



WHITE PAPER

European Interactive Gambling Policy An Overview of Regulation, Politics and Emerging Markets

PRESENTED BY

IGamingNews in conjunction with the European Gambling Briefing

COMPILED, DESIGNED AND EDITED BY
Christopher A. Krafcik | Editor | IGamingNews

ST. CHARLES, MISSOURI
MARCH 2009
© **CLARION GAMING**

205 S. MAIN STREET | ST. CHARLES, MO. 63301 | UNITED STATES OF AMERICA
WWW.CLARIONGAMING.COM

IGAMINGNEWS WHITE PAPER | Who We Are

IGamingNews is a subscription-based electronic news, research and information service that has covered the Internet gambling industry for nearly a decade.

We count among our clients publicly traded and privately held Internet gambling operators; software suppliers; financial services companies; equity analysts; legal firms; entrepreneurs; marketing firms; national and provincial lotteries; consultants of various dispensations; and government regulators.

IGAMINGNEWS is

Publisher | Mark Balestra

E: Mark.Balestra@ClarionGaming.com

Editor | Christopher A. Krafcik

E: Chris.Krafcik@ClarionGaming.com

Staff Writer | Jeanette Kozlowski

E: Jeanette.Kozlowski@ClarionGaming.com

Digital Advertising Executive | Holly Rauch

E: Holly.Rauch@ClarionGaming.com

T: + 1 636 946 0820

F: + 1 636 946 0566

On the Web: <http://www.igamingnews.com>

IGAMINGNEWS WHITE PAPER | Call to Action

Find yourself reading free "news" on affiliate sites? Tired of digging through Google news feeds? Frustrated with attribution that goes no deeper than "said in a prepared statement"?

It's time to take a spin with IGamingNews.

Our connections across the interactive gambling world number in the thousands. And it is on their input that we rely every day to enhance the quality and depth of our reporting. In fact, if you're reading this White Paper, chances are we've bugged you for something.

Journalism here is alive and well. Although we are a trade publication, you will not find content that is softened in the interest of luring prospective advertisers or clients. What's more, we have 16 years of combined experience -- in house -- reporting on interactive gambling.

Our angles are thoughtful and critical. We remain in constant dialogue with operators, providers, regulators, lobbyists, law enforcement, politicians, marketers, entrepreneurs -- and a phantom with which this industry is well acquainted, the anonymous source -- to ensure you remain on the inside of all major developments and transactions.

We've got our finger on the industry's pulse. As the end game of all business is profitable growth, in the coming months we're looking to bring you in-depth coverage of regulatory and commercial developments in liberalized European markets like France, Spain and Italy. We'll also be releasing an extended series of articles on the prospects for online poker in Asia, which includes quantitative data from analysts and qualitative input from executives and business-development directors on the ground there.

Contact us. We are currently offering prospective clients a 21-day trial -- no strings. To get set up, simply phone Christopher Krafcik at +1 636 946 0820, or e-mail him at Chris.Krafcik@ClarionGaming.com.

IGAMINGNEWS WHITE PAPER | Introduction

In the absence of a single European market for online gambling, European Union member states and the commercial companies that do business among them remain at odds over what's legal, illegal and -- to use a pregnant double negative -- not illegal.

Recent months have seen national governments in France and, to a far lesser extent, Spain, move toward liberalizing sectors of their online gambling markets. These gains, unsurprisingly, have been offset by the promise of further crackdowns in the Netherlands, as well as the enactment of a payments ban in Norway.

Industry lobbying groups like the Remote Gambling Association and the European Gaming & Betting Association have had their hands full, meanwhile, with a controversial report in European Parliament that, among other things, paired the growth of online gambling with increased opportunity for corruption in sport.

The report, "On the Integrity of Online Gambling," was drafted by Christel Schaldemose, a Socialist Group member of European Parliament from Denmark, and adopted by parliament in March. Although the report received pointed criticism from a contingent of parliamentarians, its adoption came as a black eye to an industry already beset by public mistrust.

At present, 20 European Union member states allow some form of Internet gambling, and according to a November 2008 report by Europe Economics, 13 of those states operate a liberalized market, six operate a state-owned monopoly and, one, a licensed private monopoly.

In recent years the European Union's internal market regulator, the European Commission, has, for Internet gambling, sought to uphold Article 49 of the European Community treaty, which guarantees the free movement of services across borders.

A number of the commission's infringement proceedings against member states like Denmark and Greece -- which restrict competition domestically to protect against crime, underage gambling and problem gambling -- remain open though have yet to be brought before the European Court of Justice.

With a patchwork of national regulatory frameworks across the European Union, debate rages on over whether a single European market for online gambling is a sensible, near-term possibility. Most legal experts, soberly, think not.

To ensure the transparency and integrity of operators and bolster consumer confidence during a period without European-level regulation, however, industry lobbying groups and trade associations are developing increasingly sophisticated codes of conduct by which signatories must abide.

The Interactive Gaming Council in North America and the European Gaming & Betting Association in Continental Europe, in particular, have developed two such codes though they mandate varying degrees of prescription.

As governments like Italy's realize explosive early returns from regulated Internet gaming, the online gambling industry continues to make inroads in emerging European markets like the Balkans.

A December 2008 study released by MECN, "The Balkan Gambling Markets," revealed between 20 and 30 percent of the online operators it surveyed are planning to increase investment activity there, particularly in Greece, Romania and Croatia.

H2 Gambling Capital has also identified Romania as a growth market, while Global Betting & Gaming Consultants said recently that online revenues in Croatia could reach nearly \$13 million by 2012 -- even in the absence of imminent, positive legislative change.

Looking ahead, IGamingNews believes some monopolistic markets, under pressure from the European Commission, will unwind and open competition on a limited basis, though expect local operators to emerge as winners.

Where those operators lack online gambling industry know-how, however, doors open for the business-to-business supplier. Already, Playtech Ltd., PartyGaming, Bwin Interactive Entertainment A.G. and CyberArts Ltd., for example, are leveraging b-to-b assets in markets that have liberalized, or are expected to.

In the wake of Ms. Schaldemose's parliamentary report, expect rights-holders groups -- like the Sports Rights Owners Coalition -- to amass further rhetorical capital on issues of integrity, and to be increasingly involved in lobbying at the member-state and European level for more comprehensive intellectual property rights and mandatory levies.

IGamingNews believes online gambling technology, as ever, will continue to develop faster, in most European jurisdictions, than does the regulation that governs its exploitation. Expect the need for tax revenue -- to protect it, or, more progressively, to generate greater quantities of it -- to play a significant role in policy development at the member-state level, especially amid the current recession.

IGAMINGNEWS WHITE PAPER | **Jurisdictional Hopscotch**

Governments draft regulations, and the commercial online industry lobbies for better ones. The cycle goes on.

French Regulatory Proposal Unveiled, Tax Regime Criticized

By CHRISTOPHER A. KRAFCIK
Published: Friday, March 6, 2009

As promised, France has released a draft proposal that would liberalize its hitherto monopolistic gambling market, but online gambling industry observers are already raising eyebrows at the government's proposed tax regime.

After some delay, the proposal was publicized Thursday, and at a press conference that day, the French budget minister, Eric Woerth, told reporters the country's gambling market will be expanded to "adapt to Internet reality."

In doing so, he said, the government hopes to reclaim some share of France's highly lucrative betting market lost to illegal online competition.

And those losses were not kindly looked upon.

Executives with Unibet and Bwin Interactive Entertainment A.G. have paid for alleged transgressions there, and were arrested under the shadow of political pressure from France's two monopolies, Les Française des Jeux and Pari Mutuel Urbain. Patrick Partouche, who runs the country's largest casino chain, was also taken to court after being accused of running an illegal Internet casino targeting French residents.

France generates about 5 billion euros each year from licensed gambling operations, which include horse betting, sports betting, casino gambling and lotteries, a person briefed on the proposal told IGamingNews Friday.

Under the new proposal, which is set to be presented to the country's cabinet at month's end, three sectors will be opened to commercial competition: parimutuel horse betting, fixed odds sports betting and online poker.

The person said these sectors will be opened, in part, because they're popular, but also because the government perceives them to be the least addictive forms of wagering. Not surprisingly, operating online slots, casino table games like roulette, and spread betting will not be allowed.

"I understand that slot machines are not within the scope of the law, I accept it, but I am disappointed about the table games," Mr. Partouche, a noted critic of French regulation, told Le Point in an interview Friday.

The proposed tax rate for both horse betting and sports betting is 7.5 percent of stakes, and for poker, 2 percent of stakes. (As a point of comparison, the Italian tax on betting stakes -- viewed as prohibitively high by some operators -- is 3.5 percent.)

"The tax on sports betting at 7.5 percent of turnover is very high," Warwick Bartlett, the owner of Global Betting & Gaming Consultants, told IGamingNews Friday. "The dilemma for all countries is the current economic climate and the parlous state of government finances, which means that no government is prepared to risk the current tax take from gambling."

Les Echos, a French paper, reported that additional levies will be applied against the horse betting (8 percent) and sports betting (1 percent) sectors, returns from which will be used to finance the development of amateur and professional sports and the horseracing industry, as well as the restoration of historic monuments.

The customer payout ratio, meanwhile, has tentatively been set at between 80 percent and 85 percent of an operator's gross gaming revenue.

Licenses will be issued for five-year terms, the person said, and renewal will be contingent on compliance with guidelines established by a newly created regulator called the Independent Regulatory Authority for Online Games, or Arjel (in French, l'Autorité indépendante de régulation des jeux en ligne).

In the coming months, Arjel is expected to release guidelines covering specific, separate accountancy procedures for an operator's commercial activity in France; transparency on payments mechanisms; and the existence of a permanent correspondent in France.

It is also expected that Arjel will have appointed a chairman by the end of the month.

An advisory committee on gaming -- called the CCJ, or Comité Consultatif des Jeux -- will also be created as a "moral" organ, the person said, and will oversee development of responsible gambling policy and research.

Online operators have been muted in responding to the proposal so far.

When asked Bwin's reaction to the proposed tax rate, Kevin O'Neal, a company spokesman, told IGamingNews Monday:

"We know from experience that blocking or bans do not work effectively. So countries which are already regulated -- like Italy -- they reduce their taxation levels that started out higher in the past. In Italy, it's around 3 to 4 percent of turnover -- and in Italy, it started out higher, but with the increase in overall industry volume, they reduced it."

Bwin is poised to become a player in the French market via its partnership deal with Éditions Philippe Amaury, a media group there, which Mr. O'Neal said is currently being developed "subject to the legislation."

Unibet and Betclick had not responded to invitations for comment by press time Friday, but the European Gaming & Betting Association, which lobbies on behalf of Unibet, has questioned the economic viability of the proposal.

Lobbying is likely to intensify as the proposal works its way through Parliament, and online operators are expected to push for a less draconian tax regime.

"The licensing terms will now be key, and we expect they will in some way favor local operators," Mr. Barlett said. "I suspect this deregulation will create a unique opportunity for Les Française Des Jeux, whose license previously meant that they could trade only in France but will now be able to expand outside from a strong base at home."

The new regulation is anticipated to take effect from Jan. 1, 2010.

Dutch Justice Minister to Shut Down Illegal Operators

By EMILY D. SWOBODA
Published: Thursday, Jan. 29, 2009

Ernst Hirsch Ballin, the Dutch justice minister, is following through with plans to take legal action against Internet gambling sites that illegally target Dutch consumers, IGamingNews has confirmed.

"It is in line with the policy of his department," Tjeerd Veenstra, director of the state-owned sports betting operator De Lotto, told IGamingNews Thursday. "He is fed up with illegal organizations operating in the Netherlands."

On Wednesday, a spokesperson for Mr. Hirsch Ballin's office told ANP, the Netherlands national news agency, that both local and foreign companies are being targeted for refusing to shut down their sites.

And, as previously threatened, Mr. Hirsch Ballin plans to warn banks in the Netherlands that they violate Dutch law by accepting transactions for illegal gambling, the spokesperson said.

In February 2008, Mr. Hirsch Ballin proposed legislation calling for a blacklist of illegal gambling operators to be circulated among the country's banks. Those banks, represented by the Netherlands Bankers Association, however, have refused to cooperate with the proposal, calling it impractical and illegal.

"[Mr. Hirsch Ballin] wants us to become an extension of the justice system, but that is not the role of the banks," Michel Noordermeer, spokesman for the association, told De Telegraaf, a local paper, in November.

In the Netherlands, online gambling sites must be licensed by the state to operate there; but so far, no operators have been granted licenses to offer their services. In April 2008, Holland Casino, the state-licensed casino operator, saw its bid to operate the country's first online casino rejected by the Dutch Senate.

Meanwhile, a report released Thursday by Motivaction, a market research firm in the Netherlands, shows that more Dutch citizens are gambling on the Internet than ever.

According to the report, Dutch gamblers are spending 450 million euros a year on illegal Internet gambling sites, which is double the annual spending since 2005. In addition, there are 485,000 regular gamblers, most of them young people, and they spend an average of 82 euros a month on gambling site, it said.

The report, commissioned by Holland Casino, was a follow-up to a survey conducted by Motivaction, Ron Goudsmit, vice president of business development for Holland Casino, told IGamingNews Thursday.

Mr. Goudsmit said Holland Casino is still interested in getting into the online market and the survey was done for the purpose of comparison.

The Dutch government has been informed of the results of the survey, Mr. Goudsmit said.

"They should know what's going on," Mr. Goudsmit said. "At some time, the issue will come back -- the issue of Internet gambling. Better to have legal Internet gambling than illegal."

Spain's Partido Popular Pushing for New Regulations

By EMILY D. SWOBODA
Published: Tuesday, Jan. 13, 2009

An amendment to a late 2007 Spanish law could mean countrywide regulation of online gambling as early as this spring.

In December 2007, the Spanish Congress passed Law 56/2007 on Measures to Promote the Information Society. A section in the law required the federal government to develop regulations for online gambling, Xavier Munoz of the Spanish law firm Legal Link told IGamingNews Tuesday.

However, no timeline was established by that law and, in the last year, the government has been lax in its obligation. Recently, Spain's Partido Popular -- the Parliament's second largest and most conservative party -- introduced a resolution putting pressure on the ruling Socialist Workers' Party to issue the regulations, giving them a deadline of three months.

"This resolution is saying 'Let's put some dates on this,' " Mr. Munoz said.

The 2007 law outlined several principles under which remote gambling would be regulated in Spain, he said.

First and foremost, the law establishes that the regulation of online gambling will be administered at the federal level, rather than having the 17 autonomous regions regulating the activity individually, Mr. Munoz said.

In late 2008, several regions were discussing their options for regulating online gambling, but as another Spanish gaming lawyer, Santiago Asensi of Asensi Abogados, told IGamingNews in November: "To regulate online gambling in the communities, in my opinion, does not make sense taking into account that Spain is going to pass legislation to regulate online gaming at the state level within the next (one to two) years."

Next, as outlined in Law 56/2007, the regulations must be promulgated in accordance with European Union law, according to a report provided by Mr. Munoz.

The Spanish Congress calls on the federal government to strictly adhere to European Community laws, like the free movement of services, for which a number of member states have been scrutinized or even brought to court for violating.

Furthermore, while following European Community principles, the Spanish government must establish a system of authorization, or licensure, Mr. Munoz said.

Once that system is in place, companies not bearing a Spanish license will not be able to operate in the country, regardless of whether they are licensed in their country of origin or not, Mr. Munoz's report stated.

In addition, advertising by unlicensed operators will be strictly forbidden, a tax-distribution system among the state and the 17 autonomous regions must be established and the regulations must comply with data- and minor-protection requirements.

Mr. Munoz said it remains unclear exactly which activities will be allowed under the new regulations. But that is because at a June 2008 meeting of gambling regulators from the 17 autonomous regions and the state government, Loterias y Apuestas del Estado -- Spain's state-owned lottery provider -- agreed to take charge of drafting the regulations and have them finished by October 2008. Loterias y Apuestas, however, has failed to produce anything so far.

"They are the ones in charge, but they in fact don't want it (state regulated gambling)," Mr. Munoz said. "They aren't drafting the law, and everyone else is complaining, saying maybe somebody else should do it because the monopoly is not really interested."

Labour Could Grease Wheels for Norway's Proposed Payments Ban

By CHRISTOPHER A. KRAFCIK
Published: Friday, Oct. 3, 2008

As Norway grapples with unrest over a high-profile incident involving Internet gambling and a bishop's prodigal son, legislation that would disrupt electronic commerce between Norwegian residents and non-licensed I-gaming Web sites has been formally introduced for a vote in the country's legislature, the Storting.

"It was sent two weeks ago today to Parliament," Rolf Francis Sims, the legal adviser to Norway's Royal Ministry of Culture and Church Affairs, told IGamingNews by telephone Friday. "There's been no significant action yet, as Parliament just convened yesterday after a holiday."

The proposal was introduced by Trond Giske, the outspoken head of the culture and church affairs ministry who, previously, played an instrumental role in upending the country's commercial slot-machine market.

Norway, a signatory of the Agreement on the European Economic Area with an 87.5 percent Internet penetration rate, has been a contentious battleground between commercial Internet gambling operators and the country's gambling monopolies, Norsk Tipping and Norsk Rikstoto.

While Norsk Tipping, which offers both games of chance and skill, and Norsk Rikstoto, which offers equine betting services, make available their terrestrial offerings remotely, under Norwegian law it is illegal for non-licensed operators to offer remote gambling services. Bolstering the barriers to entry, Norwegian law also prohibits all forms of marketing and advertising initiated by non-licensed operators.

Mr. Sims, who served as a gaming regulator with the Ministry of Justice and Police between 1998 and 2001, said that the services offered to Norwegian residents by unlicensed commercial operators have engendered serious political concern over the potential risks to public health.

Such risks were brought to the fore in a recent scandal involving Bjarte Baasland, the 34-year-old son of Ernst Baasland, who is the bishop of Stavangart Diocese. Mr. Baasland's wife, Bodhild Baasland, and their son, Bjarte, allegedly swindled diocese donors out of millions of Norwegian kronor, which were used to fund Bjarte's Internet gambling debts.

"Basically, at the moment, public opinion is very skeptical to gaming," Mr. Sims said. "A lot of questions are being asked about how a Norwegian citizen can actually sit at home, transfer money from his bank account to a foreign I-gaming company and place bet after bet after bet. People ask how this is possible -- ask how gambling companies can watch people lose huge amounts of money -- instead of actually going in and preventing the behavior and helping them. These are the questions the media has been asking."

Should Mr. Giske's proposal pass, however, the Norwegian media may abruptly receive an answer. For under the proposal, Norwegian banks and other financial institutions would be prohibited from facilitating payments between Norwegian gamblers and unlicensed Internet gambling operators.

Hypothetically, were a Norwegian financial or payments entity to contravene the proposed law, the Norwegian Gaming and Foundation Authority may issue orders for compliance and impose coercive fines payable to the government, Mr. Sims explained. The offending entity would, further, be given a deadline by which to bring its enterprise into compliance in order to avoid levying the fine. Contravention may also be subject to criminal prosecution.

"The legislative aims are to create an obstacle for remote gambling from Norway, strengthen national supervision of the domestic gaming market, limit evasion of Norwegian gaming law as interactive gaming, casinos and poker are prohibited in Norway," Mr. Sims said.

While the fate of Mr. Giske's proposed payments ban has yet to be determined, Mr. Sims said that it could fare well given Mr. Giske's own Labour Party, pursuant to the last election in 2005, holds 61 of 169 seats in the Storting. He said that an opposing party -- which he did not identify -- had also pledged to back the minister's proposal.

With regard to European Economic Area compliance, Mr. Sims said that the proposal was notified to the European Free Trade Association Surveillance Authority, which later returned comments stating the proposed law was indeed non-compliant with EEA law. He said, however, that the proposal had not been amended in accordance with the authority's wishes.

Questions remain, however, as to whether the law has the teeth to achieve its stated aim of discouraging both Norwegian residents from gambling on the Internet and commercial operators from serving them. Significantly, the law covers Norwegian financial institutions, exclusively, meaning non-Norwegian payment processors are not on the hook.

While no case law yet exists assessing Norwegian financial institutions in relation to Internet gambling-related payments, Mr. Sims maintains several administrative decisions have indicated facilitating such payments constitutes unlawful accessory involvement in holding, and mediation of, gambling activities.

Editor's note: The Norwegian Parliament enacted Mr. Giske's legislation on December 4, 2008. At the time of constructing this White Paper, March 2009, regulations for the legislation had not been introduced.

Operators, Academics Skeptical of Swedish Report

By EMILY D. SWOBODA
Published: Thursday, Dec. 18, 2008

Eighteen months after Sweden was instructed to amend its policies on gambling, the country responded with a 652-page report proposing no significant change to the current regulatory regime. Some commercial operators and suppliers agree, moreover, the report comprises little more than an effort to prolong the monopoly's tenure.

In April 2006, the European Commission initiated infringement proceedings against the Swedish government to determine whether the country's sports betting laws were in compliance with Article 49 of the European Community Treaty, which guarantees the free movement of services across borders.

In June 2007, the commission issued its reasoned opinion -- the final stage in an infringement proceeding before the dispute is referred to the European Court of Justice in Luxembourg. It was then that Sweden agreed to take up an inquiry into sustainable long-term gambling regulations.

Released on Monday, the report -- commissioned by the Swedish government and carried out by Jan Nyrén, a lawyer for the police authority -- recommended two routes for the future of gambling in Sweden.

The first one retains -- tightens even -- the current regulation, meaning Svenska Spel, Sweden's casino, betting and poker monopoly, would maintain its position. The second route would allow the offer of sports betting licenses to foreign operators with certain exceptions.

While on the surface the report complies with the commission's previous requests, a number of European commercial firms seem to agree that the recommendations were conceived to buy additional time during which to preserve the status quo.

"It's just a way for the Swedish government to buy some time and continue doing what they are doing," Johan Öhman, chief executive of NetEntertainment A.B., told IGamingNews. "The only thing you can really do is laugh -- it's a joke."

Mr. Öhman feels that either the Swedish government will eventually be forced by the commission to change its laws or the commercial operators will find a way to circumvent the Swedish government.

Sigrid Ligné, secretary general of the European Gaming & Betting Association, told IGamingNews that the first reaction from the operators her organization represents was disappointment because expectations -- like the partial disbanding of the monopoly -- were not met.

"We feel these proposals do not meet anybody's expectations -- certainly not the industry's," Ms. Ligné said.

"It seems not to answer the problem addressed by the European Commission in its procedure against Sweden," she continued. "Maybe more surprisingly, if we read comments made by the minister of finance in Sweden (Anders Borg), it doesn't seem to meet his expectations either, which is a bit more surprising considering he's been commissioning this report and defining the scope and the remit of the report."

Ms. Ligné said the collective feeling among operators is that they've lost 18 months -- which is unacceptable, she said, considering their rights, as established by European Community law, are continually ignored by Sweden.

"It has been one-and-a-half years since the commission formally asked Sweden to put an end to its monopoly, which the commission finds incompatible with EU law, and we operators have had our rights disrespected for years now," Ms. Ligné said.

Pontus Lindwall, chief executive of Betsson A.B., said this report represents a step back for gaming in Sweden.

However, Mr. Lindwall, at least, was not terribly concerned because he does not believe the recommendations will result, ultimately, in any legislative reform.

Mr. Lindwall's point of view was echoed by Ulf Bernitz, a law professor at Stockholm University who, in a press conference on Wednesday, said the European Commission is not likely to accept the Swedish government's recommendations.

Mr. Bernitz said that neither of the proposals offered in the recommendation comply with European Community law, and he further believes that the commission will challenge the portion of the report that proposes a differentiation between horserace betting and other types of gambling.

Mr. Lindwall's Betsson, along with Expekt, Ladbrokes and Unibet, on Wednesday released the results of a study commissioned last year to assess the monopoly's fiscal efficiency and the possible effects of replacing it with a licensing system.

Mr. Lindwall said the study showed that the possibility exists to finance responsible gaming and civil programs without the monopoly.

Old Act Opens Online Door for Terrestrial Czech Betting Operators

Several land-based betting companies in the Czech Republic will begin offering online services under a section of the country's current gaming legislation, IGamingNews has confirmed.

Act No. 202/1990 Coll. regulates gaming, gambling, betting and lotteries, but does not address online gambling, Eva Adamcova, an attorney at Prague-based Peterka & Partners, told IGamingNews Wednesday.

However, Section 50 of the act grants the Ministry of Finance to permit games which are not otherwise authorized by the act, she said.

"Up to now, the Ministry of Finance [which is responsible] for granting of licenses to run gambling activities has not granted a license to run online betting to any company," Ms. Adamcova said. "Now, for the first time, the Czech Ministry of Finance has granted permission to run online betting to five Czech betting companies."

Tomáš Bahník, spokesperson for the Fortuna Group, one of Eastern Europe's largest betting operators -- and one that will be granted an online betting license -- told Radio Prague last month that his company is losing millions of dollars per year to unregulated foreign betting operators.

"We are sad and bitter that foreign internet betting companies are allowed to operate in the Czech Republic without any control," Mr. Bahník said. "There is no legal restriction. So basically they operate in this country illegally. So we want to have the same opportunities as foreign companies."

Under the current law, the ministry may grant a license for online betting only to a legal entity which is wholly located in the Czech Republic, Ms. Adamcova said.

The ministry will not grant a license, however, to any company with foreign ownership interest, making it unlikely the ministry would grant a license to a foreign company.

Ms. Adamcova said a new act regulating gaming, betting and lotteries is being drafted by the ministry, but it is not clear yet how it will regulate online betting.

IGAMINGNEWS WHITE PAPER | Politics Meets Commerce

Business is done, yes, but never far beyond the reach of the Political Machine.

PAF Faces Uncertain Future in Finnish Market

By CHRISTOPHER A. KRAFCIK
Published: Monday, Feb. 2, 2009

A decade-old dispute between the Finnish government and Ålands Penningautomatförening, a gambling operator licensed on the autonomous province of Åland Islands, reached a boil last week as Finland's prosecutor general threatened legal action citing the operator's ongoing violation of Finland's Lotteries Act.

The spat hinges on whether Ålands Penningautomatförening -- or PAF, as it's better known -- has, by marketing and offering services to Finnish residents from Åland, organized a lottery on Finnish soil without a license.

Åland forms an archipelago in the Baltic Sea off the Southwest tip of Finland; established in 1921, it is a self-governing, Swedish-speaking province. PAF has been operating gambling there as the sole concessionaire since the late 1960's, and was given permission by the Åland government in 1999 to launch online services.

That year, Finland's Ministry of the Interior asked the country's Supreme Court whether the Åland government was able, legally, to grant PAF permission to offer online gambling services directly to Finnish residents. In April 2001, the court ruled Åland was indeed within its legal right to do so.

The Supreme Court ruling, though, didn't foresee the conflict between PAF and Finland's three state-run gambling companies -- which have the exclusive right to organize gambling in Finland under the Lotteries Act.

Three PAF employees, including the company's chief executive, Lars Porko, in May 2001 were charged with illegally organizing gambling on the mainland.

Mr. Porko's case wound its way through Finland's judiciary and finally reached the Supreme Court in February 2005. The court found the three men guilty of "lottery offenses" and ordered each to pay a fine. The Supreme Court's decision was predicated -- among other conditions -- on PAF having marketed its services directly to Finnish residents; translated its Web site into Finnish; and operated a payment processing system that required mainland customers possess a Finnish bank account.

In accordance with the Supreme Court decision, PAF discontinued marketing in Finland, but it continued to allow Finnish residents to play on its sites. In December 2005, at the behest of the interior ministry, the Finnish police began an investigation into whether PAF had complied fully with the conditions set forth in the February ruling.

Three years passed before Christer Lundström, Finland's prosecutor general, threatened to bring charges against PAF (stemming from the police investigation) for continued violation of the Lotteries Act.

In a prepared statement last Wednesday, Mr. Lundström said PAF's Finnish-language Web site -- coupled with the fact that over half of its clients are Finnish -- means PAF is still operating illegally in Finland. Curiously, however, he elected not to press charges against the company's board members because, previously, they were given "imperfect information" by the Åland government.

"It's a really strange decision, because if you conclude that the gaming operation is illegal, you should prosecute," John Eriksson, an attorney with Widman & Hannes Snellman on Åland, told IGamingNews Monday. "He waived the charges on some ground that the Åland government had not told PAF that their gaming operators are in breach of Finnish law."

Mr. Eriksson, whose firm represents PAF, suggested that Mr. Lundström may have waived the charges because under recently proposed amendments to the Lotteries Act, the interior ministry would be granted greater power to impose prohibitions and penalties against operators it deems are unlawfully organizing gambling in Finland.

The amendments, which were proposed last June, are being debated ahead of a March 31, 2009, implementation deadline.

Under threat of prosecution, Jarl Danielsson, chairman of PAF, said in a prepared statement last Wednesday that the company "feels secure" about the legality of its activities in Finland up to now.

"We believe in continued support from the Government of Åland in our activities and we will keep fighting for our right as long as it is possible," he said.

Mr. Porko told IGamingNews Monday that discussions between PAF and the Åland government are underway, and that a way forward in Finland will likely be settled in the coming weeks.

"Until a decision is reached, we will continue to serve our clients, and hopefully we can do it after that," he said.

Politicization of Svenska Spel Continues with Appointment of New C.E.O.

By CHRISTOPHER A. KRAFCIK
Published: Tuesday, Jan. 13, 2009

Nine months after Jesper Kärrbrink resigned as chief executive of Svenska Spel A.B., Sweden's gambling monopoly has a new C.E.O. that one industry insider thinks will be more manageable than her commercially aggressive predecessor.

Meta Persdotter, former chief executive of the home décor retailer Duka A.B., was appointed last Friday to helm Svenska Spel during a time when debate rages over Sweden's future as an Internet gambling jurisdiction.

Last month, the Swedish government released a report detailing how the country may proceed with amending its existing regulatory regime, but the report's recommendations -- or lack thereof -- did not go over well with the commercial industry.

Ms. Persdotter, meanwhile, is without experience in the gambling industry, and according to a member of Sweden's Internet gambling sector, her appointment signals the further politicization of one of Europe's more commercially adventurous monopolies.

"I think we might see a development where Svenska Spel becomes more of a political instrument," Lasse Dilschmann, chief executive of Ladbrokes Scandinavia, told IGamingNews Tuesday. "The former C.E.O., Jesper Kärbrink, was as far away from an instrument as you could possibly get."

Indeed, Mr. Kärbrink's ambitions reached as far as pooling some of Svenska Spel's products -- like online poker -- with those of other members of the World Lottery Association and the European Lotteries and Toto Association.

Those ambitions, however, were shelved after the country's coalition government, the Alliance for Sweden, installed Margerita Winberg, a former deputy primer minister of Sweden and prominent member of the Social Democratic Party, as chair of Svenska Spel in April.

One week after Ms. Winberg's appointment, Mr. Kärbrink abruptly left his post as the two were at loggerheads over which operational philosophy -- commercially aggressive or socially responsible -- would underlie the company's public image going forward.

Ola Wiklund, a partner with the Swedish law firm Wistrand, called Ms. Winberg's appointment then "a clever move" that would buy the Alliance coalition valuable political capital from their rival, the Social Democratic Party, ahead of the 2010 general election.

Mr. Dilschmann expects that under Ms. Persdotter's watch, now, Svenska Spel is likely to scale back its marketing and make less aggressive its commercial strategy.

Although Ms. Winberg hinted in July that some form of commercial expansion may yet be in the cards, Mr. Dilschmann suggested that the loss of Mr. Kärbrink and other senior managers has sapped Svenska Spel of valuable gambling know-how.

"I think the management team of Svenska Spel is extremely weak in competence when it comes to gaming, because they have lost most of their senior management when Jesper left," he said. "Margareta Winberg, who appears to be running the show now, has no experience whatsoever in gaming, so that will probably be the major hurdle for them."

Andreas Jansson, communications director for Svenska Spel, did not respond to an after-hours e-mail and phone call seeking comment Tuesday.

German Interstate Treaty Dampens Prospects for Tipp24

By CHRISTOPHER A. KRAFCIK
Published: Wednesday, Dec. 10, 2008

After a challenging 2008 calendar year, Tipp24 A.G., the online lottery broker, has warned that new restrictions on Internet sales channels in Germany, set to take effect from January 2009, could necessitate as many as 170 job cuts at its Hamburg office.

Germany's Interstate Gambling Treaty -- under which the online sales prohibition will be enforced -- was enacted on Jan. 1, 2008, and saw restrictions introduced on gambling-related advertising while mandating distributors like Tipp24 perform tighter identity checks on prospective customers.

The company, which brokers sale of tickets on behalf of Germany's state-licensed lottery operators, said on its first-quarter results in May that, as a result of the treaty, it discontinued advertising for Oddset, a sports betting product, and Keno. Those products, it said, accounted for around 5 percent of domestic billings, which are the proceeds it derives from selling tickets.

On its interim results in August, the company said that tighter identity verification checks were weakening the rate of, and increasing expenses related to, customer acquisition.

"The requirements of the new State Treaty on Gaming introduced at the beginning of the year led both to increased expenses for legal advice and to considerable cost increases," Jens Schumann, the company's chairman, said on August's results statement.

"The more complex registration process also had a significant impact on the number of new customer registrations, which grew by just 60 thousand in the period under review," he said. "The number of new customers in Germany was only a third of those added in the same period last year."

Although the company had challenged the treaty in Germany's Federal Constitutional Court -- specifically, the treaty's ban on Internet-based lottery sales -- the court, in October, upheld the treaty's validity under the German Constitution.

Prior to the Constitutional Court setback, however, Tipp24 won the right to continue advertising and selling tickets online in the state of Berlin after January 2009.

"The [Berlin administrative] court's verdict also identifies a sensible compromise solution, which should now be adopted by the other federal states and quickly implemented: products which can also be sold at a lottery agent's shop without any special restrictions, such as an identification card, should also continue to be available via the Internet," Mr. Schumann said on the company's Berlin win in September.

Tipp24 said in a press statement yesterday that it will continue to "take legal steps" against the advertising ban but, in 2009, will scale back nearly all of its advertising except with partners in Berlin.

For the 2008 fiscal year, Tipp24 is projecting that billings, revenue and earnings before interest and tax to be commensurate with last year's numbers. In 2007, the company

reported 346.8 million euros in billings, revenue of 45 million euros and earnings before interest and tax of 8.9 million euros.

Partouche Presses ahead Online, French Government Mum

By CHRISTOPHER A. KRAFCIK
Published: Wednesday, Nov. 28, 2009

As promised, Patrick Partouche, the flamboyant French casino proprietor, has launched a real-money Internet poker offering that one lawyer says has yet to draw any enforcement action from the French government.

"Indeed, as announced, Partouche has gone online for money," Anouk Hatab-Abrahams, a lawyer with the Brussels branch of Ulys, told IGamingNews in an e-mail. "So far, no reaction from the government."

Mr. Partouche has been a vehement critic of the French government for not allowing his casino business to compete online with illegal foreign operators like Bwin Interactive Entertainment A.G. and Unibet. Currently, Française des Jeux and Pari Mutuel Urbain hold the exclusive rights to operate online gambling in the country.

"We have the monopoly on offering casino games in the country and pay dearly for it, having a tax of 58 percent to pay," Mr. Partouche railed at a Paris gambling conference in late October. "However, we are the only group here today that is unable to offer online casino games."

Adding to the tax-related woes, the French casino industry was further burdened in January 2008 when a smoking ban, which took partial effect in 2007, was extended to casinos and other public places. At the conference, Mr. Partouche said his chain -- France's largest -- had experienced double-digit losses as a result.

Performance Bourse, a French-language financial news site, reported this week that Mr. Partouche intends to add backgammon and sports betting to his Web site, which is licensed in Gibraltar.

The news source called Mr. Partouche's timing "odd." It said Michelle Alliot-Marie, the country's interior minister, had just this week loosened regulations on land-based poker tournaments.

"The minister has promised to make it easier for casinos to organize poker tournaments outside their premises and to hold them more frequently than is currently permitted," Ms. Hatab-Abrahams said.

Just before Mr. Partouche launched his Web site, she said, the country's three major land-based casino trade associations solicited the government for tax relief until online gambling licenses are issued in late 2009 or early 2010 -- this to cope with significant declines in attendance and turnover.

"So, it could be that if they obtain the expected tax relief, Partouche will put his Web site on hold in exchange," Ms. Hatab-Abrahams said. "But so far, it's pure speculation."

Mr. Partouche, who threatened to launch his site last month, is certainly no stranger to controversy. In March 2007 he was given a 12-month suspended prison sentence and a 40,000 euro fine after being accused of illegally operating an online casino in France via a connection in Belize.

ECJ to Scrutinize OPAP Monopoly, Brussels Watching 'With Interest'

By CHRISTOPHER A. KRAFCIK
Published: Wednesday, Feb. 9, 2009

The legitimacy of Greece's betting monopoly should be scrutinized by the European Court of Justice, reporting judges for Greece's highest administrative court recommended Monday.

In cases brought by William Hill and Stanleybet International, private betting operators seeking licenses in Greece, the Council of State ruled the Greek government -- by failing to allow both operators to apply for those licenses -- had not complied with European Community law.

Under Greek law now, OPAP S.A., one of Europe's largest commercial betting operators, is given exclusive control over Greece's land-based betting market. The company has held and defended that position aggressively since 2000, when the government awarded it a 20-year tender for 323 million euros.

In November 2008, two Stanleybet shops -- one in Athens, the other in Thessalonki -- were raided and closed by Greek authorities: Four people were arrested -- one employee and three bettors -- though all were subsequently released without charge. An administrative court in Athens ruled in January, though, that the Athens shop could reopen pending the outcome of a hearing that has yet to take place.

OPAP's chief executive, Christos D. Hadjiemmanuil, has gone on record numerous times with the European press threatening legal action if commercial bookmakers like Stanleybet establish shops on Greek soil without a license.

In addition to the license-application refusals, meanwhile, the court has questioned OPAP's position because the company's commercial agenda and footprint do not square with European Union rules by which monopolists must abide.

The country's gambling law has also drawn criticism from the European Commission since 2007, when infringement proceedings began.

Oliver Drewes, spokesman for the internal market commissioner, Charlie McCreevy, told IGamingNews Monday that Mr. McCreevy's office had taken note of the reporting judges' recommendation and would continue to watch developments "with interest."

Mr. Drewes could not provide a concrete date on when the commission would determine whether to refer its proceeding against Greece to the European Court of Justice, but said a decision was expected sometime in 2009.

Looking ahead, Nikos Lianeris, an analyst with Proton Bank S.A. in Athens, believes the OPAP brand -- in spite of overhanging legal circumstances -- will remain Greece's most salient.

"Under any circumstances, our main thesis remains unchanged: OPAP is still far from losing market share to competing networks given that (a) the legal procedures are lengthy and (b) competitors themselves are far from having a meaningful network and a respected brand name in the Greek market," Mr. Lianeris wrote in a note to clients Monday.

Representatives from William Hill and Stanleybet did not return phone calls Monday, and OPAP could not be reached for comment.

IGAMINGNEWS WHITE PAPER | Emerging Markets

Emerging European markets are contributing more and more to the publicly traded sector's top line, though not all markets, especially those in Eastern Europe, were created equal.

The Balkans

By MARTIN OELBERMANN
Published: Thursday, Jan. 8, 2009

Having expanded across Western and Southern Europe, the global gambling industry is looking toward the Balkan states and Eastern Europe for growth.

In particular, the Balkan states -- a market that, by gross win, Media & Entertainment Consulting Network, or MECN, estimates is worth approximately 4.5 billion euros in gross win -- is drawing an increasing amount of attention.

The Balkan states -- Greece, Turkey, Croatia, Slovenia, Serbia, Montenegro, Romania and Bulgaria -- are home to approximately 130 million people. Gambling, especially sports betting, is quite popular in the region, and in 2007, Balkan residents turned over an estimated 25 billion euros.

In a survey conducted by MECN, more than 60 percent of the 90 market experts and operators polled on the region agreed that its growth potential is "great" or "very great," while just 3 percent said its potential is "small."

With regard to online gambling, meanwhile, MECN, by gross win, values the Balkan markets at 520 million euros -- most of which is generated by operators without local licenses. Country to country, market size varies significantly -- Turkey and Greece are the largest.

Across the region, there are around 43 million Internet users, with an average Internet penetration rate of approximately 36 percent. Just 7 million of those users, though, have broadband connections.

In more competitive jurisdictions like Croatia, Serbia and Romania, foreign online gambling operators are currently capturing between just 1 percent and 3 percent of the total market. However, in monopolistic jurisdictions like Greece and Turkey, one foreign operator alone can derive between 20 million euros and 30 million euros in gross win, annually.

The market experts and operators polled by MECN see the betting and online gambling sectors as having the most potential for growth in the region, while traditional games -- like instant lotteries and casino -- have less growth potential, the respondents said.

Already, companies like Sportingbet, Bwin Interactive Entertainment A.G. and Bet-at-Home have made inroads in the region, particularly Sportingbet, which derives 4.9 percent of its net gaming revenue from Bulgaria.

More and more, online operators are localizing their Web sites with language and currency features. Of 14 operators analyzed, 12 had localized Web sites for Turkey and 11, Greece. Serbia and Montenegro, by contrast, have been largely ignored in this respect with just two operators offering a Serbian-language Web site and no operators offering a Montenegrin-language site.

Looking ahead, between 20 percent and 30 percent of the operators surveyed by MECN indicated that they are planning to increase their investments in the region -- particularly in Croatia, Romania and Greece -- while the majority of operators are in the process of developing a regional strategy.

Ukraine

By ANDREI GOLEATIN
Published: Monday, Feb. 16, 2009

When Ukraine was part of the Russian empire, all gambling activity was strongly prohibited; only in small, privileged clubs, for instance, could people even play cards.

In the Soviet Union, gambling activity was totally illegal except for that offered by the state lottery, SportLoto, and several lotteries that were time-sensitive and oriented toward special goals. Even for tourists, official, aboveboard gambling didn't exist.

The fall of the Soviet Union gave rise to new, independent states, new opportunities and new types of commercial activity that hadn't existed in those states before -- including gambling.

The first casino in Ukraine opened in 1991 in Kharkov. But gambling in Ukraine officially started in March 1992 when the casino, Split, took its first bet in Kyiv, the Ukrainian capital. Now, Split Casinos comprise the country's largest casino network.

The number of casinos and slot halls rose very quickly, and in late 1994, Verkhovna Rada, the Parliament of Ukraine, passed the Law of the Taxation of Companies' Earnings (hereinafter, "Law of Taxation"), wherein regulation for lotteries and other gambling activities in Ukraine was set forth for the first time.

By 2000, gambling activity became even more widespread, prompting Parliament to enact the Law about the Licensing of Certain Types of Activity (hereinafter, "The Law on Activity").

That law fully described the range of gambling activities allowed in Ukraine (lottery, betting, casino, online gambling, bingo and so on). Not only did it regulate existing services and operators, it also established a legal framework by which to promote new businesses and market activities.

In March 2006, a licensing-conditions amendment was implemented, establishing a new price for a five-year license: 150,000 euros. The amendment also made the process of attaining a license easier and faster.

From that moment, the regulatory framework for all possible, legal gambling activity was in place. Usually, after any government passes regulation like this, one witnesses a boom in investment. But not in this case.

The gambling market was overcrowded with small slot-machine bars, which operated old machines of questionable compliance, as well as casinos, whose patrons were criminals, predominantly. Prospective customers, therefore, were not inclined to visit them, deterred by an uncomfortable and often dangerous environment.

How did this situation arise?

There were two significant weak points in the country's economic climate for gambling.

First, gambling was illegal during the Soviet times, so most people thought the activity criminal and not trustworthy by nature.

Second, the post-U.S.S.R. effect, which runs: "There are no countries in the former Soviet Union besides Russia." This effect engendered a lack of interest in Ukraine's gambling market in the minds of potential investors; moreover, the wave of bad P.R. after the gambling ban in Russia was so strong that, even now, many Ukrainians remain convinced that gambling is banned here.

Taken together, the points created an economic climate where casual slot-machine halls became popular, but public opinion about those halls, negative. Currently, lottery gaming is more socially accepted, but most lotteries are oriented toward non-money prizes like apartments, cars and other goods.

Another gambling activity, bookmaking, is not very popular in Ukraine, though there are retail shops in every regional center. Four players dominate this market: Marathon, Offside, MaxBet and Pari-Match. Each is a branch of a Russian gaming company, but operates on a limited basis in Ukraine.

The newest type of gambling is poker, but the situation here is very confusing.

On the one hand, poker, under the Law on Activity, is considered a casino-gambling game; on the other, the country's Family, Youth and Sports Ministry in April 2005 passed a resolution under which poker is considered a sport. This resolution is temporary, though, and valid through March 2010.

Currently, Ukraine's finance ministry has on issue 191 gambling licenses, and the majority of licensees operate slot-machine halls. Thirteen companies have bookmaking licenses, but only the four listed above operative actively.

IGAMINGNEWS WHITE PAPER | Stock Trends Index

COMPANY	NEW (3 16 09)	OLD (1 05 09)	DELTA
32RED	18 pence	16.5 pence	8.1%
888 HOLDINGS	110 pence	107 pence	2.8%
BETBULL HOLDING S.E.	1.83 euros	1.19 euros	53.7%
BETSSON A.B.	91.75 S. kronor	69 S. kronor	32.9%
BRITISH SKY BROADCASTING GROUP	466.75 pence	482.5 pence	3.2%
BWIN INTERACTIVE ENTERTAINMENT	20.98 euros	13.55 euros	54.83%
CENTREBET INTERNATIONAL LTD.	1.3 A. dollars	1.2 A. dollars	8.3%
CRYPTOLOGIC LTD.	341.5 pence	182.5 pence	87.12%
GAMING VC HOLDINGS S.A.	150 pence	107.5 pence	39.53%
GIGAMEDIA LTD.	5.44 U.S. dollars	6.63 U.S. dollars	17.9%
GROUPE PARTOUCHE	1.84 euros	3.32 euros	44.57%
IG GROUP HOLDINGS LTD.	188 pence	263.75 pence	28.72%
INTERNATIONAL GAME TECHNOLOGY	9.19 U.S. dollars	13.33 U.S. dollars	30.9%
INTRALOT S.A.	3.89 euros	3.02 euros	28.8%
JAXX A.G.	1.17 euros	1.49 euros	21.47%
LADBROKES	184.5 pence	201.25 pence	8.3%
LEISURE & GAMING	6 pence	3.87 pence	55.03%
LONDON CAPITAL GROUP HOLDINGS	260 pence	258 pence	0.07%
LOTTOMATICA S.p.A.	12.66 euros	17.99 euros	29.62%
NEOVIA FINANCIAL	35.5 pence	53.25 pence	33.3%
NET ENTERTAINMENT A.B.	45.4 S. kronor	25.55 S. kronor	77.6%
OPAP S.A.	19.56 euros	21.84 euros	10.4%
PADDY POWER	12.4 euros	13.35 euros	7.1%
PARLAY ENTERTAINMENT INC.	0.44 Cn. dollars	0.54 Cn. dollars	18.5%
PARTYGAMING	231.75 pence	207.75 pence	11.5%
PLAYTECH LTD.	397.5 pence	330.75 pence	20.18%
PROBABILITY	30 pence	48.5 pence	38.1%
RANK GROUP	69.5 pence	65.5 pence	6.1%
SCIENTIFIC GAMES CORPORATION	13.42 U.S. dollars	18.57 U.S. dollars	27.53%
SPORTECH	68 pence	62 pence	0.82%
SPORTINGBET	43.25 pence	34.75 pence	24.6%
TABCORP HOLDINGS LTD.	6.35 A. dollars	6.93 A. dollars	8.3%
TATTS GROUP	2.44 A. dollars	2.81 A. dollars	13.16%
TIPP 24 A.G.	9.23 euros	6.17 euros	49.5%
UNIBET GROUP	156 S. kronor	107.5 S. kronor	45.11%
WILLIAM HILL	228.25 pence	232.5 pence	1.8%
WORLDSREADS GROUP	62.25 pence	57.25 pence	8.7%
WEBIS HOLDINGS	2 pence	1.5 pence	33.33%