The following services are enabled on the gaming account:

- crediting the gaming account through postal or bank services (wire transfers; credit cards; e-wallets) or prepaid cards sold in shops;
- withdrawal of the winnings through postal or bank services (wire transfers; credit cards; rechargeable cards).

In addition, all authorised gambling operators must comply with the 3rd Anti-Money Laundering Directive, both for online and for land-based offers.

Lottomatica Italia Servizi, a company of the Lottomatica Group, offers an integrated system between the gaming accounts of Lottomatica and Lottomaticard (a prepaid, rechargeable and nominative card). Created by CartaLIS, the e-money institution of the Lottomatica Group, in collaboration with Banca Sella and Visa, it allows payments in Italy and abroad, exclusively in shops of the CartaLIS and MasterCard circuits, and exclusively through POS terminals; as well as cash withdrawals at any ATM machine in Italy and abroad. Lottomaticard therefore constitutes an alternative to the current account and can be connected to a gaming account to recharge the account and withdraw the winnings in real time on a Lottomatica.it gaming account. This model is made possible by the circuit Lottomaticard accounting regulation that allows, when charging the gaming account, to debit the customer's card and credit the electronic money Lottomatica account, and in case of winnings withdrawal, to debit the electronic money account and credit the customer's card.

(13) Are players' accounts a necessary requirement for enforcement and player protection reasons?

Yes, the gaming account is a prerequisite for any control and enforcement regarding compliance with the applicable rules on online gambling as well as for the protection of consumers. The gaming account in fact allows the identification of the player, of his/her age, and makes all movements of money traceable for each player.

In Italy, the offer of online gambling services is necessarily subject to the signing of a contract between the player - who must be over 18 years of age - and the concessionaire. The contract can also be concluded by electronic means.

Following the execution of the contract, the gaming account is activated with the customer identification code (username or login) which is uniquely associated with the contract number and a personal code (password).

The following services are enabled on the gaming account:

- transfers / recharges made by the player and the crediting of bonuses which may be granted by the operator;
- debiting of amounts played by the customer;
- crediting of winnings.

(14) What are the existing national rules and practices relating to customer verification, their application to on-line gambling services and their consistency with data protection rules? How do you assess them? Are there specific problems associated with customer verification in a cross-border context?

In Italy, for the proper management of the games and of the gaming account, the concessionaire must:

- ascertain, prior to signing a gaming account contract, the player's personal details and his\her age through an identity document and his\her tax code. The tax code is verified through AAMS' central system;
- conclude a single contract with each customer;
- take all appropriate measures to preserve and protect the privacy of the contract holder.

Under the current regulations regarding privacy (Legislative Decree 196 of June 30, 2003 and subsequent additions and modifications), the concessionaire is the owner of the independent processing of personal data of the customer regarding all aspects of management of gambling activities, while AAMS is considered the owner of the independent processing of personal data regarding the customer in all aspects of institutional purposes and public controls of its competence.

The processing of personal data of the customer is carried out exclusively for purposes related to the conduct of gambling activities, unless a specific authorization is given by the player.

The issue of customer verification in a cross-border context does not concern State licensed operators as they operate with registered players who are exclusively residents in the jurisdiction where the license is granted. Registration processes are designed in a way to block non-residents from opening a gaming account with concessionaires.

Other comments on issues raised in section 2.2

2.3. Public interest objectives

2.3.1. Consumer protection

(15) Do you have evidence that the factors listed in the Green Paper are linked to and/or central for the development of problem gambling or excessive use of on-line gambling services? (if possible, please rank them)

Particular attention should be paid to ensure a high standard of protection for consumers.

Although there is no common definition of “problem gambler” among researchers, Lottomatica Group considers that all the factors listed above are central for the development of problem gambling.

In this sense, Lottomatica Group, in line with European Lotteries Responsible Gaming Standards, adopted a tool to assess the social impact of the games: GAM-GaRD. Created by Dr Richard Wood (GamRes Ltd), Dr Mark Griffiths (Nottingham Trent University), and Jonathan Parke (University of Salford) and managed through GamRes Ltd, GAM-GaRD is designed to help assess the potential risk of a proposed or existing game for “vulnerable” adult players. During the development stage, over 60 variables were identified that might have an effect, but most of these had to be discarded from the final measure as there is currently a lack of evidence to demonstrate exactly what impact (if any) they may have. GAM-GaRD contains ten characteristics that relate to the structural and situational characteristics of games shown to influence vulnerable players.

By examining the structural and situational characteristics of a game it is possible to see what features may have an impact on vulnerable players. Structural characteristics are typically those features of a game that are responsible for reinforcement, may satisfy gamblers' needs, and may (for some ‘vulnerable’ players) facilitate excessive gambling. Situational characteristics are typically those that get people to gamble in the first place. These characteristics are primarily features of the environment and can be considered as situational determinants of gambling.

Scientific definitions and evidence related to the centrality of these factor in the development of problem gambling are quoted from GAM-GaRD official documentation:

please see <http://www.gamgard.com/resources.aspx>

(16) Do you have evidence that the instruments listed in the Green Paper are central and/or efficient to prevent or limit problem gambling relating to on-line gambling services? (if possible, please rank them)

We consider that all the instruments enlisted in the Green Paper are useful tools to prevent or limit problem gambling:

- Age limit
- Self-limitation (financial and time) and self-exclusion
- Information/warnings/self-tests
- No credit (but without limiting the use of credit card)
- Reality checks
- Diligence obligation for the online operator
- Restricting certain forms of games or bets that are considered to be more risky.
- Others (limits on commercial communication, restriction of the use of certain media, sales promotions and sign-up bonuses or free practice games).

We would also recommend adding to the above list:

- Links on the website to help lines or help-centres
- Behavioural tracking tools: Based on information in the customer database and on continuous monitoring of customers gaming behaviour, they identify players that are at risk of developing problem gaming and offer them continuous and interactive help to change their behaviour, sending discrete messages and suggestions. It is vital that, where a game allows continuous, interactive and rapid gambling without a natural break, mechanisms must be implemented that help the customer to monitor their spend so they can make conscious decisions on whether to stop or continue.

In 2008, Lottomatica Group adopted the European Lotteries Standards which include a specific section on Remote Channel Gambling, showing a remarkable level of foresight in anticipating the instruments in the above list to help prevent excessive gambling.

(17) Do you have evidence (e.g. studies, statistical data) on the scale of problem gambling at national or EU level?

Lottomatica Group has been active in promoting studies and information gathering on problem gambling.

In 2008, Lottomatica Group entered into a collaboration with La Sapienza University of Rome and Eurisko to research and monitor the phenomenon of problem gambling in Italy. This collaboration continued in 2010, once again with the aim of quantifying the phenomenon of potentially problematic players, tracing their profiles and verifying the trend two years after the initial survey. Claudio Barbaranelli, Ph.D. from Department of Psychology of La Sapienza University, undertook both studies.

This research was also presented at the seminar organised by the Lottomatica Group in Brussels on 13 April 2011 titled: “Responsible gaming: From national best practices to European common solutions?”.

RESEARCH METHODOLOGY

Samples: 2,000 subjects representative of the total population of Italian gamblers of adult age (18-74 years), or Italians who have gambled at least once for money in the last 12 months (population = around 26,000,000).

Sampling was carried out proportionally for each of the main demographic groups

Confidence level: 99.73%.

Two different validated instruments have been used to assess the prevalence of Problem Gambling:

- South Oaks Gambling Screen (SOGS)
- Problem Gambling Severity Index (PGSI)

They overlap only partially, thus evidencing different aspects of Problem Gambling. Also, applying two instruments may reduce the risk of misclassification.

MAIN RESULTS

Estimate based on the total population of 44,000,000 Italians (18-74 years): 1.01 % (the study carried out in 2008 had found that 1.27% of adult Italians were problem gamblers). Estimate based on the total population of around 26,000,000 adult gamblers is: 1.71%.

These estimates are in line with the results of international research.

Here follows the identikit of the Problem Gambler based on the research:

- Play multiple games in lifetime and in past year
- Are not interested in only one game
- Play more frequently, dedicate more time to gambling (about 1 hour per day)
- Spend more money on gambling
- Have higher erroneous beliefs in their chances of winning, and in controlling the outcome of the game
- Are more prone to take risk and to appreciate risk.

There is also a quite recent (2009) overview of problem gambling in Europe written by Mark Griffiths, which collects a European country-by-country analysis of the known empirical (and in some cases anecdotal) evidence of gambling and problem gambling in that particular country. In addition, one of the most recent national prevalence studies is the new UK Prevalence study 2010, which includes a comparison with other national prevalence surveys.

Please see Annex II for a presentation on the study by Claudio Barbaranelli, Ph.D.

(18) Are there recognised studies or evidence demonstrating that on-line gambling is likely to be more or less harmful than other forms of gambling for individuals susceptible to develop a pathological gaming pattern?

Referring to the study by Claudio Barbaranelli, Ph.D. from Department of Psychology of La Sapienza University of Rome, mentioned in the previous reply, a number of elements concerning online gambling have been pointed out:

Samples to examine the distinctive characteristics of online problem gamblers and the most significant protection and risk factors for Problem Gambling were 1,000 subjects representative of the “sub-population” of adult Italian gamblers (18-74 years), who gambled online for money at least once in the last 3 months (population <beginning of 2010> = around 1,340,000). Quota sampling has been balanced by geographic area, size of city, age, gender, so the confidence level is 95.46%.

The interview method used was: Computer Assisted Web Interviewing (CAWI).

Two different validated instruments have been used to assess the prevalence of Problem Gambling:

- South Oaks Gambling Screen (SOGS)
- Problem Gambling Severity Index (PGSI)

They overlap only partially, thus evidencing different aspects of Problem Gambling. Also, applying two instruments may reduce the risk of misclassification.

As per the results: The estimate based on the total population of 18,700,000 Italian adult Internet users (with at least weekly access in the last 3 months) was 0.7% and the estimate based on the sub-population of around 1,340,000 adult Italian gamblers gaming online for money in the last 3 months was 9.7%. The prevalence is higher than the one of the offline problem gambler (9.7 vs. 1.71).

The identikit of online problem gambler is quite similar to the general one. Furthermore, one can notice that online gambling is a more risky activity compared to offline gambling due to its own situational characteristics: "Gambling in social isolation and using credit to gamble may be risk factors for developing gambling problems" (Federal Trade Commission, 2003), because solitary activities decrease informal social controls and increase the likelihood of intemperance.

(19) Is there evidence to suggest which forms of on-line gambling (types of games) are most problematic in this respect?

We are not aware of any evidence suggesting that one type of online game is more risky than another one. Generally speaking, the risk linked to online games is more situational than structural (no social control, vast accessibility). Studies about structural and situational characteristics may confirm that online games in general (as per their own characteristics) are more dangerous than offline ones: The possibility of using credit to play are associated with higher levels of problematic play (Parke & Griffiths, 2007); structural and situational characteristics of online gambling may have a negative psychological impact because of increased gambling opportunities, convenience, 24h access and flexibility, increased event frequency, smaller interval between gambles, instant reinforcement (Internet gambling: an online empirical study, Griffiths and Barnes 2007).

(20) What is done at national level to prevent problem gambling? (E.g. to ensure early detection)?

With Law of 7 July 2009 n. 88 (Community Law 2008), the Italian legislator intended to redefine the rules on online gaming and adopted a number of measures aimed at improving the protection of legality and safety, the protection of consumers and of minors in particular. Under this act:

- Every licensed online operator must provide self-limitation tools and auto-exclusion features.
- Operators also have to forbid minors to participate in online games and bets and highlight this ban on their websites.
- Introduces the "Charter of Services for remote gaming": An instrument adopted by AAMS, which defines obligations for the operators in relation to 'information, communication, protection, safety, legality, quality of service. In case of breaches of the Charter's provisions consumers may file complaints and sanctions can be imposed on the operators including the revocation of the license. The "Charter" is thus an instrument for consumer protection that allows the player to directly monitor the quality of service received by the operator.

Furthermore, in Law of 13 December 2010, n. 220 (Legge di Stabilità 2011) an action plan of AAMS together with the Ministry of Health has been foreseen to prevent, foil and rehabilitate compulsive play.

The Regulator is also very mindful of operators' advertising campaigns, and promotes responsible gaming action among licensed operators.

Even before the adoption of the rules listed above, operators have been active in adopting measures aimed at preventing problem gambling.

In 2008, Lottomatica Group adopted a responsible gaming programme, to conform to the framework outlined by the World Lotteries Association, and to the standards established by the European Lotteries Association concerning responsible gaming. This programme, updated every year and certified by third parties, covers ten different areas: Research, advertising and marketing, player education, treatment referrals, remote gaming channel, game design, sales' agent programme, employee training, stakeholder engagement, reporting, monitoring and certification.

More details about the Lottomatica responsible gaming programme are described in its annual Social Report and are available upon request.

(21) Is treatment for gambling addiction available at national level? If so, to what extent do on-line gambling operators contribute to the funding of such preventive actions and treatment?

In Italy, treatment for problem gambling is available at National level throughout "SERT"s (public local agencies where counselling and treatment for addiction – including pathologic gaming – are available). However, there is neither a mandatory contribution required by law for operators (only voluntary), nor a National Helpline organised by the National Public Health Department.

Operators, on a voluntary basis, support different help lines. Among these, the most known has been organised by Federserd [Italian Federation of Addiction Centres and Departments - a scientific association representing professionals in the addiction sector (SERT). This association is the largest scientific community in Italy and one of the largest in Europe, with its 1,300 members spread across the 560 "SERT"s of the National Health Service and are present in all Italian regions] and voluntarily supported by Lottomatica. The service is called "Giocaresponsabile".

The service "Giocaresponsabile", which is free and anonymous, supports people who have problems connected to gaming and also friends and relatives through the assistance of an adviser group (psychiatrist, psychotherapist, lawyer).

The help line, launched on 8 October 2009, operates through two contact channels:

- a FREEPHONE help line 800 921 121 - anonymous, free and accessible from everywhere in Italy both from a landline or mobile phone, operational 13 hours a day, 6 days a week, 365 days a year;
- a website - www.giocaresponsabile.it - which contains not only the freephone number and a description of its operation but also a chat room that works in parallel with the number and allows users to speak with an expert, an email information request service, a database of local public and private services in Italy and, finally, a test that users can take to assess their own

approach to gaming. The site also contains an area for service operators with information on how to contact Federserd.

(22) What is the required level of due diligence in national regulation in this field? (e.g. recording on-line players' behaviour to determine a probable pathological gambler?).

In Italy, the existing regulation defines some fundamental criteria to protect online players and to promote balanced gaming behaviours and implement responsible gaming practices.

These criteria entail:

- Protection measures - The site must force the customer to set a daily deposit limit upon registration to the website. When a customer reaches the previously set limit, the customer cannot deposit any further. Other protection measures may be provided. For example, each customer can exclude himself from making any bet/game for One session, One day, One week, One month, Six months and Permanently (revocable). Operators, as a voluntary option, offer a set of limits (i.e. daily, weekly budget) which could be set by the player.
- Checks on registration process - To open a gaming account with an operator licensed in Italy, the customer has to be at least 18 years old and reside in Italy. There is a sophisticated age verification system in place for when an account is opened. Therefore, the site can't accept payments from cards that are available to those under the legal gambling age; customers have to insert their tax code. The tax code's existence is verified in real time by the Regulator's system (if the code is found to refer to a person under 18 years of age, the account is automatically blocked). In any event, the procedure to open an account also requires customers to send a fax of their ID card's back and front, and of the contract they duly signed.
- Integration with SOGEI (the company which keeps all data for governance and tax settlement purposes) - Licensed interactive gaming operators must provide SOGEI with all data records regarding players' transactions to comply with anti-money laundering law provisions.
- Balance - The personal gaming account clearly displays to the player every detail about not only his/her winnings, but also the losses for the last 3 months.
- Responsible Gaming Section - This section of the website has to be placed in a location where it can be seen by all customers, and contains important information for the player, such as:
 - the warning that gaming could be harmful if not controlled and kept in moderation;
 - the self-assessment test
 - advice on Responsible Gaming and references of sources of help on problem gambling
 - information regarding the self-exclusion policy and process available on the site (self-exclusion and limits).

The "Carta dei Servizi" ("Charter of Services") mentioned above is an information and communication tool regarding the relationship between the player and the Regulator and it

establishes a sort of informal agreement. The “Carta dei servizi” involves AAMS, the online player and the operator and is aimed to protect the player, to allow him to directly control the quality of the service and to ensure the gaming service is provided according to the law.

(23) What is the statutory age limit for having access to on-line gambling services in your Member State? Are existing limits adequate to protect minors?

We consider that the age limit of 18 years for access to online gambling as foreseen by Italian law is sufficient to attain the objective.

(24) Are on-line age controls imposed and how do these compare to off-line 'face-to-face' identification?

As described in our response to Question 21, the licensee in Italy is obliged to adopt measures that ensure age control and prevent access to online gambling by minors.

ONLINE GAMING:

As mentioned above, the age limit for online games has been fixed at 18 years. To open an account, customers have to provide their fiscal code. As regards the year of birth, the drop down menu on the website starts from 1993. The tax code existence is verified in real time by the Regulator’s system. Therefore, if the code belongs to a person under the age of 18 years, the account is automatically blocked. The procedure to open an account also requires customers to send a fax of their ID card’s back and front, and of the contract they duly signed. Therefore, the site cannot accept payments from cards that are available to those under the legal gambling age. In the Terms it is clearly mentioned that underage play is not allowed.

OFFLINE GAMING:

Face to face identification has been confirmed by Law “Stabilità 2011”. The age limit is 18 years. Fines and temporary closure of the outlets are provided for retailers who do not respect the law. The level of the sanctions imposed to those who allow the participation of minors to gaming has been strengthened with the budget law adopted in July 2011. For terrestrial gaming, the verification of age is a responsibility of the manager of the outlet. The verification of the effective compliance with this obligation can only be made through inspections and mystery shopping.

(25) How are commercial communications for gambling services regulated to protect minors at national or EU level? (e.g. limits on promotional games that are designed as on-line casino games, sports sponsorship, merchandising (e.g. replica jerseys, computer games etc) and use of social on-line networks or video-sharing for marketing purposes.

In Italy there is a law for commercial communications, aimed at a clear and non-misleading communication oriented to the public. It contains a specific section related to the advertising of products and services which are not allowed to be accessed by minors. This law also applies to the gaming sector.

In addition to the above, Lottomatica voluntarily adopted a code of self-discipline for advertising of gaming aimed at guaranteeing the transparency of all communications to players. The monitoring and the checks dealing with the respect of the principles of this code are contained in the company’s quality control system.

In Italy, sponsorship of sporting events is permitted and left to the initiative of the operator who has to give prior notice to the Regulator. In this regard, it should be noted that one of the requirements to obtain a concession is that the operator or any of its owners do not operate or hold positions of responsibility - directly or indirectly - in sports organisations or bodies whose events are subject to gaming.

(26) Which national regulatory provisions on license conditions and commercial communications for on-line gambling services account for the risks described in the Green Paper and seek to protect vulnerable consumers? How do you assess them?

National regulations and the concession agreement include provisions for consumer protection against risks related to problem gambling. The licensee is obliged to adopt and make available to customers tools for self-limitation, preventing access by players who have not chosen a deposit limit for a time period, tools for self-exclusion from the game and any other measure of protection for the player. The licensee is obliged to promote responsible conduct and to monitor the use of the above mentioned tools by the players, and to promote and take all measures to protect consumers under the laws of reference.

See also replies to questions 22 and 25.

Other comments on issues raised in section 2.3.1

2.3.2. Public order

(27) Are you aware of studies and/or statistical data relating to fraud and on-line gambling?

We are not aware of specific studies or data officially published on fraud and online gambling.

In the chart in ANNEX I, we report the pattern of fraud for the gaming platform Lottomatica.it. The chart shows that, thanks to the introduction of specific actions by Lottomatica, the number of fraudulent attempts decreased significantly during the period 2008-2011.

(28) Are there rules regarding the control, standardisation and certification of gambling equipment, random generators or other software in your Member State?

Yes, the Italian Regulator has adopted rules about the certification of the online gaming platforms, in order to:

- guarantee security and availability of the random number generator;
- have correct identification of the running software version;
- have online notification to the Regulator's central systems of the main events related to the gaming activities;

- have standard policy to manage personal data in the data access and store phases.

All concessionaires operating online gaming must abide to the requirement of certification of their gaming platform, the random number generator and gaming applications, which are issued by a certification body accredited by a national accreditation body in accordance with provisions of AAMS.

Operators must observe a strict procedure defined by AAMS, which involves sending a special instance accompanied by documentation that analytically describes the features of the gaming platform, as well as the certification with the successful verification of conformity. Subsequent modifications of the essential features of the platform shall be subject to prior approval of AAMS, as specified in the stated guidelines.

AAMS authorises operators which comply with the established requirements following the successful verification of conformity of:

- the document that describes the gaming platform;
- the modalities of the connection between the operator computer system with the central system, with respect to communications protocols established by AAMS.

(29) What, in your opinion, are the best practices to prevent various types of fraud (by operators against players, players against operators and players against players) and to assist complaint procedures?

From our point of view, the best practices to prevent various types of fraud and to assist in complaints procedures, which were also adopted by Lottomatica Group, are the following:

STRENGTHENING OF CONTROL PROCEDURES WITH FOCUS ON PROPER CUSTOMER IDENTIFICATION:

- Verification that the data on the customer is correct and sufficient
- Verification that the customer's tax code is correct
- Formal and substantial verification of the documentation sent by the client (ID and the contract for the gaming account) so as to prevent the use of forged documents
- Verification of the contact details provided by the customer when opening a gaming account

MEASURES FOR SECURE ACCESS:

- Mandatory use of login credentials with high security standards (e.g. password consisting of eight alphanumeric and special characters)
- Adoption of policies to raise customer awareness on the proper use and safe-keeping of the login credentials
- Adoption of policies on anti-phishing activities aimed to raise customer awareness for identifying fake sites or e-mail phishing scams that reproduce the graphics of the gaming operators and which send the customer to fraudulent websites so as to steal their login credentials

- Code captcha required after "n" failed attempts to access the gaming account

MEASURES TO STRENGTHEN THE SECURITY OF THE PAYMENT GATEWAY (COLLECTION FROM AND CHARGING OF THE GAMING ACCOUNT):

- Introduction of the anti-fraud "3D Secure" system for payments by credit cards (SecureCode MasterCard and Verified by Visa)
- Introduction of rules on risk for transaction charges, drawing and playing, to prevent and / or block fraudulent activities.
- Introduction of payment instruments which identify the identity of the customer (payment schemes from banks)
- Policies for discouraging and blocking the use of anonymous payment instruments
- Collaboration with the banks for the interception of unusual transactions.

FRAUD MANAGEMENT ACTIVITIES:

- Monitor and control the risk variables, including: Transactions for recharging / withdrawal / playing; personal data; IP address for recharging / playing; type of game
- Search for vulnerabilities within the infrastructure and business applications, in collaboration with the IT structure
- Regular and systematic activities for the identification and assessment of risk profiles associated with the customer and / or transaction
- Creation of quantitative models for risk prediction and prevention of fraudulent phenomena
- Working with the payment gateway providers' Fraud Team in order to create synergies for the identification and blocking of fraudulent events

COLLABORATION WITH THE JUDICIAL AUTHORITY:

- Activities to control attempted or committed fraud in cooperation with the judicial authorities or police
- Collaboration with the judicial authorities to provide evidence on fraudulent activities

TRAINING AND UPDATING:

- Continuous updating of the resources used in anti-fraud activities for "fraud detection and prevention"
- Ongoing updating of the Fraud & Security Team through participation in forums and workshops in the field of fraud management

ASSISTANCE WITH COMPLAINT PROCEDURES:

- If the customer has problems at different stages in using the gaming account (registration, storage, withdrawal, playing, etc.) customer assistance is provided by the departments such as contact centres and the business units using different communication channels to provide clear and transparent information

(30) As regards sports betting and outcome fixing - what national regulations are imposed on on-line gambling operators and persons involved in sport events/games to address these issues, in particular to prevent 'conflicts of interest'? Are you aware of any available data or studies relating to the magnitude of this problem?

With a view to prevent issues related to potential “conflict of interest” generally the operators, the Regulator and the sport associations collaborate by exchanging information about game wagers with the aim of analyzing and intercepting suspicious and fraudulent activities within sport events/games.

One of the rules in place to limit risks linked to conflict of interest is that the gaming operator or any of its owners does not operate - directly or indirectly - or holds positions of responsibility in sport organisations or other activities whose events are the subject of gaming.

Italy has adopted legislation (13 December 1989 n. 401 art.1) defining the crime of sporting fraud and a related system of criminal penalties (fines, imprisonment) for the organiser of the fraud and for the participant in the sport competition\event. We believe it would be useful if a sporting fraud crime was established across Europe.

In addition to fraud in sporting competitions, the law also prosecutes the illegal operation of gaming and betting by providing for criminal penalties.

In Italy, an information system is provided by SOGEI (the IT partner of AAMS), whilst AAMS monitors gaming transactions in the interest of security and transparency. This system controls the operations that open and close the collection of the gaming wagers, in addition to the authorisation for paying out winnings. This system is not only applied for sports events, but also for Bingo, AWP gaming machines, etc., making its applicability more wide-ranging than just for the issue of match-fixing. This specific control for preventing crimes and fraud is not possible for the illegal operators, which are out of the control of the government.

In light of some recent match-fixing scandals, the Ministry of Home Affairs set up a Sports Betting Information Unit (UISS), a body established to enhance the activity to combat the phenomenon of corruption and illegal betting in sports competitions, as well as the penetration of criminal organisations. This structure operates at the Department of Public Safety and is composed of representatives of the Police, the national Olympic committee (CONI), AAMS, the Football Federation, the national public body responsible for the equine sector (UNIRE), as well as two experts of ministerial appointment. UISS is in charge of monitoring and the analysis of data received by the organisations in charge for the management and control of sports events, and has the power to propose strategies of prevention and contrast, even in the context of international police cooperation, of illegal activities in relation to betting.

The Lottomatica Group welcomes cooperation agreements between gaming organisations and sport bodies in this area and would recommend EU level regulation. For instance, we consider useful the agreement between UEFA and European Lotteries, of which the Lottomatica Group is member, through the use of the European Lotteries’ Monitoring System (ELMS) as well as a common code of conduct for betting and football. A memorandum of understanding was signed between European Lotteries, the European Football Pool and UEFA to this end. ELMS is a betting monitoring system with the main purpose of protecting and maintaining the integrity of football. With this system as well as the common code of conduct, European Lotteries’ members became the first sports betting operators to help UEFA in contributing to the safeguarding of the integrity of football matches. ELMS will be expanded in the future to

include lotteries from outside Europe (see EL Resolution of June 2011 on public order and sport integrity).

(31) What issues should in your view be addressed in priority?

Key issues in our view should include:

ENFORCEMENT OF NATIONAL LAWS:

It is key that member States ensure application of national rules and of sanctions for breaches of these rules.

INTEGRITY OF SPORT:

Preserving the integrity of sport is key to gaming operators. We refer to the European Lotteries' resolution on public order and the integrity of sport, which identifies priority actions to be undertaken in this area. These include:

- Expand the EL Monitoring System (ELMS) to a global monitoring system for sport bets which includes members of the World Lottery Association (WLA) from Asia and other parts of the world
- Promote the idea of establishing an international sport integrity agency
- Promote strict legislation against money laundering through sport betting, sport fraud and conflicts of interests between betting operators and sport clubs, teams or active athletes, as it already exists in some European countries

KNOW YOUR CUSTOMER:

- Check the player's identity: ID card (or equivalent), bank account, if relevant, residential registers, address check (by sending PIN code), credit score agencies (e.g. Experian, Schufa), utility bills
- Location of Operator's Data Centres inside the EEA, in order to be subject to the same legal rules, and to normalize privacy data treatment, anti-fraud, and anti-money laundering solutions

(32) What risks are there that a (on-line) sports betting operator, which has entered into a sponsorship agreement with a sports club or an association, will seek to influence the outcome of a sports event directly or indirectly for profitable gain?

In our view, the risks are not greater than the ones related to a non-sponsored club or association.

The relationship of the sponsor with the team / sport association is limited to the subject of the sponsorship contract. The contracts are essentially characterized by purchasing advertising space, which does not give the possibility to establish a relation that can in any way influence the course of events.

See also reply to question 25.

(33) What concrete cases are there that have demonstrated how on-line gambling could be used for money laundering purposes?

In Italy, all the operators are obliged to comply with the 3rd Anti-Money Laundering Directive, therefore they must communicate to the relevant Italian Authority the players they deem could be committing the crimes of money laundering, and declare suspicious operations.

In addition, on a half-year basis, all the operators must send to the Italian Regulator a report with all the cases examined and processed in this regard.

As far as Lottomatica Group is concerned, up to now, we have reported to the relevant Italian Authority (UIF- Financial Intelligence Unit, a department of the Bank of Italy which is the body in charge of preventing and combating money laundering and terrorist financing, as well as conducting investigations and adopting measures which may include the suspension or closure of gaming accounts) almost 20 suspicious transactions since 2009.

Cases often concern the following activities by the gaming account holder:

- Using multiple prepaid cards for the withdrawal of money from the gaming account;
- Using exclusively or mainly anonymous scratch cards;
- Using exclusively or mostly circuits of certain money transfer providers to withdraw winnings.

However, in light of the considerable evolution of the sector in Italy in the past years though regulatory interventions aimed at reducing illegal gaming, it appears that the mechanisms and methods of online gaming and betting are not more vulnerable to the phenomenon of money laundering than other economic activities.

(34) Which micro-payments systems require specific regulatory control in view of their use for on-line gambling services?

Prepaid cards are tools that are based on the prior loading of sums of money from the owner. They can be registered (and therefore foresee the identification of the holder) or anonymous.

Anonymous prepaid cards may pose problems with identification. In Italy, only non rechargeable pre-paid cards (with a maximum amount of 150 EUR and rechargeable only once - "disposable cards") are completely anonymous. These cards do not require ownership of a current account.

Moreover, it is desirable to adopt more effective monitoring tools for re-charging and making payments through money transfer agents.

(35) Do you have experience and/or evidence of best practice to detect and prevent money laundering?

We believe that the anti-money laundering provisions adopted in Italy represent a best practise for effectively detecting and preventing money laundering in online gaming. In addition, the regulations on online gaming provide for strict identity and personal data checks, prohibitions of certain activities on the gaming account and other controls, which help preventing or detecting these criminal activities.

The Italian Home Affairs Ministry has provided indicators and patterns of anomalies for gaming (for example, the sudden increase of betting from a gaming account that has been

inactive for a long time, the frequent opening and closing of a gaming account by a player, the use of various credit cards, etc.), which are functional to the detection of so called "suspicious transactions". In these cases, and based on all other available information, operators make an assessment of the nature of the transaction under consideration.

Legislation establishes that the information concerning suspicious transactions should be sent to the UIF- Financial Intelligence Unit, a department of the Bank of Italy which is the body in charge to prevent and combat money laundering and terrorist financing, as well as to conduct investigations and to adopt measures which may include the suspension or closure of gaming accounts.

Moreover, again in order to prevent money laundering, AAMS has required licensees to periodically report all transactions that exceed certain thresholds for stakes and winnings.

The Lottomatica Group has been very active in supporting measures against crime related to gambling. It has included the issue of money laundering prevention as a central theme within the company's code of conduct, according to which the Lottomatica Group conducts business only with reputable customers and suppliers who are involved in legitimate business activities and whose funds are derived from legitimate sources.

The Lottomatica Group fully complies with the provisions of Directive 2006/70/EC on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing and on its implementing measures. While the Lottomatica Group is committed to complying with all applicable anti-money laundering laws throughout the world, including laws that require the reporting of cash or other suspicious transactions, we urge the EU to look at implementable systems to effectively target money laundering without over-burdening the industry with additional requirements.

(36) Is there evidence to demonstrate that the risk of money laundering through on-line gambling is particularly high in the context of such operations set up on social web-sites?

We have no evidence about this risk.

More generally, in view of the fact that the gaming market in Italy is strictly regulated and that concessionaires are subject to compliance with a number of obligations, also in relation to corporate governance and the composition of the company, as well as to verification and controls set out by AAMS, there are no elements which suggest that legal gambling operators are or may be involved in money laundering. The issue appears to relate to illegal operators who do not conform with the requirements applied to concessionaires.

(37) Are national e-commerce transparency requirements enforced to allow for illegally operated services to be tracked and closed? How do you assess this situation?

In Italy, licensed online gambling is subject to transparency requirements.

The licensee must indicate on the gaming account contract signed by the customer, the address of all websites through which it offers gaming and undertakes communications in relation to it. Websites must report the license number, the legal entity of the concessionaire, the regulations of the game, the relevant legislation, the scheme of the concession agreement and of the gaming account contract, instructions for playing, the calendar and times of access to games, and any other information regarding gambling, events, fees and results. In addition,

the licensee publishes information on its sites about legal and responsible gambling, risks of problem gambling, exclusion of minors and any other information required by AAMS.

With reference to the protection of consumers, it is important to notice that while all the requirements imposed by the Regulator must be respected by the concessionaires, this cannot be guaranteed with unauthorised operators.

Other comments on issues raised in section 2.3.2

2.3.3. Financing of benevolent and public interest activities as well as events on which on-line sports betting relies

(38) Are there other gambling revenue channeling schemes than those described in the Green Paper for the public interest activities at national or EU level?

A regulated gambling market facilitates the raising of money for good causes provided by lottery operators.

In Italy, revenues from gambling contribute to State finance (roughly 10 billion EUR in 2010 went to the Exchequer and 64 billion in the last 10 years). The State decides how to redistribute revenues to society depending on different needs. In addition to this, some dedicated games have been launched in order to support specific causes such as the Turin Olympic Games, funds for the Abruzzo earthquake, etc.

Lottomatica Group contributes to the growth of the communities in which it operates, primarily through three channels:

- 1. State funds, as provided for by Law no. 662 of 23 December 1996 for the conservation of artistic and landscape heritage, and for cultural activities;
- 2. Funds raised by special lotteries, in support of social initiatives;
- 3. Other Lottomatica funds that the company chooses to allocate to the community.

1. STATE FUNDS

Law no. 662 of 23 December 1996 indicates the methods of calculating the proceeds from the Lotto Game that will be allocated to funding artistic initiatives. The 1997 Budget Law introduced a second mid-week lottery draw, with a portion of the tax on gaming proceeds to be transferred from the Ministry of the Economy and Finance to the Ministry for Cultural Assets and Activities, to be used for the recovery and preservation of artistic and landscape heritage, as well as for cultural activities. This method of funding has remained in place even with the introduction of the third weekly draw in 2005.

2. SPECIAL LOTTERIES

Two lotteries were launched for example in 2009 that allowed us to contribute to supporting social initiatives in favour of associations working with children and the disabled.

3. LOTTOMATICA FUNDS

Lottomatica is aware that it operates in a sector in which growth must go hand-in-hand with respect for and the development of the community where it does business. As a result, every year it has decided to allocate a significant share of its budget to cultural, sporting and social initiatives.

In 2010, Lottomatica, also thanks to the revenues from the Lotto and scratch card games, has invested 8 million EUR in social, cultural and sport projects. The local communities have demonstrated their appreciation of initiatives that focus on values considered to be fundamental, such as care for the most vulnerable groups in society, policy of environmental sustainability and the diffusion of culture and sport (for more details please see the Lottomatica Group Social Report <http://www.lottomaticagroup.com/eng/social/sr.html>).

More recently, with the budget law of July 2011, an amount equal to 3 percent of the annual expenditure for the advertising of gambling products, to be paid by the concessionaires of lottery, instant lottery and numeric games, was set to finance the so called “social card”, which is a special contribution given by the State to citizens in economic need.

The Lottomatica Group welcomes the fact that the Green Paper on online gambling acknowledges the importance of contributions by lotteries and licensed gambling operators.

Furthermore, the European Commission’s 2008 White Paper on Sport as well as the Communication on Sport published in January 2011, also formally recognize the significant contribution made to the financing of sport by, inter alia, lotteries and licensed gambling bodies.

(39) Is there a specific mechanism, such as a Fund, for redistributing revenue from public and commercial on-line gambling services to the benefit of society?

In Italy, in respect to the redistributing of revenue from gaming, no distinction is made between online and offline gambling. The State decides how to redistribute resources to society depending on different needs. An amount is usually earmarked for the financing of sport (470 million EUR in 2010). The funds are distributed among all professional sports and also in support of grassroots sport.

Through taxation, the gambling sector has provided a significant contribution to the national economy, also in terms of donations to sport, horse racing and other social, cultural and educational activities.

See also previous reply.

(40) Are funds returned or re-attributed to prevention and treatment of gambling addiction?

In Italy there isn’t any mandatory contribution (by law) for treatment or prevention of gambling addiction.

Operators voluntarily decide to fund treatment centres, problematic players help lines and informative campaigns for prevention (see answer to question 21).

(41) What are the proportions of on-line gambling revenues from sports betting that are redirected back into sports at national level?

The sport sector benefits of contributions from gaming revenues in Italy. Since 2005, under law n. 311 of 30 December 2004, the national Olympic committee (CONI) receives funds which are allocated through the State budget. Funds granted in 2009 and 2010 amount to 470 million EUR to CONI (per annum). CONI distributes the funds to all sport federations.

As regards these contributions, there isn't any specific distinction between online and offline gaming. This system has the advantage of unlinking the financing of sport and betting wagers. In fact, the amount destined to sport does not depend on the revenues of fixed odds betting and is therefore more stable and allows CONI to plan its activities.

A similar system has been put in place for the equine sector. About 14% of horse race betting wagers goes to UNIRE (Unione Nazionale Incremento Razze Equine). However, due to the decline of horse race betting in Italy, a State funding system was created in 2008. 150 million EUR were allocated to UNIRE in 2009 and 2010.

The amount, modalities for allocation, transfer and monitoring of funds to sports and the equine sector are currently under discussion in the Italian Parliament to define the resources to grant for the years 2011 and beyond.

(42) Do all sports disciplines benefit from on-line gambling exploitation rights in a similar manner to horse-racing and, if so, are those rights exploited?

In Italy, there is no commercial exploitation right for sport event organisers, The so called "right to bet" (as adopted in France) does not exist.

With reference to horse racing, it should be noted that, unlike for sporting events, a portion of wagers and a portion of taxes is directly destined to finance UNIRE, the national public body responsible for the equine sector.

(43) Do on-line gambling exploitation rights that are exclusively dedicated to ensuring integrity exist?

No. As mentioned above, in Italy there is no right of exploitation associated with the sport events subject of betting.

There is no evidence that granting rights to sport organisations is the most suitable way to protect the integrity of sport. In addition, we would like to point out that establishing links between operators and sport event organisers could lead to risks of conflict of interests and undue influence.

Ensuring the integrity of sport is key to betting operators. That is why, in line with the Regulators' requirements and often through agreements with the sport federations, they have put systems in place which monitor the placing of bets and identify suspicious operations.

(44) Is there evidence to suggest that the cross-border "free-riding" risk noted in the Green Paper for on-line gambling services is reducing revenues to national public interest activities that depend on channelling of gambling revenues?

As previously stated, the amount of expenditure that goes out of the country where the service is provided through unauthorised gaming constitutes a loss to the Exchequer and thus for society. Therefore, in our view, free riding should be understood as the effect that unlicensed operators create in respect to the countries where they provide their service (but where they do

not pay taxes and therefore do not contribute to the good causes which are financed through that) and as unfair competition towards concessionaires.

The Italian regulatory framework, the variety of games allowed and the licensing and fiscal conditions ensure that this risk remains quite limited in Italy.

(45) Do there exist transparency obligations that allow for gamblers to be made aware of whether and how much gambling service providers are channelling revenues back into public interest activities?

No. There is no such obligation in Italy.

Authorised concessionaires pay taxes which are then redistributed by the State.

Other comments on issues raised in section 2.3.3

2.4. Enforcement and related matters

(46) Which form of regulatory body exists in your Member State and what are its competences, its scope of action across the on-line gambling services as defined in the Green Paper?

In Italy, gambling, bets and lotteries are organised by law by the State. In 2002, the Ministry of Economy and Finance was given responsibility for managing these activities through AAMS.

AAMS manages activities of regulation and control of the entire gambling market. The main role of AAMS is to draw up regulations and guidelines to ensure the dynamic and rational development of the sector and to carry out ongoing control activities to ensure that its concessionaires abide by the rules. Furthermore, AAMS is actively engaged in combating all kinds of illegal practices and in taking the necessary steps to optimize all State revenues generated in this sector.

(47) Is there a national register of licensed operators of gambling services? If so, is it publicly accessible? Who is responsible for keeping it up to date?

Yes. The public register of the gaming concessionaires is held by AAMS and posted on its institutional website www.aams.it (Concessionari autorizzati al gioco a distanza e relativi canali di raccolta).

The list of blocked unauthorised websites is also published on www.aams.it (Elenco di cui al Decreto del Direttore Generale di AAMS 02_01_2007 relativo alla rimozione di casi di offerta, in assenza di autorizzazione, attraverso rete telematica, di giochi, lotterie, scommesse o concorsi pronostici con vincite in denaro).

(48) Which forms of cross-border administrative cooperation are you aware of in the domain of gambling and which specific issues are covered?

Lottomatica Group, with the exception of the recent agreement between the Italian and French Regulators, is not aware of any formal cross-border cooperation in the EU.

Due to the cross-border nature of remote gambling, enhanced cooperation between regulatory authorities is needed to ensure effective enforcement of rules and to fight illegal gambling.

Therefore, Lottomatica Group strongly welcomes the headway achieved by the most recent EU Council Progress Reports and the attention given to this topic in particular by the Hungarian Presidency.

Cross-border administrative cooperation is desirable in areas such as:

- Exchange of best practices: On national/regional regulations; enforcement tools; payment systems; measures to identify risks of fraudulent and criminal activities; responsible gaming measures and programmes; commercial communications; etc.
- Consumer protection: Common standards for players protection; the use of common certification entities for responsible gaming; mutual assistance on criminal activity inquiries, fraud and collusion controls, cooperation on integrity of sports, sharing of blacklists of illegal sites.
- Sharing of information: For instance on the licensing systems in other Member States and the evaluation of requirements for the granting of licences.
- Reduction of red tape: Establishing a minimum common set of technical and administrative standards to streamline licensing procedures and certifications.

Furthermore, the IMI system could also represent a useful tool for enhanced cooperation among Regulators and to provide centralized coordination (see also response to Question 10).

(49) Are you aware of enhanced cooperation, educational programmes or early warning systems as described in the Green Paper that are aimed at strengthening integrity in sport and/or increase awareness among other stakeholders?

A Memorandum of Understanding was signed on 28 June 2011 between AAMS and the French online gaming Regulator (ARJEL) to establish a cooperation and exchange of information system designed to strengthen their controls and to improve regulation in the field of remote gaming, and in particular as regards the fight against illegal sites, protection of sport integrity, control of legal operators and player protection.

We would also like to refer to the European Lotteries' Monitoring System (ELMS). Through ELMS, its members are co-operating with FIFA (FIFA Early Warning System) and UEFA (UEFA Betting Fraud Detection System) as well as national football authorities and authorities to prevent any wrong doing in sport with the ultimate task of protecting sports integrity. Furthermore, EL has extended the national educational work of its members in Europe and through World Lottery Association (WLA) in the world. The educational program carries the working name APSI (Awareness Program for Sports Integrity) with the aim to raise awareness, to educate and to inform all sports related bodies starting from players to referees and club owners i.e. the so called inner circle over the dangers of match fixing. This educational co-operation has already been put into practice in partnership with SportAccord, the association of international sports federations and AIPS, the association of international sports journalists.

(50) Are any of the methods mentioned in the Green Paper, or any other technical means, applied at national level to limit access to on-line gambling services or to restrict payment services? Are you aware of any cross-border initiative(s) aimed at enforcing such methods? How do you assess their effectiveness in the field of on-line gambling?

Member States are using different tools of deterrence and sanctions for illegal operators. In addition to proper enforcement by member States, a better coordination of measures and efforts by national Regulators in this area is desirable and needed to ensure consistency in the fight against illegal gambling.

Similar to payment blocking, IP blocking has been identified by the Progress Report under the Spanish Presidency of the EU regarding the “legal framework for gambling and betting”, as a possibly effective measure against illegal gambling. Lottomatica Group agrees that despite the technological challenges it poses, IP blocking, used for instance by the Italian Regulator, is an effective measure.

In addition to the IP blocking system, with the adoption of the budget law of July 2011, Italy foresees that credit card issuers, banking, financial and postal services are required to signal to AAMS the identification data of those who transfer money to anyone, enlisted in the register of AAMS, offering gaming online without a license or authorization, or in violation of laws, regulations or requirements provided for by the Regulator.

The Italian experience shows that the controlled opening of the market to a regulated multi-concession model allows for the surfacing of part of illegal operations.

(51) What are your views on the relative merits [in terms of suitability and efficiency] of the methods mentioned in the Green Paper as well as any other technical means to limit access to gambling services or payment services?

None of the mentioned methods appears as fully effective. In fact, member States have not been able to entirely enforce their national laws and prevent unauthorised operators from making illegal gaming available to their citizens. However, it is important to maintain enforcement tools and activities in place in order to ensure legality, competition among operators and to guarantee consumers.

As regards the Italian market, the action of AAMS is certainly valuable for the effort in the ongoing work of research, monitoring, reporting and inhibition of the illegal sites.

Other comments on issues raised in section 2.4

Other comments on issues raised in the Green Paper

Lottomatica Group S.p.A. is one of the leading gaming operators in the world based on total wagers, and through its subsidiary, GTECH Corporation, a leading global provider of lottery and gaming technology solutions. With GTECH, Lottomatica Group is the only company in the lottery business to offer a fully-integrated set of services and products to its customers.

Lottomatica Group is committed to the highest levels of integrity, responsibility and value creation for its shareholders. In 2008, Lottomatica Group was the first Italian company in the gaming sector to introduce an annual Social Report and to adopt a Corporate Social Responsibility program promoting a responsible gaming portfolio of products, communications, and events (for more information please visit <http://www.lottomaticagroup.com/eng/social/sr.html>).

Lottomatica Group welcomes the Green Paper on online gambling and considers it as a unique opportunity to undertake a mapping of the current situation and of existing national rules in order to assess, in an unbiased manner, whether a Community intervention can help to clarify the key principles governing the online gaming market and to provide greater legal certainty.

We share the view of the European Commission that gambling is an activity of a special nature as it entails risks for public order and health. In light of this, Lottomatica Group believes that governments have the responsibility to regulate and control the supply of games to prevent any negative impact on society. This is because a member State is most suited to decide how to best protect its citizens and ensure public order in accordance with cultural traditions, societal characteristics, etc. In concurrence with this, Lottomatica Group supports the application of the principle of subsidiarity for how the gambling sector in the EU should be governed.

Nevertheless, the current situation across Europe shows that national/regional gambling legislation does not provide a fully comprehensive and satisfactory response to all the challenges posed by cross-border gambling. We believe that issues such as enforcement measures, fight against organised crime, consumer protection, require a transnational approach. Lottomatica Group welcomes the recent rulings and opinions on gambling cases as they have provided clarity on some important issues affecting the gaming sector. For instance, the Court of Justice of the EU (CJEU) recognises that member States have the right to regulate and control their national online gambling markets, and that the principle of mutual recognition does not apply to the gambling sector. However, a number of important legal issues remain unsolved and it is not acceptable that the regulatory framework for gaming in Europe is defined only through the jurisprudence of the CJEU.

A sustainable future for gambling policies and for the stakeholders involved is not possible if the concerned national rules are continuously challenged in court both at national and European level. There is clearly a need for legal certainty under EU law in order to guarantee a clear and proportionate gambling policy. We are convinced that enhanced cooperation between national regulatory authorities, coupled with the adoption of common principles at EU level, can help achieve a coherent regulation of interactive gaming in Europe, which ensures effective enforcement of rules and guarantees players' protection. Lottomatica Group believes that a common framework at EU level should integrate the principles of subsidiarity, integrity, solidarity and precaution. Such principles are especially necessary to prevent online gambling service providers from offering their services in an uncontrolled manner, leaving consumers unprotected but also jeopardising public order and not contributing to public interest causes (sport, culture, social projects, etc.).

In Italy, Lottomatica operates in a national regulatory environment where interactive gaming is subject to a regulated licensing system, to prevent any negative social and economic consequence. The Italian legislation has allowed operators to acquire a concession to offer games and betting through remote channels. All operators, which could prove to be compliant with the provisions of the Italian law, have been granted a license. This multi-concession approach has a double advantage: It allows for competition between national and foreign

operators while at the same time safeguarding, through appropriate regulation and control, gambling services offering. The Italian regulatory framework, in our view, provides for good practices and can be considered as a reference model in Europe.

Lottomatica Group is a member of European Lotteries Association (EL) and World Lotteries Association (WLA). For more information, please see also the EL and WLA responses to the Green Paper.