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MINISTRY OF FINANCE OF THE REPUBLIC OF LATVIA

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DG Internal Market and Services  
[J-59 08/061]  
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B-1049 Bruxelles, Belgium

Rīga, 08.08. 2011  
No. 4-06/5133

Subject: Green Paper “On on-line gambling in the Internal Market”  
{SEC(2011) 321}.

Dear Sir/Madam,

By this we are sending you our answers to the questions raised in Green Paper  
“On on-line gambling in the Internal Market” {SEC(2011) 321} (see attached on  
13 pages).

Yours sincerely,

Sanita Bajāre  
State secretary

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## Questions

**(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?**

Latvia has not carried out any studies on the online gambling market, and the research data of the other countries are not used in Latvia.

**(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)**

The reliable data or studies on the actual size of the black market and actual operation of the unlicensed operators are not available and known in Latvia. There are several unlicensed online gambling operators operating aggressively in Latvia, who do not meet licensing requirements, who have obtained a license in low-tax territories or in other EU Member States, for example, Malta.

**(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?**

In Latvia a number of online gambling operators registered and licensed in the EU Member States (Malta, UK) and low-tax areas (Gibraltar, Jersey, Alderney, Isle of Man, Guernsey) broadly and aggressively advertise their services illegally (according to the Law on Gaming and Lotteries gambling advertising is completely banned). In this situation fair competition principles are violated (gambling operators licensed in Latvia pay taxes, ensure the rights of players, are responsible for the prevention of money laundering, respect the ban on advertising, meet other licensing requirements – unlicensed gambling operators avoid all this), the compliance with the players' interests are endangered, the possibility of fraud exists and minors have a possibility to participate in gambling out of control (high risk).

**(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?**

Non-EU on-line gambling operators endanger simultaneously the compliance with the players' interests and compliance with the licencing procedures of each Member State, as well as the compliance with common interests and binding rules of the whole EU. The EU should set common requirements for blocking the access of the illegal on-line gambling operators.

**(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?**

ECT judicature and individual court rulings are still interpreted freely and differently, which increasingly promote disagreements between the Member States because of the lack of legal and common certainty. Often the gambling operators interpret the court decisions inappropriately/at their own interest, by thus creating the basis for increasingly new proceedings. Still, the certain definition of the illegal gambling operator and the state territory on the Internet environment does not exist at the EU level, as well as the scope of competence and rights of each Member State have not been defined.

**(6) Do you consider that existing national and EU secondary law applicable to online 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?**

The existing national and EU secondary legislation incompletely regulate the gaming services, because the actual operation of the gambling operators, given the very rapid technology development, essentially

overtake and makes ineffective the national measures that are directed to the reduction of the gambling-related harmful effects on the public.

**(7) How does the definition of on-line gambling services above (On-line gambling services are any service which involves wagering a stake with monetary value in games of chance, including lotteries and betting transactions that are provided at a distance, by electronic means and at the individual request of a recipient of services) differ from definitions at national level?**

Does not differ in substance and is of similar content.

**(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?**

In Latvia, the lotteries of goods and services regulated by the special law could be considered as promotional games. The media games are separated and are considered the games of chance and are regulated by the Law on Gambling and Lotteries.

**(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?**

In Latvia it is not allowed to organize gambling in this way.

**(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?**

The advantages are that each EU Member State, depending on its historical experience, economic situation, socio-economic factors and public education and awareness, as well as from the overall public health perspective may regulate gambling at its discretion, and the governing model is completely different. The above situation differs significantly between the Member States. At the same time all the above-mentioned is regarded also as difficulties to ensure the common EU-level regulatory framework concerning gambling, especially the online one.

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

Gambling commercial communications are subject to the same regulatory framework and supervision as all other communications of this kind. Such communications in the gambling sector significantly impact the players and give false impression on the harmlessness of this type of service.

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

In Latvia the specific regulations pertaining directly to payment systems for online gambling services do not exist.

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

Before the start of the interactive gambling the law requires each player to create a specific game account on the gambling operators' server, and before that the player's identity and the authenticity of the specified bank account by the player is checked.

**(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 Latvia the requirement exists that the licensed online gambling organizers, prior to registering the player, must examine the identity of each player in all the personal records databases/registers available in the Republic of Latvia, and the permission for online gambling is given within three days. The information about the player's payment cards provided by the player and other banking information is also checked. The illegal online gambling operators fail to meet these requirements, but they cannot meet them, because they do not have the access to the registers from the foreign countries, as well as they cannot be considered

as and may not be legally entitled to handle personal data in accordance with the data protection requirements laid down in a special law.

**(15) Do you have evidence that the factors listed above 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)**

In Latvia the studies have not been carried out on problems and consequences associated with gambling, incl. on-line gambling, and the impact of such consequences on players has not been examined before.

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

In Latvia the studies have not been carried out on problems and consequences associated with gambling, incl. on-line gambling. The Law on Gambling and Lotteries comprises almost all the said instruments. As the most essential ones would be the following:

- 1) Age limits,
- 2) Banning the use of credit,
- 3) Reality checks,
- 4) Others (for example, limits on commercial communication: restrictions on the use of certain media, sales promotions and sign-up bonuses or free practice games).

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

In Latvia the credible studies on the above-mentioned subject have not been carried out.

**(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?**

In Latvia the credible studies on the above-mentioned subject have not been carried out.

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

In Latvia the credible studies on the above-mentioned issue have not been carried out.

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

In Latvia the common national policy for the prevention and restriction of the problems associated with gambling does not exist.

**(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 Latvia the gambling operators do not contribute to the funding for the treatment of gambling addiction.

**(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?).**

The state has not obliged the gambling operators to control the behaviour of players to determine a probable pathological gambler.

**(23) Are the age limits for having access to on-line gambling services in your or any other Member State in your view adequate to attain the objective sought?**

The age limits have been introduced to exclude the possibility for children and young people to participate in gambling, and they are equal for all types of gambling.

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

The gambling operators are obliged under law to check the identity of each player. "Face-to-face" identification is done and fully guaranteed in

the licensed casinos. Online identity verification may be difficult and illegal gambling operators cannot perform it.

**(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 videosharing for marketing purposes.**

The gambling commercial communications are not specifically/separately regulated, the commercial communications are subject to all general requirements laid down by the Advertising Law. In Latvia the gambling advertising in any form is prohibited.

**(26) Which national regulatory provisions on licence conditions and commercial communications for on-line gambling services account for these risks and seek to protect vulnerable consumers? How do you assess them?**

In Latvia the gambling advertising in any form is prohibited.

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

Latvia has not carried out any studies on this subject.

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

All the gambling equipment operate according to the principle of random generator, all the equipment is certified by professional and independent laboratories, the equipment is registered in the supervising authority.

**(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?**

In Latvia the common practice to prevent various types of fraud does not exist. By approving the gaming rules, by performing the routine controls at gambling venues and by requiring the certification of the gambling equipment in the laboratories the risks are mitigated that the licensed gambling operators cheat players. The cases, in which players cheat operators are prevented upon the operator's request, by investigating the specific cases. In Latvia the theoretical possibility for players to cheat operators does not exist, because the gambling is permitted only in the licensed venues, where the player plays against the gambling operator. In other cases it may be classified as fraud and the criminal liability may be applied.

**(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?**

In Latvia the requirements on the prevention of the conflict of interests related to totalizers and betting concerning the persons involved in the sports do not exist, and in Latvia the national level studies have not been conducted on the actual magnitude of the outcome fixing.

**(31) In your view what issues should be addressed as a priority?**

The identity stealing and data protection issues, as well as the safety and the limitation possibilities of the financial transactions to prevent the uncontrolled outflow of the financial funds to the illegal gambling organisation sites.

**(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?**

Failure to comply with the principle of fair play, the sponsor's influence on the specific team, as well as team's strategy and interest in the result of each game which may be imposed as a duty to arrange a game and score.

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

In Latvia such cases have not been proved or identified.

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

The essential and strict control is necessary regarding all the payment systems, especially all non-banking payment systems (where there is a high risk of being involved in money laundering schemes). Such requirements should be set at EU level.

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

Although in Latvia the money laundering cases have not previously been detected, however we believe that there is a great risk in this area, particularly on the illegal gambling market. Latvia fully meets all international requirements, which set out the requirements to ensure the prevention of the money laundering and terrorist financing possibility.

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

Gambling prevalence on social web sites (including offers of free-of-charge gaming in a form of free practice) undoubtedly causes many harmful social consequences – gambling engages increasingly younger players (in Latvia the youngest identified illegal participant of a poker tournament was 10 years old), the risk of getting serious gambling addiction faster increases significantly, misleading the public about the harmlessness of gambling and comparison of gambling with sports. The direct evidence of money laundering opportunities and danger in social websites in particular do not exist.

**(37) Are there national on-line gambling transparency requirements? Do they apply to cross border supply of on-line gambling services and are these rules enforced effectively in your view?**

Since 2006 in Latvia it is allowed by law to organize on-line gambling, and everyone has the opportunity to obtain such a gambling license and the number of licenses is not limited. Notwithstanding, the gambling operators licensed in various foreign countries (especially from low-tax jurisdictions and Malta) illegally and without a license offer their services in the territory of Latvia to its population, thereby endangering public order, as the Latvian gambling monitoring authorities are not entitled to control the gambling operators licensed in another state. The cross-border co-operation in restriction of spreading of illegal gambling does not actually function, and aforesaid countries ignore requests of Latvia and other EU Member States to ensure that operators under their jurisdiction comply with national laws and existing procedures of other countries.

**(38) Are there other gambling revenue channeling schemes for the public interest activities at national or EU level?**

In Latvia all the revenue from gambling organisation is transferred to the state budget, and the procedure does not exist according to which the revenue from gambling should be channelled for the elimination or reduction of consequences associated with gambling.

**(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?**

No, because in Latvia all the revenue from the gambling organisation is transferred to the state budget, and the procedure does not exist, according to which the revenue from gambling would be channelled for the elimination or reduction of consequences associated with gambling.

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

No, because in Latvia all the revenue from gambling is transferred to the state budget, and the revenue from gambling is not channelled for the elimination or reduction of consequences associated with gambling.

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

In Latvia the revenue from on-line gambling is not redirected back to sports.

**(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 Latvia the revenue from on-line gambling is not redirected back to sports.

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

In Latvia such a special procedure, directed to ensuring the integrity in sports results, does not exist.

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

In Latvia the credible information or studies on this issue does not exist, and it is not particularly analysed.

**(45) Are there 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?**

Such an obligation and procedure does not exist in Latvia, and for gamblers and the general public it is not possible to know whether and how much revenue is channelled by gambling service providers to the public interest activities.

**(46) Is there a regulatory body in your Member State, what is its status, what are its competences and its scope of action across the on-line gambling services as defined in this Green Paper?**

In Latvia a special Lotteries and Gambling Supervisory Inspection subordinated to the Ministry of Finance is established, the competence of which is defined in the Law on Gambling and Lotteries – to monitor and control the compliance with the legislative acts governing gambling. This

includes monitoring and control of casinos and gambling halls, as well as on-line gambling, as referred to in this document.

**(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?**

Such a register exists, and it is constantly updated by the Lotteries and Gambling Supervisory Inspection, and it is available for public at [www.iaui.gov.lv](http://www.iaui.gov.lv)

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

Concerning gambling the common regulatory framework does not exist in EU, and each Member State, taking into account the necessary level of the regulatory framework in its territory, exercises supervision and control over the legality of gambling events in its territory, as well as the direct administrative cooperation between the Member States in this area does not exist. Latvia considers that a successful form of cooperation is carried out in European Gaming Regulatory Forum (GREF) (the Head of the Lotteries and Gambling Supervisory Inspection S.Birne is the chairman of the board of this organization), where in the annual meeting the topical issues affecting the sector are discussed, the work is carried out in special working groups, the electronic circulation of information is carried out on the Internet website, which is intended only for the members of the organization. If necessary, the direct assistance or the necessary information is requested about the issues directly from the foreign colleagues.

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

The programmes directed to the implementation of the educational programmes concerning the general public and to ensure the integrity in sports or the campaigns for sportsmen (amateurs and professionals), coaches, referees, are not implemented in Latvia.

**(50) Are any of the methods mentioned above, 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 online gambling?**

The technical means to restrict the access to unlicensed on-line gambling sites (IP blocking, DNS filtering, payment blocking) are not currently used in Latvia. However, the new draft law “Law on Gambling and Lotteries” provides that the Lotteries and Gambling Supervisory Inspection is entitled to issue the order to the Internet service providers to block the Internet protocol and the domain names of unlicensed gambling operators. It is planned that this law will take effect on January 1, 2012.

**(51) What are your views on the relative merits of the methods mentioned above as well as any other technical means to limit access to gambling services or payment services?**

Latvia believes that the application of these technical means is effective enough and it plans to implement this system in 2012.