

The development of the gambling market

in Sweden and internationally 2016

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Introduction

This year is the tenth anniversary of the report on the gambling market officially entitled "The development of the gambling market in Sweden and internationally 2016". Monitoring the industry environment has become increasingly important for operators in the gambling market and for *Lotteriinspektionen* [the Swedish Gambling Authority]. We are preparing for a possible future licensing system for the gambling market in Sweden. We keep ourselves up-to-date by gathering information on how other countries' authorities manage their regulations and how other markets operate. The Government investigators, the Director General of the Swedish Gambling Authority, Håkan Hallstedt, who has been entrusted with the task of putting forward proposals for new gambling regulations, have also focused on learning from the industry environment. According to the Committee Directive entitled "Re-regulation of the Gambling Market" (dir. 2015:95) the proposed new gambling regulations must be based on a high level of consumer protection, high levels of security in games and clear conditions for being permitted to operate on the market. The inquiry will put forward its proposals to the Government in spring 2017. The political preparations

that will follow the inquiry's proposals will lead to another intensive year's work on preparations for the new regulatory system that will eventually be implemented.

We hope that this report will be useful for anyone who wishes to gain an overall view of the gambling market in Sweden. This report also provides an overview of the situation in other countries. A comprehensive view of the current situation is always a prerequisite for any sensible analysis of future developments.

This report was compiled by employees of the Swedish Gambling Authority. The annexes to the report contain texts dealing in greater detail with a number of topics such as money laundering and virtual reality. The author of the section in Annex 4 entitled "*The Current State of Research; some selected questions in the field of gambling studies*", is Dr Mark Griffiths, Professor of Gambling Studies at Nottingham Trent University.

A compilation issued in this limited format cannot be complete in terms of either facts or areas analysed. The Swedish Gambling Authority welcomes comments on the contents of this report and how it can be developed.

Assignment

In the appropriation directions for 2016, the Swedish Gambling Authority was entrusted by the Government with the task of reporting on how the gambling market has developed in Sweden and internationally, including legal developments within the area. This is the report on that task.

The report contains a summary of the key trends that we have identified in the area of gambling. Nevertheless, it must not be seen as a comprehensive review of the gambling market throughout the world.

The countries reported are the countries from which the Swedish Gambling Authority has received information. A list of sources is provided at the end of the report.

Annex 1 contains statistics and Annex 2 contains a report on legal developments in Sweden and Europe in 2016.

The supporting data for the report was obtained from sources such as our participation in conferences and seminars, as well as from information in reports and journals on gambling and from newsletters.



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Summary

The gambling market is still developing rapidly in terms of technology, business development, marketing and customer behaviour, as well as in terms of regulatory initiatives. The gambling market continues to grow. This applies both to operators with permits in Sweden and operators without permits in Sweden that operate only on the internet. Gambling is becoming more available, particularly via mobile platforms. Internet casinos are the fastest growing form of gambling, driven by very extensive marketing.

Gross gaming revenue (GGR) in the regulated Swedish gambling market amounted to SEK 17.1 billion in 2016 (SEK 16.7 billion in 2015). The biggest forms of gambling seen from this perspective are lotteries and numbers games, horse race betting and sports betting.

Turnover amounted to SEK 46.7 billion in 2016 (SEK 45.4 billion in 2015). The biggest forms of gambling seen from this perspective are lotteries and numbers games, betting on horses and casino games. The sales figures for 2016 are provisional because not all operators have yet submitted their figures to the Swedish Gambling Authority.

For operators with permits in Sweden, the sales figures are based on data from each operator. AB Svenska Spel (Svenska Spel) experienced 0.4 percent growth and GGR ended up at SEK 8,993 million. GGR for Svenska Spel's Vegas token machines continue to fall, amounting to SEK 1,206 million. AB Trav och Galopp (ATG) reported growth of 7 percent and GGR amounting to SEK 4,021 million. *Svenska Postkodföreningens* [The Swedish Postcode Association] lotteries reported GGR of SEK 2,066 million, which are stagnating. Postkodlotteriet [The Postcode Lottery] retains its dominant position on the market for association lotteries. Folkspel, with Bingolotto and Sverigelotten, had GGR of SEK 680 million, which represents an increase of 10 percent. IOGT-NTO, which organises Miljonlotteriet, among other games, had GGR of SEK 285 million, which represents a decrease of 3 percent. SAP/SSU, which organises Kombilotteriet, had GGR of SEK 216 million, which represents an increase of 16 percent. Other national lotteries generated GGR of over SEK 200 million, which represents an increase of around 25 percent. The market for restaurant casinos experienced positive growth between 2014 and 2015. It is difficult to say whether this was a temporary increase. GGR for 2016 are calculated at SEK 210 million.

GGR for operators without permits in Sweden can only be approximately estimated. The Swedish Gambling Authority monitors developments and compiles statistics on the basis of its own industry analysis and available figures from H2 Gambling Capital. Operators without permits in Sweden continue to take market shares and are estimated to have increased their GGR by 16 percent, which would represent approximately SEK 5,100 million. The total estimated market share for operators without permits in Sweden is now 23 percent.

Overall, GGR for the Swedish gambling industry (operators with and without permits in Sweden) amounted to SEK 22,186 million in 2016.

In addition to gambling organised by operators with or without permits in Sweden, gambling is also organised by illegal operators, for example gaming machines without permits in restaurants, cafés and pubs. The Swedish Gambling Authority has no statistics for this gambling. It is difficult to estimate how extensive it is, though individual gaming machines can bring in tens of thousands of kronor per month. We regularly report activities of this type to the police after carrying out our own controls and receiving tip-offs from the public. We have worked more closely with the police and *Åklagarmyndigheten* [the Swedish Prosecution Authority] during the year in order to remove these gambling machines when they are discovered.

Extensive marketing by foreign-based gambling companies in the Swedish media has increased in 2016. The advertisers frequently appeal injunctions filed by the Swedish Gambling Authority ordering them to cease marketing, under penalty of a fine. During the year, several judgments were handed down in which the administrative courts dismissed appeals of this kind.

During the year, *Folkhälsomyndigheten* [the Public Health Agency of Sweden] presented a population-based study aiming to investigate the relationship between gambling and health. The results showed that fewer people are gambling and that the proportion of people with gambling problems has fallen since the last survey. Nevertheless, the proportion of people with serious gambling problems has increased slightly.

During the year, the Swedish Gambling Authority was assigned a prosecutor to serve as a contact person for breaches of the Lotteries Act. The Swedish Gambling Authority has also compiled a report in order to monitor cases reported to the police. The results showed that cases reported to the police by the Swedish Gambling Authority's tended to be assigned an administrator as the only action.

The trend in Europe is that more countries are opening up their markets to new operators. Nevertheless, our neighbouring countries Norway and Finland have decided to retain their monopolies. In Finland, the three State-owned gambling companies have been merged into a single State company. In Norway, a government report opposed a licensing system and proposed that the State gambling monopoly should be strengthened.

On 1 February 2016, the investigation into money laundering submitted report SOU [*Statens offentliga utredningar* – Swedish Government Official Reports] 2016:8 Additional measures against money laundering and terrorist financing – the fourth Money Laundering Directive – Coordination – new anti-Money Laundering Act – etc. to the Government.

Government Bill 2016/17:8 Clearer Licensing in the Lotteries Act, which was submitted to the Parliament in September 2016, suggested some amendments to the Lotteries Act, including rules on moderate marketing. The amendments to the Act entered into force on 1 January 2017.



Developments in the Swedish gambling market

The year was characterised by a continuously growing market. Operators with permits in Sweden and operators without permits in Sweden experienced an increase in sales.

Technology continues to develop rapidly over the year and the operators endeavoured to increase access to gambling in a range of different environments, mainly on mobile platforms. The strongest growth was in online casinos and this area of gambling was also backed by extensive marketing. There is currently no gambling provider with a Swedish permit for online casinos. Operators without permits in Sweden that offers gambling such as sports betting and online casinos are experiencing considerable increases in gross gambling revenue overall and are winning market shares. The gambling industry is growing and gambling consumption is relatively insensitive to economic cycles. On average, Swedish households laid 2.34 percent of their disposable income on gambling at operators with permit in Sweden each year, which is equivalent to SEK 5,900 per person over the age of 18. After deducting winnings, the average cost

of gambling is SEK 2,158 per person. This is in addition to gambling with foreign gambling providers that offer online gambling to Swedish consumers.

On behalf of the Swedish Gambling Authority, Novus carried out a market survey on Swedes' gambling habits "*Allmänheten om spel 2016*" [The General Public on Gambling 2016]. The survey showed that more than two out of every three Swedes had gambled in the previous twelve months. Slightly fewer people had gambled compared to previous years, despite the fact that, according to Swedish Gambling Authority statistics, gross gambling revenue had risen overall.

The Swedish Gambling Authority is entrusted with the task of carrying out supervision that effectively helps achieve the gambling policy objective of a healthy, safe gambling market. A basic consensus between operators and authorities on how laws and rules are to be understood is a prerequisite in order for this supervision to be effective. However, legal developments in the area of gambling have meant that consensus is lacking as far as some aspects are concerned. The greatest

discrepancy is in the interpretation of the prohibition on promotion, where operators without permits in Sweden advertise gambling in a manner that, according to the Swedish Gambling Authority, constitutes a breach of the prohibition. The fact that legal proceedings often go on for several years means that the system of supervision sometimes fails to work properly. In cases where an appeal against a decision by the Swedish Gambling Authority has been dismissed, the advertising itself may have ceased and the judgment is thus ineffective in these cases.

The previous reports for 2014 and 2015 referred to the EU legal infringement cases against Sweden. The European Commission's observations revealed that, in two separate procedures, the Commission asked Sweden to take steps to ensure that Swedish legislation on online gambling services and online poker services conformed to EU law. The Commission considered Sweden's response to the request to be unsatisfactory, whereupon, on 16 October 2014, the Commission decided to refer Sweden to the Court of Justice of the European Union. As far as is known at present, no summons has yet been submitted to the Court of Justice of the European Union. It therefore remains to be seen what grounds the Commission puts forward. It appears likely that the European Commission is awaiting the study on the proposed new gambling regulations commissioned by the Swedish Government.

The gambling market is highly influenced by political decisions. According to the Committee Directive entitled "Re-regulation of the Gambling Market" (dir. 2015:95), an investigator will submit a proposal for new gambling regulations in spring 2017. Under the Directive, the proposed gambling regulations aim to create a gambling market that is characterised by a high level of consumer protection, high security within the games and clear conditions for being allowed to operate in the market. The proposed regulation will be based on a licensing system that means that anyone operating in the Swedish gambling market will operate under a proper licence and unlicensed operators will be excluded.

The impending modernisation of the regulations is necessary. Developments have caught up with and overtaken the current Lotteries Act, which entered into force on 1 January 1995 and which, in turn, was essentially based on the 1939 Lotteries Ordinance. At that time it was a question of regulating a physical lottery market with lottery tickets or participation certificates. Nowadays, most gambling takes place online, without regard to national borders and individual State regulations. Swedish law has less and less effect on activities organised abroad. At the same time, there has been a big change in how the Swedish media regard gambling advertisements.

The current trend in Europe is for gambling providers to apply for licences in every country in which they wish to offer gambling and more countries are amending their gambling legislation to favour a licensing system.

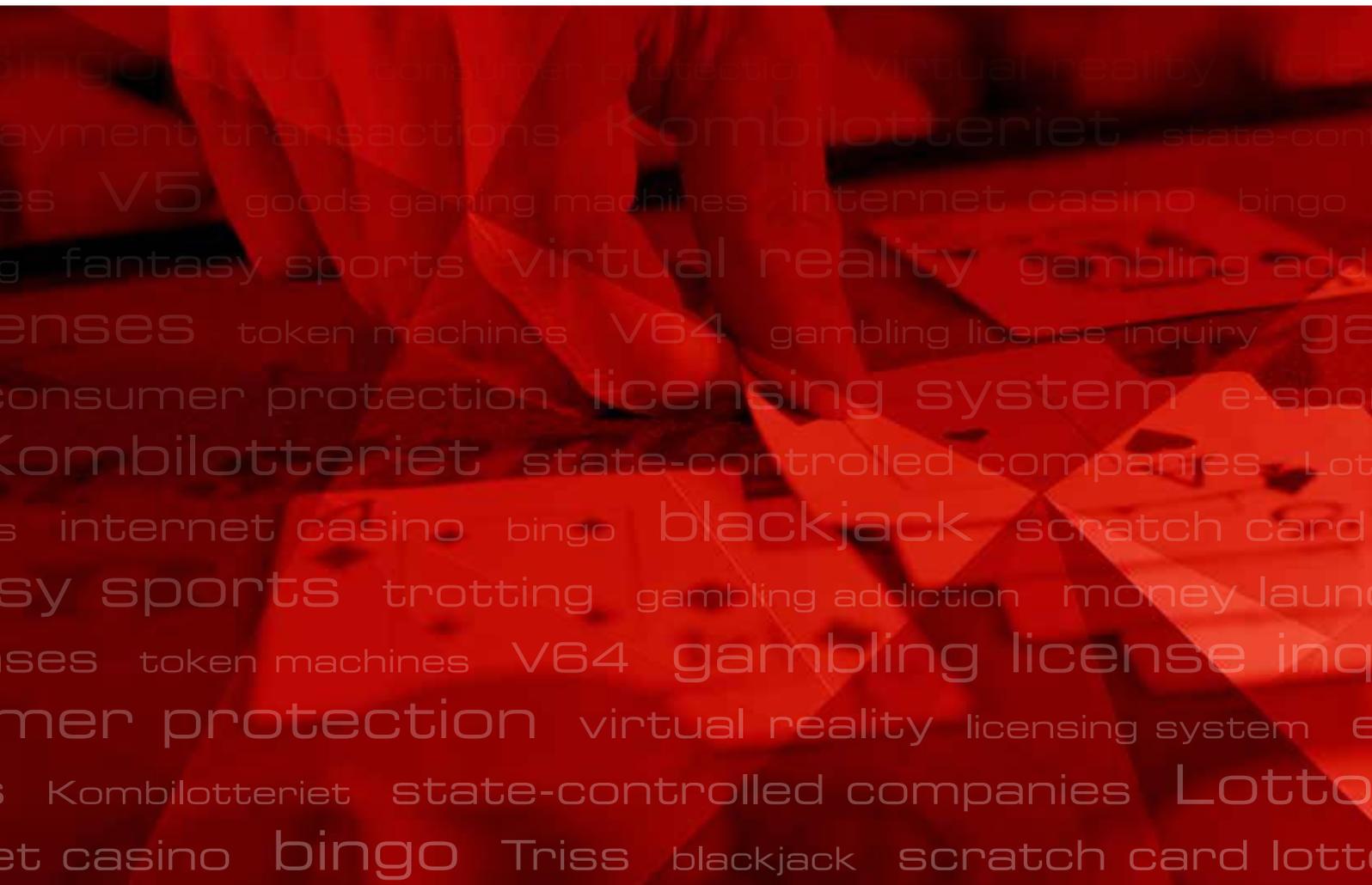
A major issue for countries introducing licensing systems is how licensed companies are to be protected against competition from unlicensed operators. This

can be done by blocking IP addresses, prohibitions on payment transactions or a combination of these measures. Another important issue is taxation levels. It is difficult to find an optimum level that, on the one hand, leads to extensive channelling, in other words when most gambling takes place at licensed operators and, on the other hand, provides the State with satisfactory tax revenues. Greece, for example has decided to impose a tax rate of 35 percent on gross gaming revenue. The tax rate in the UK is 15 percent. Italy and Denmark have a tax rate of 20 percent. A third question of key importance is whereabouts technical equipment, such as servers, is to be located. The trend is towards abolition of requirements that stipulate that the technical equipment must be located in the jurisdiction that issued the licence.

During the year, the Government submitted Government Bill 2016/17:8, Clearer Licensing under the Lotteries Act, to the Parliament. The Bill proposes certain amendments to the Lotteries Act. The chapter about gambling responsibility and gambling addiction and Annex 2 contain more information on the Bill.

Besides gambling provided by operators with or without permits in Sweden, gambling on illegal gaming machines also exists in Sweden. The Swedish Gambling Authority lacks sufficient reliable information on these machines to estimate their sales in the market. The Swedish Gambling Authority's efforts to reduce the number of illegal gambling and lottery operations in recent years have increasingly focused on cooperation with other law enforcement agencies. We have a collaboration with the Police Authority in which the Swedish Gambling Authority takes part in crackdowns against illegal gambling clubs and restaurants that have illegal gaming machines. The Swedish Gambling Authority also has a prosecutor as a contact person in order to strengthen coordination with the Swedish Prosecution Authority on crime of this type. Another factor is the fact that several court judgments, from the Supreme Court in particular, have reinforced the impression that gaming machines are illegal, in spite of new concepts such as gaming machines connected to the Internet. Efforts to counter illegal gaming machines continue to be a priority area. One reason for this is that illegal gambling providers are often linked to other criminal activities.

One issue that concerns both the gambling industry and the sports movement is match fixing, which relates to gambling-related prearranged matches. Court judgements have been handed down in two high-profile cases during the year. In one case in April, the Supreme Court decided not to grant leave to appeal against a conviction for match fixing from the Göta Court of Appeal. In the other case, six people who had been previously acquitted by a District Court were convicted by the Court of Appeal for Skåne and Blekinge for offences including making and taking bribes in order to influence the outcome of a match. The judgment was appealed before the Supreme Court, which declined to grant leave to appeal. During the year, *Riksidrottsförbundet* [the Swedish Sports Confederation] has continued its information campaign to inform the Division 1 football clubs and the floorball elite series on match fixing.



Preliminary market statistics

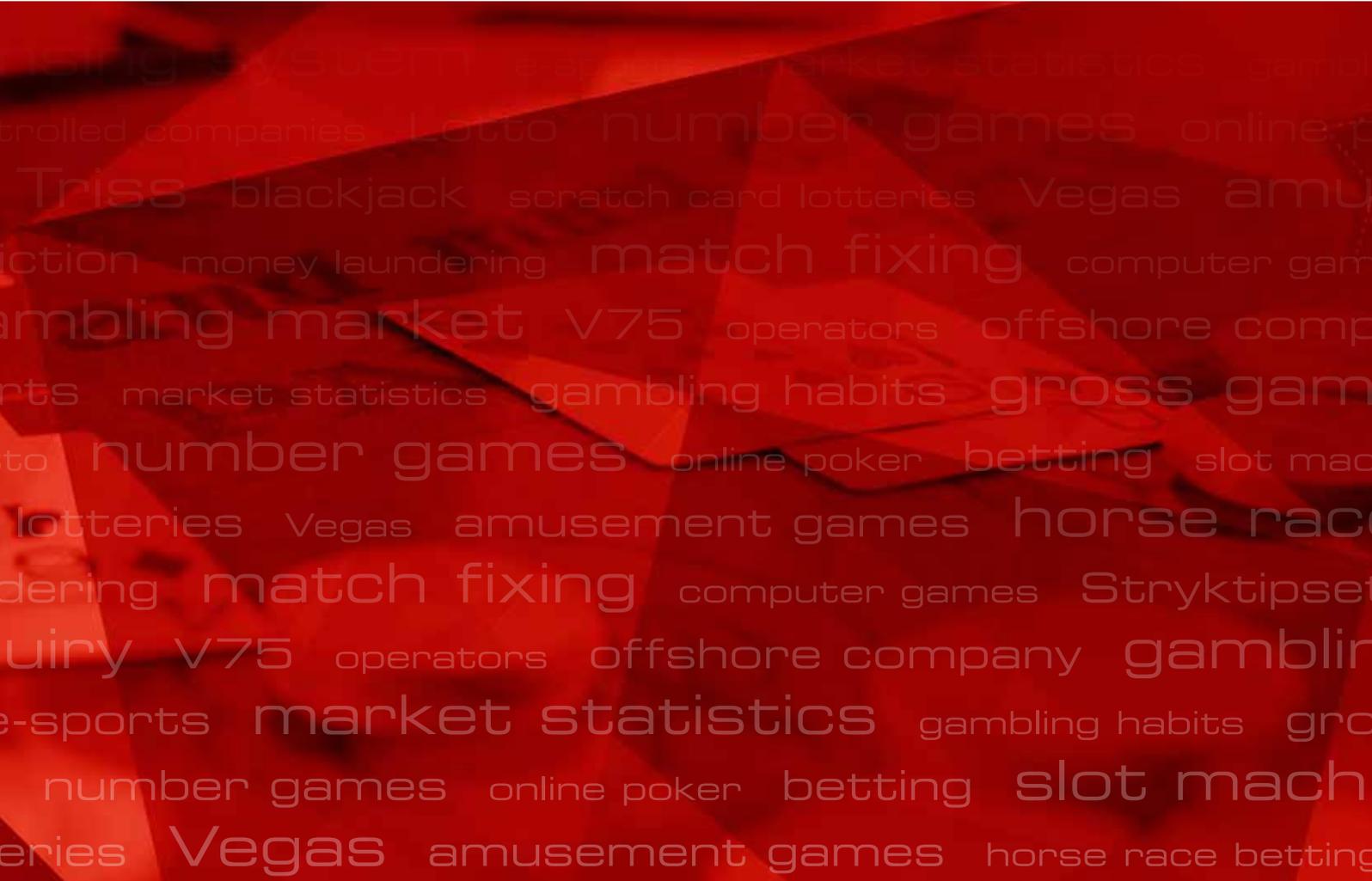
Turnover and gross gaming revenue at current prices for operators with permits in Sweden are set out below.

Gross gaming revenue (GGR) show how much money is left after winnings have been paid out, i.e. before costs have been charged to earnings. Gross gaming revenue can also be seen as the loss made by gamblers when they gamble. Turnover means the accumulated sum of money that has been gambled. In other words, turnover is the sum of the gross gaming revenue and the winnings paid out. Due to the differences in variables such as payout percentages and gambling frequency, the variation between the forms of gambling is greater in a comparison of turnover than in a comparison of gross gaming revenue. Gross gaming revenue is therefore a more product-neutral measurement of the extent of the gambling. The statistics for ATG, Svenska Spel and the largest national lotteries are based on quarterly reports for 2016. Other gambling providers have been forecast

with the aid of historical data. In addition to the regulated gambling providers, extensive gambling also exists on websites belonging to operators without permits in Sweden. Gambling on illegal slot machines also exists, though we lack sufficiently reliable information to enable us to estimate the figures for these.

The turnover for the regulated Swedish gambling market 2016 is estimated at SEK 46,716 million. This represents an increase of SEK 1,305 million compared to 2015. Gross gaming revenue is estimated at SEK 17,086 million, which is an increase of SEK 370 million compared to 2015.

Svenska Spel's gross gaming revenue, excluding Casino Cosmopol AB (Casino Cosmopol), amounted to SEK 7,821 million in 2016, which is almost the same as for 2015. Land-based gambling decreased by approximately 3 percent, whereas online gambling increased by 14 percent.



Casino Cosmopol's gross gaming revenue amounted to SEK 1,172 million in 2016. This is a decrease of 1 percent compared to 2015.

ATG has increased its gross gaming revenue compared to 2015. Gross gaming revenue was SEK 4,021 million in 2016, which is an increase of 7 percent compared to 2015. Land-based gambling decreased by 1 percent compared to 2015. Gross gaming revenue for online gambling were SEK 2,109 million, which means growth of 16 percent compared to 2015.

Gross gaming revenue for non-governmental organisations' combined gambling and lottery activities are estimated at SEK 3,863 million. This is an increase of 2 percent compared to 2015.

Operators with a permit to organise restaurant casinos in Sweden have seen their gross gaming revenue decline in recent years. This trend turned around in 2015, when positive growth of approximately 8 percent

was recorded. At present it is difficult to judge whether this was a temporary increase. Gross gaming revenue for 2016 is estimated to SEK 210 million.

On average, Swedish households spend 2.34 percent of their disposable income on gambling at operators with permit in Sweden each year, which is equivalent to SEK 5,900 per person over the age of 18. After deducting winnings, the average cost of gambling is SEK 2,158. This is in addition to gambling with foreign gambling providers that offer online gambling to Swedish consumers. According to our market survey entitled "The General Public on Gambling 2016", the trend is towards fewer people gambling compared to previous surveys. In this measurement, 68 percent of respondents replied that they had gambled during the previous 12 months. This can be compared to 2015, when 70 percent replied that they had gambled, or 2014, when 71 percent replied that they had gambled. See Annex 1 for a more detailed description of the progress of sales.



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The State-controlled companies

AB Svenska Spel

Lotteries and betting

Svenska Spel has been granted a permit from the Government to operate certain types of gambling, including lotteries and betting. The current permit runs from 1 January 2016 to 31 December 2018. The Swedish Gambling Authority is responsible for supervision to ensure that the company complies with the terms of its permit and the provisions of conditions, controls and regulations issued by the authority under the permit.

Svenska Spel's permit in the area of lotteries and betting includes betting associated with sports competitions, games of numbers and traditional lotteries. In addition, it holds permits to offer betting on the annual Swedish *Melodifestivalen* [national selection for the Eurovision Song Contest] and the Eurovision Song Contest. Betting may be offered at both variable and fixed odds.

The permit allows the company to sell its products physically via agents but also via electromagnetic waves such as via the internet, mobile telephony, etc. Svenska Spel currently has over 5,000 physical gambling agents.

The Svenska Spel product portfolio in 2016 including Stryktipset, Oddset Powerplay, Lotto and the Triss scratchcard.

In addition to direct requirements on payout of winnings according to the specific form of gambling, Svenska Spel's permit also contains requirements relating to social protection, such as a requirement that the company may not offer gambling to anyone under the age of 18. Under the permit, the company must also observe particular moderation when marketing gambling to consumers. This means, among other things, that marketing must not be intrusive or consist of direct marketing.

During the year, betting on sports games has increased, while games of chance have made more negative progress. Svenska Spel has continued to develop its gambling platform for digital games during the year.

Online poker

Svenska Spel holds a permit from the Government to operate online poker games, which the company has been doing since 2006. The current permit runs from 1 January 2016 to 31 December 2018. No further developments have taken place in online poker in the past year. On the other hand, the company closed down the flash client, which meant that players did not need to install any software on their computers in order to play poker, which is why gambling via the iPad client has increased instead. In terms of sales, gambling on poker continues to decrease and the number of new players falls slightly from one year to the next.

Token machines (Vegas)

Svenska Spel holds a permit from the Government to provide gambling in token machines. The current permit runs from 1 January 2016 to 31 December 2018. In accordance with the Lotteries Act, a token machine

is a gaming machine that pays out winnings in the form of vouchers, tokens or similar and in which winning depends fully or partly on chance.

The token machines are located at licensed restaurants and also in bingo halls throughout Sweden. The basic conditions for a permit for token machines include a requirement that a valid permit to serve alcohol must exist or that the gambling is organised in conjunction with a bingo game and that the venue is appropriate from the point of view of social responsibility. The number of token machines allowed must also relate to sales from other business in the venue. In accordance with the Lotteries Act, a maximum of five token machines may be installed in each venue.

In accordance with Svenska Spel's permit, a maximum of 7,000 token machines may be installed in Sweden in conjunction with hotel and restaurant activities and 500 token machines may be installed in conjunction with bingo games in bingo halls. At present, permits have been issued for a total of 4,903 token machines in 1,738 restaurants and bingo halls in Sweden.

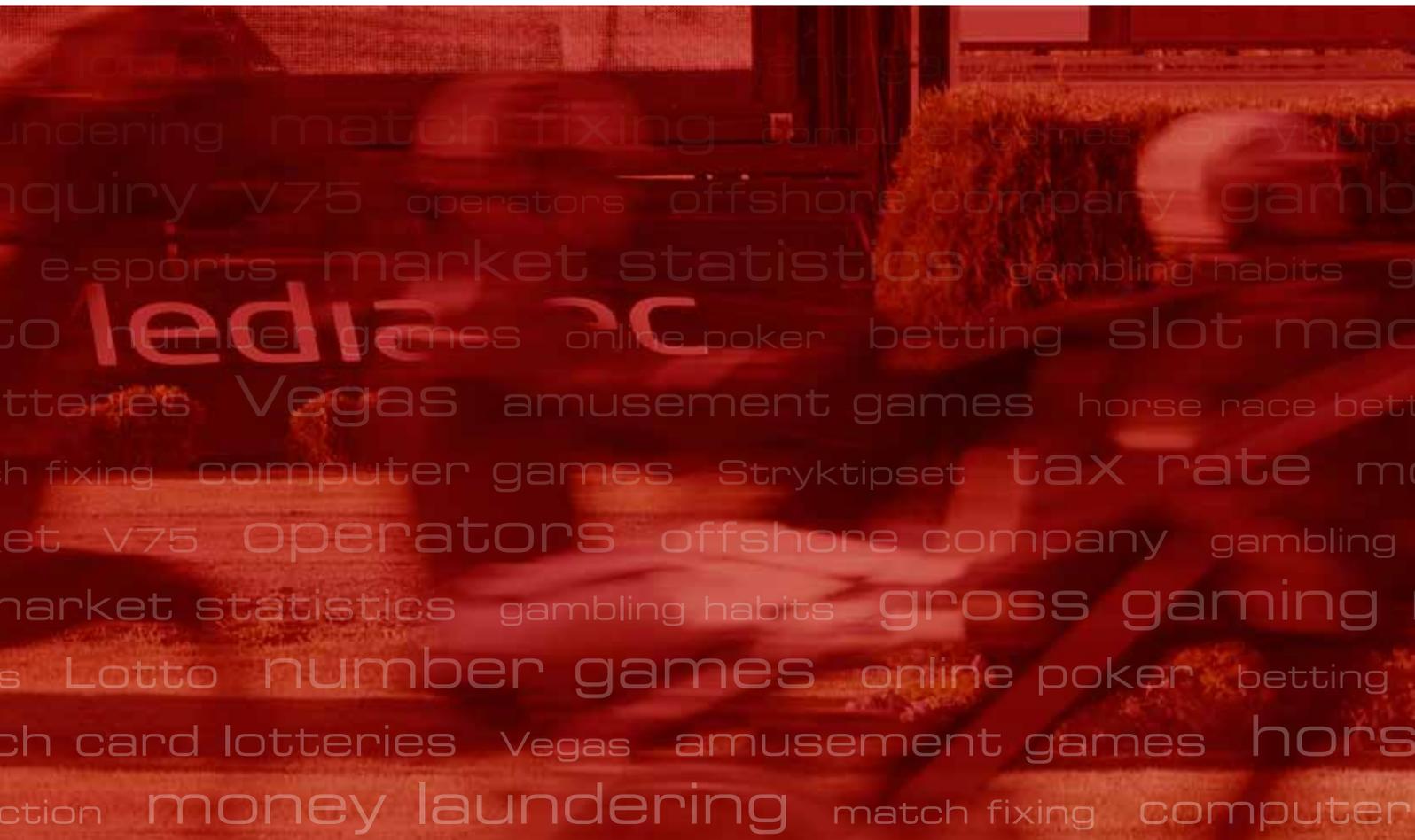
Svenska Spel raised the maximum stake in all games to six kronor in 2016. The maximum win is regulated at 100 times the stake and a receipt must be printed out automatically when the player's credit reaches that amount, i.e. SEK 600.

Casino Cosmopol AB

Svenska Spel holds a permit from the Government to operate casinos, which takes place through the subsidiary Cosmopol Casino. The current permit runs from 1 January 2016 to 31 December 2018. The four casinos in Sweden are located at Sundsvall, Malmö, Gothenburg and Stockholm. Anyone entering the casino is registered and photographed. The minimum age to play at a casino in Sweden is 20 and guests must also show ID. The Government has decided that the maximum permitted stake at the tables is two price base amounts¹ and in slot machines the maximum permitted stake is SEK 150 per turn. At least 85 percent of stakes in slot machines must be repaid in the form of winnings.

In accordance with the Casino Act (1999:355), Casino Cosmopol may only provide traditional casino games such as roulette, blackjack and poker with international rules as well as slot machines. The Swedish Gambling Authority is responsible for examining and approving new games. A new game called Rocket 7 was approved in 2016. It is a table game played with two dice. The game is unique in that it is the first game in the casino where neither electronic equipment nor personnel determine the game and the players themselves take turns to throw the two dice.

¹⁾ The price base amount for 2016 is SEK 44,300.



Non-governmental organisations' lotteries

A permit to organise lotteries under section 15 of the Lotteries Act may be issued to a Swedish juridical person that is a non-profit organisation promoting a socially beneficial purpose.

A permit may also be issued to a juridical person other than a non-profit organisation or a juridical person whose main objective is to promote a socially beneficial purpose outside the country, if special reasons for such exist.

Around twenty permit holders have organised lotteries in more than one county, known as national lotteries, during the year, pursuant to section 16 or section 21(b) of the Lotteries Act. Of those national lottery organisers, 18 were non-profit associations and two were foundations. The national lottery organisers' activities are socially beneficial and include purposes such as sports, charity, temperance, politics and culture. There are three main types of national lotteries: physical lotteries, ticketless lotteries and EMV lotteries. Examples of physical lotteries include instant tickets or other lotteries in which the number is drawn after the tickets have been sold. A subscription lottery is a typical ticketless lottery and lotteries organised online via electromagnetic waves are known as EMV lotteries. Virtually all the national lottery

providers engage a service company to manage the day-to-day operation of the lottery. The relationship and tasks are governed by an agreement between the parties.

Several of the national lottery providers experienced positive growth during the year. This is despite the fact that competition in the national lottery sector continues to be tough and is also affected by the fact that foreign lotteries are made available to Swedish players over the internet. Many of the larger national lottery providers have focused on developing methods for long-term customer relationships. A general trend among the national lottery providers in 2016 was to carry out more active efforts to achieve cost efficiency.

Bingo games across provincial borders

The Swedish Gambling Authority issues a permit for bingo if the bingo game is run in more than one county or if the maximum price exceeds one price base amount.

In 2016, the Swedish Gambling Authority issued seven permits for games across county borders and three permits for winnings above one price base amount. The number of permits is slightly lower than in recent years.

Private operators

Restaurant casinos

In accordance with sections 32 and 34 of the Lotteries Act, permits to provide roulette games, dice games and card games may be issued to private companies and individuals. Restaurant casino is the only form of gambling for which private operators and individuals can apply for a permit. The gambling must be provided in conjunction with a public entertainment event or a hotel and restaurant business if the business has a permit to serve alcohol in accordance with the Alcohol Act (2010:1622). Restaurant casino gambling is more in the nature of an amusement because it involves low stakes and winnings. The minimum age for players is 18.

At present there are approximately 32 providers with a permit to provide restaurant casino games. The operators offer games at 431 venues. Blackjack is by far the most popular game.

Both the number of organisers and the number of venues are falling each year. In autumn 2016, Cherry Spelglädje AB announced that they were acquiring Betman Casino AB and they thereby strengthened their dominant position in the market. Now they have over 60 percent of the restaurant casino market.

Amusement games

Amusement games are mechanical or electronic gaming machines that do not give any winnings or only give winnings in the form of free games on the machine. The act concerning the Arrangement of Certain Forms of Gaming Machines (1982:636) applies even if no stake

is paid in order to play. A permit is required when the gaming machines are installed in premises or places to which the public has access. A permit is required even if the gaming machines are switched off.

The definition of what constitutes an amusement game can also occasionally give rise to problems of interpretation. It is not always obvious which games are subject to a permit. There are several games on the market that do not require a permit, such as punching balls, billiards and darts. 111 permits for amusement games existed during the year.

Slot machines

A slot machine is a gaming machine that pays out winnings in the form of cash. The possibility of winning depends largely on chance. Permits to provide gambling in slot machines may be issued if the gambling is organised on vessels engaged in international shipping. There were 19 such permits in 2016.

Goods gaming machines

A goods gaming machine is a gaming machine that pays out winnings in the form of goods. The possibility of winning depends wholly or partly on chance. Winnings may not be exchanged for other goods or cash. The most common product gaming machine is now the crane machine. A permit for a product gaming machine may only be issued if the machine is located in a public entertainment venue, i.e., an amusement park or similar. There were 4 permits for product games in Sweden during the year.

Gambling responsibility and gambling addiction

The first results from the *Folkhälsomyndigheten* [Public Health Agency of Sweden] population-based study² or 2015-2016 were presented during the year. The study aims to examine the relationship between gambling and health. It is being conducted in order to gain greater knowledge of gambling habits and health in Sweden. The results show that fewer people are gambling and that the proportion of people with gambling problems has fallen slightly since the last survey. Nevertheless, the proportion of people with serious gambling problems has increased slightly. In a comparison with Norway and Denmark, we can see that the percentage of problem gamblers is similar in Denmark and Sweden, whereas the percentage is higher in Norway.

Stödlinjen's statistics for 2013–2015 show that the percentage of people citing online casinos as their primary problem gambling game rose from 26 percent to 47 percent. During the same period, the proportion who cited token machines (Vegas) as their primary problem gambling game fell from 21 percent to 10 percent. Stödlinjen's first four-monthly report for 2016 shows that the figures are at the same level as in 2015.

Government Bill 2016/17:8 Clearer Licensing under the Lotteries Act, which proposed certain amendments to the Lotteries Act, was published in autumn 2016. The proposals included a general requirement to be inserted in the Lotteries Act that the lottery provider must ensure that social and health protection is taken into consideration. The Bill also contained a proposal to introduce requirements to exercise moderation when marketing lotteries. Such advertising may not be specifically aimed at children and young people under the age of 18. Finally, an age limit of 18 for participating in a lottery for which a permit is required was proposed. It was proposed that *Konsumentverket* [the Swedish Consumer Agency] and the Swedish Gambling Authority be assigned responsibility for supervising the marketing of games. The amendments to the Act entered into force on 1 January 2017.

²⁾ *SWELOG, Swedish Longitudinal Gambling Study.*



Development of illegal gambling

In accordance with the appropriation directions, the Swedish Gambling Authority's activities must help reduce the supply of illegal gambling and lottery activities. The work is mainly focused on combating illegal gaming machines, poker games and lotteries that are not organised in accordance with the provisions of the Lotteries Act. Illegal gaming machines are considered to entail the greatest risk of adverse economic and social effects, both for the individual and for society.

The Swedish Gambling Authority does not investigate alleged violations in the area of gambling and lotteries, but notifies the Police Authority and the Swedish Prosecution Authority in the first instance by reporting the matter to the police. We also organise training programmes and inform other authorities on the structure of legislation in the area of gambling and lotteries.

As far as administrative intervention is concerned, we are authorised to issue prohibitions and injunctions associated with penalties, which also occurs in some cases.

Gaming machines and other similar equipment

There are a large number of illegal gaming machines in the Swedish market. The Swedish Gambling Authority regularly takes action against activities of this kind by carrying out checks and reporting cases to the police. The authority is unable to carry out any further action since we are not authorised to do that. Illegal gaming machines are mainly installed by a limited number of companies or groups of companies operating throughout Sweden. The gaming machines installed by these operators are often described as terminals or computers for internet use. Nevertheless, to gamble on these machines is to take part in an unlicensed lottery.

In 2016, the general courts handed down a number of judgments relating to violations of the Lotteries Act by providing gaming machines. In many of these rulings, the conviction also entailed an obligation for the owner of the premises or the operator, for example, to repay the money earned from the illegal lottery to the State. Annex 2 contains more information on the judgments.

Poker games

The Lotteries Act contains a requirement that card games such as poker games must be subject to a permit. Today, only Svenska Spel holds a permit to provide poker games in Sweden at State casinos and in online poker. In cases where the Swedish Gambling Authority becomes aware of suspected illegal poker games, the information is passed on to the Police Authority. If necessary, we assist the police in the ongoing investigation of the case.

The number of tip-offs received regarding illegal card games has fallen in 2016. This may be due to the fact that two judgments³ were handed down in 2015 with regard to illegal card games in which the representatives of the poker clubs carrying on illegal card games were convicted for offences including aggravated violation of the Lotteries Act.

Chain letter games

The concept of "chain letter game" also includes pyramid games. These games are lotteries within the meaning of the Lotteries Act. No permits can ever be granted for chain letter games.

The increasing ability to market suspected chain letter games via social media, for example, has meant that in recent years the Swedish Gambling Authority has seen an increase in the number of tip-offs and investigations regarding suspected chain letter games.

The concept of chain letter game changes according to what is popular and what is written about in the media. For example, such concepts included dietary supplements a few years ago, gold in 2014-2015 and cryptocurrencies in 2015-2016. The Swedish Gambling Authority reported a chain letter game in which alleged cryptocurrencies⁴ were used to the police during the year.

In some cases, it can be a complex matter to determine whether an arrangement is a so-called MLM

³⁾ The Sundsvall District Court judgment of 13 February 2015 in case B 2325-12. The Umeå District Court judgment of 15 October 2015 in case B 694-14.

⁴⁾ Cryptocurrencies are virtual currencies such as the Bitcoin.

(Multi Level Marketing) activity or a chain letter game. It is not only the degree of chance that must be decisive for determining whether an arrangement must be considered to fall within the provisions of the Lotteries Act; but the general nature of the activity must also be taken into consideration. We examine such aspects as the structure of the organisation in terms of the chances of winning or limitations on winnings or bonus opportunities for participants in the activity. Furthermore, we take into consideration what benefits or bonuses are provided in relation to product sales or recruitment and in some cases the relationship between them. One circumstance that is ascribed considerable importance when the Authority investigates suspected chain letter games is whether the value between any stake provided by the participant and the value of the product or what the participant receives for the stake appear to be reasonably proportionate to each other.

We are not authorised to request information or material from chain letter game activities. The assessments and decisions carried out in these cases are based mainly on material received via tip-offs, online searches or other public and open sources of information.

Compliance by some events with the Lotteries Act

Over the year, the Swedish Gambling Authority has received a large number of enquiries regarding events involving lottery-like games or competitive elements. These events are normally aimed at marketing a company or its products and services. It is a question of so-called marketing or stimulation lotteries. It is not always obvious where the boundary between a lottery and a competition lies and for that reason it is sometimes difficult to decide whether an event can be organised without violating the Lotteries Act.

In view of the number of enquiries and different proposals for events that comes to the Authority's attention, it is clear that there is a great deal of interest and creativity as far as lotteries for marketing purposes is concerned. The Swedish Gambling Authority's view are that there are events and lotteries that are organised contrary to the provisions of the Lotteries Act and therefore must be subject to a permit. This phenomenon applies to a large extent online and in social media in particular. We take action against events of this type on a regular basis by informing the organisers of the provisions of the Lotteries Act.

The prohibition on promotion

The Swedish Gambling Authority estimates that operators that are unlicensed in Sweden have increased their sales and marketing on the Swedish market in 2016. Much of the marketing carried out by these operators could be contrary to the provisions of the Lotteries Act since it is forbidden in Sweden to promote participation in a lottery organised abroad. Promoting participation may, for example, be a question of advertising, sending out invitations or otherwise providing information on lotteries organised outside Sweden.

Collaboration

The Swedish Gambling Authority's efforts to reduce the number of illegal gambling and lottery operations in recent years have increasingly focused on cooperation with other law enforcement agencies. We welcome this progress and we have taken part in a number of different instances of collaboration to combat suspected illegal gambling and lottery activities in 2016.

We have also been able to participate in other authorities' investigations into companies associated with gambling and lottery activities. For example, we acted as expert advisers and provided information to *Ekobrottsmyndigheten* [the Swedish Economic Crime Authority] and *Skatteverket* [the Swedish Tax Agency] in cases initiated by these authorities.

We are in constant contact with authorities such as the Swedish Prosecution Authority, the Swedish Economic Crime Authority, the Swedish Tax Agency and the Police Authority to jointly reduce the supply on the illegal gambling market in Sweden. This is done to enable joint initiatives to be carried out to contribute to measures against the large operators in this illegal market. The Swedish Prosecution Authority has become a natural partner to the Swedish Gambling Authority in the past year. During the year, the exchange of information between the authorities was further improved after the initiative of having a prosecutor act as a contact person with regard to violations of the Lotteries Act was adopted.

Monitoring of the cases reported by the Swedish Gambling Authority's to the police

The Swedish Gambling Authority carries out regular supervision to detect unlicensed gambling. That supervision is carried out anonymously in most cases by the Authority's inspectors. In many cases, the results of the supervision mean that we report cases to the police.

However, we do not always receive feedback on what action is taken when we report a case to the police. Therefore, at the beginning of the year we requested information from the Police Authority and the Swedish Prosecution Authority on the outcome of the 130 cases of suspected provision of unlicensed slot machines reported to the police in 2014 and 2015.

The information obtained was compiled in a report⁵. The report shows that criminal charges were brought in 8 percent of the cases reported. A decision to discontinue the preliminary investigation had been made in 24 percent of the cases. A preliminary investigation was still ongoing when the report was being prepared in 62 percent of the cases. Eight police reports could not be found, which represented 6 percent of the cases. For unknown reasons, these cases had not been logged at the Police Authority, which is the authority responsible for receiving the reports issued by the Swedish Gambling Authority regarding infringements of the Lotteries Act.

The monitoring indicates that the reports submitted to the police by the Swedish Gambling Authority tend to be allocated to an administrator as the only action.

⁵ *Compilation of cases of illegal slot machines reported to the police in 2014-2015, Reg. no. 16Li700.*



Technical aspects

Technical support for new regulations

During the year, the Swedish Gambling Authority was entrusted by the Government with the task of assisting with the ongoing investigation on a re-regulation of the gambling market by providing knowledge and facts about how the future gambling market should be regulated. The current work focuses primarily on the technical aspects for those who will operate on the gambling market in future and will be included in the study to be presented in spring 2017.

Technical equipment

The Swedish Gambling Authority has received many questions during the year concerning the requirements for lottery draw equipments imposed by the Authority on local lotteries. The application for a permit for a lottery and the application for a permit to use type-approved equipment are two separate processes at the Authority. As an example, equipment for drawing lottery tickets has been type-approved during the year, but no lottery permit has yet been issued.

Trends and changes in the industry environment

The world

The trend towards cooperation between gambling authorities around the world continues to grow. In recent years, the topics of match fixing and money laundering have been discussed at various conferences. This year's IAGR⁶ Conference was held in Sydney, Australia. A wide range of issues was discussed at this conference, including technological developments and their impact on the future gambling market, combating problem gambling, convergence between pure entertainment games and gambling and the impact of virtual reality on the gambling market.

Europe

As we noted in previous gambling market reports, the prevailing trend in Europe is for gambling providers to apply for a licence in each country in which they wish to offer gambling. Several countries such as Portugal and Lithuania have amended their gambling legislation and have gone over to a licensing system. The systems may differ from one country to another, but they all aim to channel as much domestic gambling as possible towards licensed gambling. Many countries refrain from requiring the technical equipment to be located in the country in cases where an agreement exists between the gambling authority in the country where the provider has a licence and the gambling authority in the country where the provider has its fixed place of business.

Tax rates are an important issue when a country opens up its borders to new gambling providers. It is difficult to strike the right balance between a tax rate that will appeal to the operators, on the one hand, and a tax rate that is profitable for the State, on the other. Which games and how many types of games are to be permitted is another important factor to be considered when re-regulation takes place.

As stated above, more countries are opening up their markets, fully or partially, to private gambling providers. Norway and Finland have instead chosen to strengthen their monopoly. In Finland, the three State companies RAY⁷, Veikkaus Oy and Fintoto Oy have been merged to form a single State gambling company named Veikkaus.

In Norway, an inquiry presented in December 2016 rejected a licensing system and proposed that the State monopoly be strengthened.

The annual GREF⁸ meeting for gambling authorities in Europe was held in Malta in early June. The meeting discussed topics such as the future of lotteries in the digital age, fantasy sports and combating money-laundering. There are three working groups within GREF. These groups discuss matters concerning responsible gambling, information and statistics and technical issues. The working groups meet on the occasion of each GREF meeting to discuss and exchange experience in their fields. Most groups meet once or twice a year aside from the annual meeting.

Most countries participating in the annual meeting also issue a report on the developments in each country over the past year. The next GREF meeting will be held in London, UK in 2017.

Nothing much has happened in the area of match fixing in the EU during the year. The Council of Europe Convention on the Manipulation of Sports Competitions⁹ has not entered into force. The Swedish Gambling Authority took part in a collaboration project linked to match fixing during the European Football Championship in France on the initiative of our French counterpart ARJEL¹⁰. No suspicions of any match fixing arose during the tournament.

The Nordic region

The regular annual Nordic meeting of supervisory authorities was held in Copenhagen, Denmark this year. Topics discussed included forthcoming anti-money laundering legislation, studies on problem gambling, marketing of gambling and illegal gambling.

⁶ International Association of Gaming Regulators.

⁷ Raha-automaattiyhdistys.

⁸ Gaming Regulators European Forum.

⁹ Council of Europe Convention No. 215 on the Manipulation of Sports Competitions.

¹⁰ Autorité de régulation des jeux en ligne, ARJEL.

Reports from countries

The following information was obtained from each country at the time of the GREF meetings. Information may sometimes refer to events in 2015, depending on what the countries choose to report on.

Denmark

The Danish gambling market is divided into two parts. One part of the market is deregulated and the other consists of a monopoly. The market is structured as follows:

- 28 gambling providers are licensed to provide internet casino games.
- 15 gambling providers are licensed to provide betting.
- 9 gambling providers have limited revenue licences for either betting or internet casino games. A limited revenue licence is valid for one year and is based on the licence holder's gross revenues, which may not exceed DKK 1 million.
- Lotto, scratch cards and betting on horse and dog racing is provided by the State company Danske Spil A/S.
- The other lotteries with cash winnings are Klasse-lotteriet A/S, Almindeligt Dansk Vare-og Industrilotteri and Landbrugslotteriet.
- Approximately 40 licences have been issued for providing poker tournaments.
- 7 land-based casinos.
- Approximately 25,000 gaming machines divided among 400 licence holders.
- Approximately 675 licences for charitable lotteries with gross sales of DKK 20,000.

Latest developments

During the year, the Danish gambling authority Spillemyndigheden has been working on its task of ensuring that the regulations function effectively. Both national and international cooperation have been important factors in ensuring that the Danish market is attractive to gambling providers. For that reason, the authority has taken part in a range of conferences and working groups in 2015 and has visited other authorities and gambling providers in order to increase its knowledge of developments in the international gambling market. Spillemyndigheden continues to consider that illegal gambling exists to a negligible extent in Denmark.

Danish gambling legislation was amended in late 2015 to introduce rules on match fixing. Because of this, it has been possible since 1 January 2016 to adopt certain measures in regulations to prevent match fixing. This means, among other things, that licence holders can be required to report suspected match fixing to Spillemyndigheden.

Spillemyndigheden forms part of the EU Commission expert group on gambling. The expert group completed its three-year assignment during the year and its work has been extended by a further three years.

A study began in 2015 to measure the extent of problem gambling in Denmark. The latest such survey was carried out in 2005. The Danish National Centre for Social Research (SFI) is responsible for the study, but Spillemyndigheden is contributing to the research.

In autumn 2015, the Government announced plans to move various government services to other parts of Denmark. As part of this plan, it was decided that Spillemyndigheden would be moved from Copenhagen to Odense in late 2016.

Finland

The Finnish gambling market consists of three State-controlled sectors:

- Casino games and gaming machines (exclusively for RAY).
- State lotteries with cash prizes, scratch cards, sports betting and pool games (exclusively for Veikkaus Oy).
- Betting on horses (exclusively for Fintoto Oy).

The Finnish gambling market also consists of:

- Non-cash lotteries, guessing games and bingo with non-cash winnings run by charities.
- Amusement games.

Latest developments

As stated above, the three State gambling companies Veikkaus Oy, RAY and Fintoto Oy have been merged to form a single State gambling company under the name of Veikkaus.

Norway

The Norwegian gambling market is partly based on sole rights for the State-owned gaming companies:

- Norsk Tipping AS offers Lotto, Keno, Eurojackpot, Viking Lotto, scratch cards, other numbers games, betting on sports, gambling terminals (IVT) and online gambling.
- Norsk Rikstoto offers gambling on horse-racing.

There is also a private area of the Norwegian gambling market where lotteries are organised by private operators on behalf of non-profit organisations. This part of the market consists of bingo, gambling on ships, lotteries, scratchcards, poker and smaller local and regional lotteries.

At present, Norsk Tipping AS has 70 percent of the regulated market, whereas Norsk Rikstoto has 12 percent. The private operators have 18 percent of the market.

Latest developments

In November 2015, the Ministry of Culture adopted a new Government plan of action to combat gambling addiction for the period of 2016-2018. This plan of action replaces the previous plan of action, but focuses on the same three goals; prevention, awareness and treatment. The plan of action includes both gambling and computer gaming. The new plan also has a stronger focus on research in the field of problem gambling and how this will take place in future.

As stated above, a study presented in December 2016 rejected a licensing system and proposed that the State monopoly be strengthened. This is because gambling policy objectives – a responsible gambling policy that limits problem gambling and ensures that surplus revenue from lotteries will as far as possible be used for non-profit purposes – are considered to be fulfilled more effectively with a State monopoly.

Åland

At present there are two operators that hold a permit to provide gambling on Åland:

- Penningautomatföreningen (Paf), which is a public law association whose objective is to collect funds for public benefit by offering gambling to the general public.
- Veikkaus Oy, which is a State-owned company from Finland.

Åland's new Lotteries Act entered into force in autumn 2015. The legislation introduced a large number of new rules, including rules stipulating that gambling must be organised in such a way as to minimise social and health problems. The work to set up an Åland gambling authority began in spring 2016. The authority will have four main areas of responsibility:

- To monitor developments on the gambling market and other markets that can be affected by the Lotteries Act.
- Prevention work along with licence holders in the market.
- Supervision of the Lotteries Act and putting forward proposals for improvements in gambling regulations.
- Advice and recommendations regarding the Lotteries Act.

The new Lotteries Act will also provide the Åland gambling authority with the ability to control and penalise illegal gambling activities.

Estonia

Estonia has a licensing system with an exception for lotteries that form part of the State monopoly. The number of licences is unlimited and in April 2016 there were 16 licence holders.

Latest developments

Lottery tax for providers of land-based poker tournaments is no longer payable from February 2015. However, they must pay 5 percent tax on participation fees.

Self-exclusion has now also become possible for the gambling forms of betting and classical lotteries since January 2016. The rules for marketing of betting products and lotteries were amended at the same time. Advertising must now include a warning text that states that gambling is not a solution to financial problems and provides information on responsible gambling.

France

Parts of the gambling market were deregulated in France in 2010. That meant that the market for online poker, sports betting and online betting on horses was opened up to private operators.

By the end of 2015, there were 16 gambling providers with 28 licences: 11 for sports betting, 8 for betting on horses and 10 for poker.

The trend towards declining sales in 2014 continued in 2015. Only sports betting showed any appreciable positive growth. Betting on horses decreased for the fourth year in a row.

The GGR for sports betting amounted to EUR 270 million in 2015, which represents an increase of 19 percent compared to 2014. Horse race betting was bigger than sports betting in France up to 2013. 2014 was the first year in which sports betting were bigger and the gap has widened further since 2015. The horse race betting's GGR amounted to a total of EUR 254 in 2015, which represent a decrease of 1 percent. Poker amounted to EUR 232 million, which represents a decrease of 4 percent.

Latest developments

A national association to combat match fixing was formed in January 2016 under the leadership of the country's Minister for Sport. The association consists of representatives from organisations such as the French gambling authority ARJEL, the National Olympic Committee, the State-owned gambling company FDJ¹¹ and various government departments. The platform is twofold: ARJEL is responsible for the task of supervising the French betting market, whereas the French Directorate for Sport is responsible for coordination and work to combat match fixing.



Gibraltar

The Government of Gibraltar has issued the following licences at present:

- 33 licences to provide online lotteries
- 2 licences to provide betting in shops
- 2 licences to provide gambling in land-based casinos

Latest developments

A review of gambling legislation and codes of conduct for the gambling market is currently in progress. The review was initiated by the Government of Gibraltar and amendments to the legislation may become necessary in future.



Latvia

The gambling market in Latvia is divided between 14 private operators which, together, have:

- 320 gambling halls with 8,701 gaming machines
- 5 casinos
- 42 betting venues
- 2 bingo halls

These forms of gambling are available both physically and online. There are six gambling providers holding Internet licences. There is also a national lottery run by a State-owned company.

The supervisory authority is responsible for the following:

- licensing
- control and supervision
- performance of statutory tasks relating to games of chance

¹¹ La Française des jeux.

Latest developments

The gambling and lottery legislation has been amended to regulate online gambling, licensing, taxation and to extend the supervisory authority's responsibilities.

The licence fee was established at EUR 427,000 for those wishing to offer all types of land-based gambling and online gambling. For those who only wish to offer online gambling, the licence fee is EUR 200,000. Providers must pay an annual fee of EUR 37,000, regardless of what gambling they provide. Gambling tax also increased by approximately 10 percent.

The supervisory authority has been authorised to issue penalties against unlicensed providers since 2016. This was previously the responsibility of the Police Authority.



Lithuania

The Lithuanian gambling authority enforces laws and rules adopted by the State. The authority also supervises the gambling market in order to guarantee a healthy, safe gambling market. The authority's main tasks are:

- licensing
- control and supervision
- performance of other statutory tasks

The gambling market in Lithuania consists of 13 private gambling providers with a total of:

- 18 casinos with 132 gaming tables and 661 slot machines
- 179 gambling halls with 3,885 gaming machines
- 168 betting venues

Latest developments

Amendments to gambling legislation with regard to online gambling entered into force in January 2016.

The amendments mean that all gambling providers must be licensed by the authority to be allowed to provide gambling on the Lithuanian gambling market. The new legislation also allows action to be taken against illegal gambling providers. Unlicensed gambling providers' websites can be blocked and they can be publicly listed on the gambling authority's website as illegal gambling providers.



Malta

In accordance with Maltese gambling legislation, operators may apply for a licence to carry on activities such as casino games, betting on sporting competitions and other lotteries. The aims of the legislation include protecting gamblers and combating money laundering. The Maltese gambling authority, the Malta Gaming Authority (MGA), issues licences and supervises the Maltese gambling market.

Latest developments

During the year draft ordinance on games of skill was put forward that means that these games will be subject to a separate licensing procedure. Annex 3 contains more information on this.

The Netherlands

The Netherlands has a regulated land-based gambling market that consists of:

- 14 casinos
- 1 State lottery
- 3 charitable lotteries
- 1 monopoly for lotto and sports betting
- 1 monopoly for betting on horses
- private providers with 42,000 gaming machines in gambling halls, bars and restaurants

Online gambling is currently prohibited.

The Dutch gambling authority has three main tasks:

- To regulate access to gambling
- To combat problem gambling and illegal activities.
- To protect and inform consumers.

Latest developments

The Netherlands is preparing for re-regulation of gambling. Re-regulation consists of a proposed Bill that would enable operators to apply for licences to provide online lotteries. The Dutch Parliament passed the Bill in 2016, though it must be passed by the Senate before it enters into force.

A Bill currently being prepared proposes privatisation of the Dutch casino monopoly. Privatisation will probably lead to more new casino providers on the Dutch market

Portugal

The Portuguese gambling authority's main responsibilities are to:

- protect consumers, particularly young people and other vulnerable groups
- prevent illegal activities
- guarantee fair gambling

Latest developments

Portugal's new online gambling legislation entered into force in 2015. Under the legislation, operators can apply for a licence to provide online bingo games, casino games, betting on sports competitions and betting on horse races. The legislation contains no limits on the number of licences that can be issued. The first licences under the legislation were issued in 2016.

Switzerland

The licensed gambling market in Switzerland consists of two State-controlled areas: the casino and lottery sector and sports gambling. The market is divided up as follows:

- 21 casinos run by private operators.
- Non-profit organisations can obtain licences to provide lotteries and sports gambling. The market is dominated by two large gambling providers: Swisslos and Loterie Romande.

Latest developments

The Swiss Government put forward a Bill for new gambling legislation in 2015. The features of the Bill include the ability to apply for a licence to provide

online lotteries, which is not possible at present. The Bill also enables access to websites that belong to gambling providers that are unlicensed in the country to be blocked. The Bill has not yet entered into force since that can only happen when it has been adopted by both chambers of the Swiss Parliament.

The United Kingdom

The gambling authority in UK, the Gambling Commission, was set up when new gambling legislation entered into force in 2005 and regulates commercial gambling activities in UK. Gambling is considered a leisure activity that must be subject to effective regulation. The Gambling Commission's main task is to endeavour to facilitate gambling as long as it is free from illegal elements, fair and open and that children and other vulnerable groups are protected.

UK allows forms of gambling such as games of chance, betting and participation in lotteries. There were approximately 3,000 licence holders in September 2015, distributed as follows:

- 1,475 gambling venues for adults and 297 amusement halls with family entertainment
- 8,819 betting venues
- 615 bingo halls
- 148 casinos
- 484 lotteries

There are 311 operators licensed to provide casino games, betting and bingo online. In addition, licences have been granted for the manufacture and maintenance of slot machines and game development.

Latest developments

From April 2016, all land-based games in casinos, bingo, betting and gambling in gambling venues for adults must be linked to a self-exclusion system whereby the gambler is able to exclude him or herself from multiple operators. A similar system for online gambling is under development.

Germany

Each of the federal states has its own supervisory authority responsible for regulation and supervision of gambling. The regulated gambling market is divided into the following categories:

- Land-based casinos.
- Amusement games paying out winnings in gambling venues, restaurants and bars.
- State and non-profit lotteries.
- Betting on sports and horses.

Latest developments

A total of 20 private gambling providers would be awarded a licence that would allow those providers to offer sports betting to German consumers. However, there are a number of judgments that are preventing the authorities from granting these licenses. The licensing procedure is therefore not yet clear.



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Operators without a permit in Sweden

"Operators without permits in Sweden" means companies operating in Sweden but licensed in another country. Examples of locations where these companies are normally licensed include Malta, the Channel Islands and Gibraltar. Companies operating in this area include, for example, Unibet, Betsson, Leo Vegas and Mr. Green.

The Swedish Gambling Authority continues to receive a large number of questions relating to this part of the gambling market. Because these companies are not considered to provide gambling and lotteries in Sweden, they are not covered by Swedish gambling legislation. These companies are granted licences by the gambling authority in each jurisdiction and comply with the regulations applying in that jurisdiction. In recent years, the Swedish Gambling Authority has attempted to estimate these companies' total sales in the Swedish gambling market. It is difficult to estimate the sales for these

activities in Sweden. It has become even more difficult recently since several smaller gambling companies have emerged. Together, these smaller gambling companies probably account for a relatively large share of the market. Nevertheless, the Swedish Gambling Authority considers that this part of the market accounted for approximately SEK 5.1 billion, after winnings had been paid out, in 2016.

As stated above, the trend in recently times has been towards more European countries opening up their gambling markets to more gambling providers but imposing licensing requirements for those who wish to offer gambling in the country. In the long term, there is naturally a risk that this will reduce the attractiveness of some of these jurisdictions, despite competitive tax levels.



controlled companies, Lotto, number, free, online, poker, bingo, Triss, blackjack, scratch card, lotteries, Vega, gambling addiction, money laundering, match fixing, V64, gambling license inquiry, gambling market, V75, virtual reality, licensing system, e-sports, Kombilotteriet, state-controlled companies, internet casino, bingo, Triss, blackjack, scratch card, fantasy sports, virtual reality, gambling addiction, money, token machines, V64, gambling license inquiry, Bingolotto, consumer protection, virtual reality, payment transactions, Kombilotteriet, state-controlled companies, V5, goods gaming machines, internet casino, bingo, fantasy sports, virtual reality, gambling addiction, licenses, token machines, V64, gambling license inquiry, consumer protection, licensing system, e-sports, Kombilotteriet, state-controlled companies, internet casino, bingo, blackjack, scratch card, fantasy sports, trotting, gambling addiction, money, licenses, token machines, V64, gambling license inquiry, consumer protection, virtual reality, licensing system, Kombilotteriet, state-controlled companies, Lotto, internet casino, bingo, Triss, blackjack, scratch card, virtual reality, gambling addiction, money laundering, match fixing, machines, V64, gambling license inquiry, gambling market, transaction, virtual reality, licensing system, e-sports, payment transactions, Kombilotteriet, state-controlled companies, internet casino, bingo, Triss, blackjack, scratch card, fantasy sports, virtual reality, gambling addiction,

Annex 1

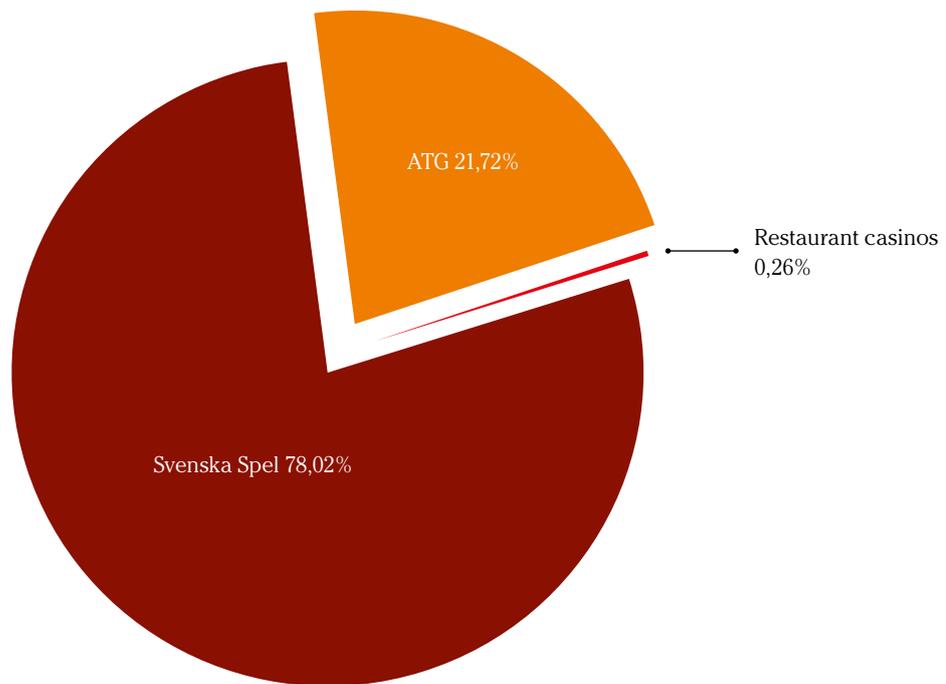
Statistics

Government surplus

In 2015, the total government surplus from gambling amounted to SEK 6.1 billion. The surplus comes from lottery tax from ATG, excise duty from restaurant casino providers and the surplus from the State-owned

company Svenska Spel. The surplus from Svenska Spel is approximately two percentage points lower than the total surplus for 2014. The distribution of the surplus from these three sources is set out below.

Government surplus from gambling in 2015



Preliminary statistics

Turnover, SEK million					
	2016	2015	2014	2013	2012
Gambling companies					
ATG	13,277	12,535	12,231	12,155	12,420
Svenska Spel ¹⁾	20,352	19,789	19,820	21,559	21,657
Casino Cosmopol ²⁾	<i>5,801</i>	<i>5,842</i>	<i>5,738</i>	<i>5,777</i>	<i>5,871</i>
Total	39,430	38,166	37,789	39,491	39,948
Non-governmental organisations' games and lotteries					
Bingo	848	934	972	1,133	1,166
National lotteries	5,898	5,772	5,611	5,683	5,328
Local and regional lotteries	58	58	58	67	66
Total	6,804	6,764	6,642	6,882	6,560
Private operators					
Restaurant casinos	482	482	450	455	495
Total	482	482	450	455	495
The regulated market					
	46,716	45,411	44,881	46,828	47,003
Operators without permits in Sweden ³⁾	<i>5,100</i>	<i>4,380</i>	<i>4,123</i>	<i>3,593</i>	<i>3,241</i>
Total	51,816	49,791	49,003	50,423	50,244

1) Including the poker rake. The poker rake is included only after winnings have been paid out.

2) The statistics are based on a calculation method that enables gross sales to be reported in a way that enables the figure to be compared to, for example, Vegas. It is important to take into consideration that the repayment percentage will not be fair according to this calculation because it does not take replays into consideration.

3) Operators without permits in Sweden are reported only after winnings have been paid out. The figures are adjusted from EUR to SEK using the Riksbank's average exchange rate. Source: H2 Gambling Capital and the Swedish Gambling Authority's monitoring of the industry environment.

Figures in italics are estimated amounts. These may change in future as the Swedish Gambling Authority receives more information.

Please note that the figures in the above table are rounded off to the nearest whole number and may therefore marginally affect the final summation.

Gross gaming revenue, SEK million					
	2016	2015	2014	2013	2012
Gambling companies					
ATG	4,021	3,750	3,660	3,625	3,700
Svenska Spel ¹⁾	7,821	7,781	7,782	8,562	8,629
Casino Cosmopol	1,172	1,180	1,159	1,167	1,186
Total	13,014	12,711	12,602	13,354	13,516
Non-governmental organisations' games and lotteries					
Bingo	256	275	282	303	330
National lotteries	3,574	3,489	3,336	3,362	3,196
Local and regional lotteries	32	32	32	34	34
Total	3,862	3,795	3,650	3,699	3,560
Private operators					
Restaurant casinos	210	210	195	196	212
Total	210	210	195	196	212
The regulated market					
	17,086	16,716	16,447	17,249	17,288
Operators without permits in Sweden ²⁾	<i>5,100</i>	<i>4,380</i>	<i>4,123</i>	<i>3,593</i>	<i>3,241</i>
Total	22,186	21,096	20,570	20,842	20,529

1) Including the poker rake.

2) Operators without permits in Sweden are reported only after winnings have been paid out. The figures are adjusted from EUR to SEK using the Riksbank's average exchange rate. Source: H2 Gambling Capital and the Swedish Gambling Authority's monitoring of the industry environment.

Figures in italics are estimated amounts. These may change in future as the Swedish Gambling Authority receives more information. Please note that the figures in the above table are rounded off to the nearest whole number and may therefore marginally affect the final summation.

**The largest gambling products in terms of sales,
before winnings have been paid out (MSEK)**

	2016	2015	2014	2013	2012
Casino Cosmopol ¹⁾	5,801	5,842	5,738	5,777	5,871
V75	5,143	4,851	4,617	4,556	4,585
Vegas	4,731	4,691	4,950	6,820	7,334
Oddset	3,641	3,308	3,244	2,824	2,790
Postkodlotteriet	3,381	3,359	3,431	3,404	3,020
Triss	3,338	3,437	3,221	3,299	3,319
Lotto	2,692	2,765	2,924	3,163	3,117
Dagens dubbel	1,475	1,457	1,444	1,501	1,572
Keno	1,221	1,187	1,192	1,228	1,263
Vinnare	1,161	1,029	1,117	1,127	1,572
Stryktipset	1,146	1,052	1,025	1,022	948
V64	1,069	1,157	1,090	875	237
V86	930	927	896	831	948
Joker	876	896	937	989	967
Bingo	848	934	972	1,133	1,166
Tvilling	825	897	884	906	948
Topptipset	806	782	630	531	396
Eurojackpot	791	591	381	227	
Bingolotto	759	705	621	627	669
V4	639	603	597	554	507
Europatipset	620	564	520	531	476
Miljonlotteriet	491	515	463	551	562
Restaurangkasinospel	482	482	450	455	495
Trio	406	312	330	347	383
Plats	397	402	401	416	426
Kombilotteriet	344	305	374	399	441
V5	322	321	290	375	374
Lunch Dubbel	277	273	264	251	278
Sverigelotten	259	188			
Nätbingo, Pick'n'click	200	178	195	218	257
V65	175	171	190	301	903
The poker rake at svenskaspel.se	118	125	133	152	175

1) The statistics are based on a calculation method that enables gross sales to be reported in a way that enables the figure to be compared to, for example, Vegas. It is important to take into consideration that the repayment percentage will not be fair according to this calculation because it does not take replays into consideration.

**The largest gambling products in terms of sales,
after winnings have been paid out (MSEK)**

	2016	2015	2014	2013	2012
Postkodlotteriet	2,028	2,015	2,048	2,038	1,817
V75	1,800	1,698	1,616	1,595	1,605
Triss	1,702	1,753	1,643	1,682	1,693
Lotto	1,481	1,521	1,608	1,740	1,714
Vegas	1,206	1,227	1,302	1,796	2,014
Casino Cosmopol	1,172	1,178	1,159	1,167	1,186
Oddset	830	826	773	870	856
Keno	549	534	536	553	568
Joker	487	498	521	550	538
Bingolotto	471	437	385	377	424
Stryktipset	401	368	359	358	332
Eurojackpot	395	295	190	113	
V64	374	366	382	306	83
Dagens dubbel	369	364	361	375	393
V86	326	324	314	291	332
Miljonlotteriet	285	293	273	313	341
Bingo	256	275	282	312	330
Topptipset	242	235	189	159	119
Vinnare	229	222	223	225	229
Europatipset	217	197	182	186	167
Restaurangkasinospel	210	210	195	195	212
Kombilotteriet	191	167	208	219	244
Tvilling	165	179	99	181	190
V4	160	151	149	138	127
Sverigelotten	135	98			
Trio	122	94	99	104	115
The poker rake at svenskaspel.se	118	125	123	152	175
V5	113	112	102	131	131
Nätbingo, Pick'n'click	100	89	97	109	128
Location	79	80	80	83	85
Lunch Dubbel	69	68	66	63	69
V65	61	60	66	105	316

Annex 2

Legal Developments 2016

Government Bill 2016/17:8

Clearer Licensing in the Lotteries Act

The Bill proposes certain amendments to the Lotteries Act. In order to achieve a more transparent processing of the Government's licensing cases for the organization of lotteries under section 45 of the Lotteries Act, it was proposed that it be made clear that only gambling companies owned by the State and gambling companies over which the States has the legal controlling influence can be granted permits under this Act. The Bill also proposed rules to a range of measures with regard to responsible gambling, see Chapter 7 above. The amendments to the Act entered into force on 1 January 2017.

Proposed legislation referred to the Lagrådet [Council on Legislation] for consideration relating to cooperation on care, support and treatment of gambling addiction

On 8 December 2016, the Government submitted a referral to the Council on Legislation containing proposed amendments to legislation regarding cooperation on care, support and treatment of gambling addiction. In the referral to the Council on Legislation, the Government proposed that the municipal authorities be given clearer responsibility for preventing gambling addiction. That should take place by broadening social welfare committees' responsibilities for preventing and combating addiction to alcohol and other substances to include gambling. It was also proposed that the social welfare committees should be given wider responsibility for actively working to counteract gambling addiction among children and young people.

In the referral to the Council on Legislation, the Government also proposed that the requirement for an agreement on cooperation between municipalities and county councils regarding persons addicted to substances should also include persons addicted to gambling. Another proposal is to clarify the responsibility of healthcare and medical services for taking into consideration a child's need for information, advice and support if the child's parents or other adults with whom the child actually lives are addicts in such a way that it also applies to gambling addiction.

The proposed legislation is suggested to enter into force on 1 January 2018.

The prohibition on promotion

Several judgments relating to the prohibition on promotion were handed down during the year. The first of these was the Administrative Court of Appeal in Jönköping, which handed down a judgment in case 230-15 on 30 June 2016. Nyheter24 AB had appealed a judgment of the Administrative Court in Linköping, which had rejected the company's appeal against an injunction concerning the imposition of a conditional fine issued against the company by the Swedish Gambling Authority. Under the

injunction, the company must cease to display marketing on its website and subdomains that contained links to lotteries provided outside the country. The Administrative Court of Appeal considered that the development in the area of gambling, with regard to both EU case law and the development of gambling and lottery activities in Sweden, did not mean that section 38 of the Lotteries Act could be considered contrary to EU law. In view of this, the appeal was rejected. The judgment has been appealed before the Supreme Administrative Court.

Subsequently, the Administrative Court in Linköping handed down a judgment in case 3734-15 on 30 September 2016. A City Media AB had appealed an injunction concerning the imposition of a conditional fine issued by the Swedish Gambling Authority's to cease displaying marketing on advertising hoardings for a gambling company registered in Malta. The Administrative Court found, *inter alia*, that section 38 of the Lotteries Act could not be regarded as contrary to EU law and that the injunction met the requirements of clarity and precision. The appeal was rejected. The judgment has been appealed to the Administrative Court of Appeal in Jönköping.

Furthermore, the Administrative Court in Linköping handed down a judgment in case 6956-15 on 11 October 2016. Poker Magazine Sweden AB had appealed an injunction concerning the imposition of a conditional fine issued by the Swedish Gambling Authority to cease publishing distinctive commercial content for a gambling company registered in Malta on the website pokermagazine.se and subdomains. The Administrative Court found, *inter alia*, that section 38 of the Lotteries Act could not be regarded as contrary to EU law and rejected the appeal.

On 11 October 2016, the Administrative Court in Linköping also handed down a judgment in case 7937-15 in which a limited company had appealed an injunction concerning the imposition of a conditional fine issued by the Swedish Gambling Authority to cease to display trademarks through clickable links to a number of named gambling companies on the website casinokampanjkod.se and subdomains. The Administrative Court also found in this case that section 38 of the Lotteries Act could not be regarded as contrary to EU law and rejected the appeal.

Finally, the Administrative Court in Linköping handed down judgments on 29 November 2016 in cases 5331-13 (JCDecaux Sverige AB), 6815-13 (AB Kvällstidningen Expressen) and 6848-13 (Aftonbladet Hierta Aktiebolag). In all these judgments, the Administrative Court rejected appeals against injunctions concerning the imposition of conditional fines issued by the Swedish Gambling Authority ordering the appellants to cease promoting participation in lotteries organised outside the country. The judgments have been appealed before the Administrative Court of Appeal in Jönköping.

In this context, it should also be mentioned that the Administrative Court in Stockholm handed down a judgment in case 15132-16 on 9 November 2016.

Zimpler AB had appealed the decision by *Finansinspektionen* [the Swedish Financial Supervisory Authority] to reject an application for a permit to provide payment services. The rejection was based on the fact that the requirement in Chapter 2, section 6, first paragraph, point 2 of the Payment Services Act (2010:751), under which permits can only be granted if there is reason to suppose that the planned activities will be carried on in accordance with the current Act and other statutes that govern the company's activities, was not considered to have been met. This was due to the fact that the Swedish Financial Supervisory Authority considered that the company's main business activity – the provision of payment services intended for the gambling industry and its customers –, as well as previous links to foreign gambling companies was contrary to the prohibition on promotion in section 38 of the Lotteries Act. The Administrative Court took the same view as the Swedish Financial Supervisory Authority and rejected the appeal. The judgment has gained legal force.

Illegal gaming machines

In a judgment handed down on 2 November 2015 by the Gothenburg District Court in case B 2418-15, the representative of a petrol station in Gothenburg was ordered to pay fines proportional to daily income for the offence against the Lotteries Act of having installed illegal gaming machines on the premises. The District Court also decided to confiscate the gambling stakes received by the representative, which had been seized. These amounted to a total of SEK 112,876. Furthermore, the District Court ordered the representative's company and the company installing the machines to pay SEK 1,112,910 and SEK 1,107,300 to the State, since such amounts constituted the value of the gambling stakes received and forwarded to the companies. The judgment was appealed before the Court of Appeal for Western Sweden, which handed down a judgment on 29 April 2016 in case B 5020-15 affirming the District Court's judgment. The Court of Appeal's judgment was appealed before the Supreme Court which, on 31 August 2016 in case B 2645-16, resolved not to grant leave to appeal.

The Värmland District Court handed down a judgment on 2 June 2015 in case B 3801-13. The case related to installation and organisation of gambling using illegal gaming machines. The District Court's judgment was appealed before the Court of Appeal for Western Sweden which, on 22 June 2016, handed down a judgment in case B 3347-15. The Court of Appeal judgment found the representative – who was also an indirect shareholder – of one of the largest installers of illegal gaming machines in Sweden guilty of serious violation of the Lotteries Act and handed down a conditional sentence accompanied by fines proportional to daily income. A ban on carrying on business activities for a period of three years was also imposed on the person in question. Furthermore, it may be noted that the installing company in question was ordered to pay the State a corporate fine of SEK 300,000. The judgment was appealed before the Supreme Court which, on 20 October 2016 in case B 3599-16, resolved not to grant leave to appeal.

In addition to the cases referred to above, in 2016 the Supreme Court resolved not to grant leave to appeal in a number of cases relating to offences against the Lotteries Act regarding illegal gaming machines. The rulings still confirm that gaming machines can still be illegal in spite of new concepts.

Goods gaming machines

On 19 February 2016, the Administrative Court in Linköping handed down a judgment in case 1813-15 whereby Karl-Magdas Aktivitetshus AB appealed against an injunction concerning the imposition of a conditional fine issued by the Swedish Gambling Authority to cease providing lotteries in goods gaming machines without a permit. The company argued, among other things, that winnings in the form of goods were not of different values and that it was therefore not a case of a lottery. The Swedish Gambling Authority argued that the winnings in the form of goods were of different values and that it was therefore a case of a lottery. The Administrative Court shared the Authority's view and rejected the appeal. The judgment has gained legal force. The Swedish Gambling Authority has requested that the court impose the fine.

Amusement games

On 1 March 2016, the Västmanland District Court handed down a judgment in case B 1917-15 concerning violations of the Act concerning the Arrangement of Certain Forms of Gaming Machines. The accused had provided gambling on gaming machines of the RaceRoom type for the general public. There was no valid permit under the Act. The accused argued that gaming machines of this type were not covered by the Act. The District Court found that the gaming machines were covered by the said Act and sentenced the accused to fines proportional to daily income for violation of the Act. The judgment has gained legal force.

National lotteries

In 2014, the Swedish Gambling Authority rejected an application from *Svenska Hästsportföreningen* [the Swedish Equestrian Association] for a permit to arrange a national lottery because the conditions required for a permit in accordance with section 10 of the Lotteries Act were not considered to have been met. According to the Swedish Gambling Authority, this was mainly because it was questionable whether operators granted a sole right to carry on betting on horse races in accordance with section 45 of the Lotteries Act would at the same time be given the right to provide other lotteries. According to the Authority, such an examination involved consideration of aspects such as the need for lottery revenues. At the same time, there was a clear connection to EU law that meant that the authority that granted the permit needed to carefully assess aspects such as the effects of the decision on the proportionality in the Swedish gambling regulation as a whole. Therefore, in the Swedish Gambling Authority's view, the permit assessment should instead be carried out by the Government in connection with the annual concession decision in accordance with section 45 of the Lotteries Act.

The case was appealed to the Administrative Court in Linköping, which handed down a judgment on 26 February 2016 in case 7739-14. According to the Administrative Court, application of section 10 of the Lotteries Act meant that the suitability assessment should involve an assessment of how the individual lottery would be handled or managed in the individual case. The Swedish Gambling Authority was therefore wrong, in this assessment, to take into consideration the impact of an individual decision on the proportionality in the Swedish gambling regulation as a whole. The Administrative Court therefore set the appealed decision aside and referred the case back to the Swedish Gambling Authority for necessary administration since the Authority had not taken up any position in the appealed decision regarding whether the lottery otherwise met the conditions set out in the Lotteries Act.

The Swedish Gambling Authority appealed the judgment before the Administrative Court of Appeal in Jönköping, which handed down a judgment on 3 October 2016 in case 676-16. According to the Administrative Court of Appeal, the Swedish Gambling Authority had not examined the Swedish Equestrian Association's application in the case, for which reason the appealed decision could be interpreted as a decision to dismiss the application. The appeal was therefore rejected, meaning that the outcome of the Administrative Court's judgment was upheld. The judgment has gained legal force.

Match fixing

The Jönköping District Court dismissed a prosecution against a person accused of match fixing by means of a judgment handed down in October 2014 in case B 1359 14. The case was appealed before the Göta Court of Appeal, which handed down a judgment in November 2015 in case B 3202 14. Like the District Court, the Court of Appeal took the view that it had not been proved that the person had offered bribes to three footballers in a Superettan league club before a league match in September 2013. Nevertheless, the Court considered it to have been proved that the person had encouraged persons unknown to offer a bribe to the three players to manipulate the outcome of the match and sentenced the person for aiding and abetting bribery. The sentence was a conditional sentence accompanied by fines proportional to daily income. The judgment was appealed before the Supreme Court which, on 11 April 2016 in case B 5919-15, resolved not to grant leave to appeal.

In September 2015, six people were prosecuted in a major match fixing affair in southern Sweden relating to manipulation of the outcome of division 1 matches in October 2013 and May 2014. At that time of the criminal acts, three of the accused were playing for the division 1 club with which the case is concerned. According to the prosecution, the criminal acts were considered to include the giving of bribes, extortion, unlawful coercion of the three players and the taking of bribes by the three players. By means of a judgment handed down in October 2015 in case B 1394-15 the Kristianstad District Court dismissed the prosecution citing lack of evidence. The judgment was appealed before the Court of Appeal

of Skåne and Blekinge which, by means of a judgment of 30 June 2016 in case B 3004-15, carried out a further assessment of the evidence and convicted all the accused of crimes. The three players were convicted of the taking of bribes and received conditional sentences and two of them were also sentenced to fines proportional to daily income. Of the defendants, who had exerted pressure on the players, one received a conditional sentence for the giving of bribes. The two remaining defendants were imprisoned for unlawful coercion, extortion, attempted extortion and the giving of bribes. These two were also ordered to pay SEK 276,881 to the State as forfeited proceeds of crime, which corresponded to their winnings from betting on one of the matches in October 2013. The Court of Appeal's judgment was appealed before the Supreme Court which, on 3 October 2016 in case B 3763-16, resolved not to grant leave to appeal.

Poker bot

On 18 February 2016, the Svea Court of Appeal handed down a judgment in case B 680-15 regarding games involving a so-called "poker bot" on the Svenska Spel website. The case involved five persons who together designed a computer programme that could play online poker on its own. The Court of Appeal acquitted the defendants of aggravated fraud. The judgment has gained legal force.

Foreign gambling companies challenge ATG

On 17 December 2015, the Government granted ATG a permit to arrange betting in connection with horse races. Two foreign gambling companies applied to the Supreme Administrative Court for a judicial review of the Government decision, requesting that the decision be annulled. With reference to the fact that foreign gambling companies could not be considered to be affected by the Government's decision to an extent that included a review of their civil rights under the European Convention on Human Rights, the Supreme Administrative Court rejected the application for judicial review in a ruling of 20 June 2016 in case 549-551-16.

After the aforesaid decision by the Government, negotiations between ATG's shareholders, Svensk Travsport and Svensk Galopp, as well as representatives of the Government Offices of Sweden began, whereupon a proposal was put forward for an agreement on guidelines for horse races with pari-mutual betting, etc. The aim of the agreement was to regulate the distribution of responsibility between the Swedish State, ATG's owners and ATG. By means of a decision of 17 March 2016, the Government authorised an official to sign an agreement that largely conformed to the proposal. A foreign gambling company applied for a judicial review of this decision and requested that decision be annulled. For the same reasons as above, in other words that the foreign gambling company could not be considered to be affected by the Government's decision to an extent that included a review of its civil rights under the European Convention on Human Rights, the Supreme Administrative Court rejected the application for judicial review in a ruling of 26 September 2016 in case 2360-16.

Other

New application fees in the Lotteries Ordinance (1994:1451)

From 1 May 2016, in accordance with section 6 of the Lotteries Ordinance, new application fees apply for certain types of applications to provide lotteries in accordance with the Lotteries Act.

The Swedish Gambling Authority's regulations on fees for control and supervision – LIFS [Lotteriinspektionens författningssamling – Swedish Gambling Authority Code of Statutes] 2016:1

The regulations entered into force on 1 August 2016 and include provisions on fees for the supervision carried out by the Swedish Gambling Authority in accordance with section 48 of the Lotteries Act, section 14 of the Casinos Act and section 7 of the Act concerning the Arrangement of Certain Forms of Gaming Machines.

Spelbranschens etiska råd, SPER

[the gambling industry's ethical committee]

In 2016, SPER settled two cases concerning Svenska Postkodföreningens [The Swedish Postcode Association] marketing of Svenska Postkodlotteriet [the Swedish Postcode Lottery] and IOGT-NTO's marketing of Miljonlotteriet.

The case concerning Svenska Postkodlotteriet related to an advertising film that, according to the complainant, was intrusive. According to the report of the complainant, the film hinted that purchase of a subscription would resolve anxiety-ridden situations and there was a veiled threat that anyone who did not take part in Svenska Postkodlotteriet could suffer. Furthermore, the complainant considered that the advertising film encouraged excessive gambling, arguing that it conveyed the message that it is extremely important to take part in the lottery in order not to be excluded from social situations. Svenska Postkodföreningen did not consider that the advertising film was intrusive because viewers consented to advertising by watching TV financed by advertising and that the advertisement conveyed a sense of community spirit and enjoyment. Furthermore, Svenska Postkodföreningen argued that the advertising film did not encourage excessive gambling because the film invited viewers to share the happiness and community spirit regardless of whether they were winners or losers. SPER acquitted Svenska Postkodföreningen since it did not consider that the advertising film contravened SPER's guidelines for marketing.

The case concerning Miljonlotteriet related to direct mail advertising and phone calls to the complainant, despite the fact that the person in question had telephoned the lottery's customer services and unsubscribed and stated that he did not wish to be contacted. The complainant considered that this constituted intrusive direct marketing. IOGT-NTO stated that the complainant had been contacted because that person in question had winnings to download, had not blocked advertising mailings and was not registered with the "NIX" phone

service. SPER acquitted IOGT-NTO since it did not consider that the direct advertising or telephone calls constituted intrusive marketing that violated the SPER marketing guidelines.

Requirement for civil registration – the Committee on Petitions of the European Parliament

In 2014, a Swedish citizen, residing in Luxembourg, in what is referred to as a petition to the Committee on Petitions of the European Parliament, complained about Svenska Spel's requirement for obligatory civil registration. The person submitting the petition, who has no registered address in Sweden, had been denied a customer card and questioned whether the requirement for civil registration conformed to EU law. At the request of the Committee, the European Commission issued a statement on 25 November 2015. The European Commission did not consider that the requirement for Swedish civil registration was disproportionate or contrary to EU law. The Committee has notified the European Commission's view in its communication to the members of the European Parliament (a "Notice to members"). Taking into consideration the statement by the European Commission, the European Parliament closed the petition case in 2016.

Preliminary rulings from the Court of Justice of the European Union

Free movement of services between Member States exists within the EU. Within the EU, there is also freedom of establishment, which means that professionals or juridical persons operating legally in one Member State shall be free to carry on economic activities in another Member State. Member States may therefore not adopt measures that prohibit, impede or render less attractive the exercise of free movement of services or freedom of establishment.

However, gambling legislation falls within the areas where there are significant moral, religious and cultural differences between Member States. Gambling legislation is therefore not harmonised at EU level. This means that the Member States may have gambling laws that impede free movement of services and freedom of establishment if the following conditions have been met.

- The gambling legislation has been developed to achieve certain objectives. These objectives can include protection of human health, public order, public safety or other imperative reasons in the public interest (such as consumer protection or to combat gambling-related crime).
- The gambling legislation is proportionate to the interests it is intended to protect.
- The measure that is considered to hinder free movement helps achieve the objectives of the legislation in a coherent, systematic manner.

In 2016, the Court of Justice of the European Union announced a number of preliminary rulings concerning the Member States' gambling legislation.

Italy – C-375-14, Laezza

Under Italian law, a licence is required for administration and accepting gambling stakes. Processing gambling stakes without a licence as described above is punishable as a criminal offence. Conditions are imposed on operators holding these licences that specify that when the licence period has expired or when the licence has been revoked or terminated, they must transfer, free of charge, the rights to use the tangible and intangible assets owned by the licence holder and included in its network for administration and accepting gambling stakes to the Italian authorities or to another licence holder. The gambling company Stanley International Betting, which holds no licence of the kind referred to above, operated in Italy through operators that provided data transmission centres for accepting betting stakes. Because no licence was held, in 2014 the police seized computer equipment for receiving and transferring betting stakes in an inspection on one of these data centres. In connection with this, the question arose of whether the conditions attached to the licence decision were contrary to EU law, freedom of establishment and free movement of services.

The Court of Justice of the European Union issued a preliminary ruling in the case on 28 January 2016, and began by stating that the condition as such was not discriminatory because all licence holders were covered by it. However, according to the Court, conditions of the kind in question hinder freedom of establishment and free movement of services. However, provided that the condition was considered to be proportionate, it could be accepted because it was considered to be justified by overriding reasons in the public interest (combating crime associated with gambling by maintaining lawful acceptance of gambling stakes in order to prevent criminal activity being carried out in parallel). As regards proportionality, the Court of Justice of the European Union stated that the condition could be considered to be proportionate if it was activated when the licence ceased because it was revoked or terminated as part of a sanction. However, the condition was not considered proportionate if it was activated when the licence period expired because the aim of the legislation (to combat crime associated with gambling) could be achieved by less restrictive measures. As an example of a less restrictive measure, the Court of Justice of the European Union stated that the former licence holder, in the case of forced assignment of the assets concerned, could obtain compensation corresponding to the market value of the assets.

Germany – C-336-14, Ince

A restaurant owner had installed betting terminals in its sports restaurant in the federal province of Bavaria in Germany. Through the terminals, it was possible to place bets on sports events with a gambling company unlicensed in Germany but licensed in Austria. The prosecutor therefore filed two charges against the restaurant owner for providing sports betting without a licence from

the competent authority in Bavaria. Prior to that, the German federal courts heard cases in which the courts held that the German rules on licensing requirements for providing/acting as an intermediary in sports betting did not conform to EU law. In the preliminary ruling from the Court of Justice of the European Union issued on 4 February 2016, the Court of Justice of the European Union considered that the principle of free movement of services prevented law enforcement authorities in Germany from imposing penalties when courts in the country found that national rules on licensing requirements for providing/acting as an intermediary in sports betting did not conform to EU law.

Austria – C-464/15,

Admiral Casinos & Entertainment

According to Austrian gambling law, the country's federal states grant licences to third parties to arrange lotteries on gaming machines. The Austrian company Admiral Casino & Entertainment AG holds such a licence in the Austrian federal province of Niederösterreich. Admiral Casino & Entertainment AG requested in court that a number of companies and individuals that arranged lotteries on illegal machines in their cafés and petrol stations should cease to do so. The gaming machines in question belonged to two companies based in the Czech Republic and Slovakia that were unlicensed in Austria. The companies and individuals that ended up in court argued that they had not done anything illegal because they considered that Austrian gambling legislation to be contrary to the free movement of services within the EU. This raised the assessment in EU law of the proportionality of measures that were considered to hinder free movement within the EU. In the case of the assessment of the proportionality of national gambling legislation, it is necessary to take into account the objective that the legislation was intended to achieve when it entered into force. The question in the case was whether, in the assessment, the effects of the legislation after its adoption should also be examined and whether it must be possible to establish these effects with empirical certainty.

The Court of Justice of the European Union issued a preliminary ruling in the case on 30 June 2016 and began by noting that, in the application of the proportionality assessment in EU law, the national courts did not need to establish with empirical certainty whether the gambling legislation had the intended effect after its adoption. Furthermore, the Court stated that national courts nevertheless needed to carry out a dynamic proportionality assessment when evaluating whether national gambling legislation conformed to EU law. What would be taken into consideration, therefore, was the objective of the gambling legislation when it entered into force and whether the legislation had the intended effects. Applied to this case, therefore, the Austrian court should therefore assess whether the objectives of the legislation – to reduce opportunities for gambling with unlicensed operators and combat gambling-related crime – had actually been achieved. In this assessment, the Court of

Justice of the European Union expressed that it should be taken into account how gambling companies that are licensed have developed and whether or not criminal or fraudulent activity in the gambling sector has decreased.

Italy – C-225/15, Politano

Italy began a licensing procedure for betting on sporting events and horse racing in 2012. The licensing legislation imposed a requirement that applicants, which had been established for less than two years and whose total revenue connected with gambling activities had been below two million euro in the previous two financial years, should attach a certificate from at least two banks to the application in order to prove their economic and financial position.

Betuniq, a gambling company founded by Italians, held a licence in Malta in 2012 and submitted an application for a licence in Italy. The company had been operating for less than two years and had less than two million euro in revenues from gambling activities over the previous two years. However, the company did not attach bank certificates to the application. The gambling authority therefore excluded the company from the licensing procedure. Notwithstanding the lack of a licence, since 2012 Betuniq has been opening betting shops in Italy at which it was possible to pay stakes to take part in the company's games.

In February 2015, the police visited one of Betuniq's betting shops and verified that the bets were being accepted for the gambling company and therefore seized equipment and assets. The shop owner appealed the seizure and stated that the requirement to attach at least two bank certificates to the application was contrary to the freedom of establishment and the free movement of services under EU law. The reason for this was that the Italian gambling authority did not accept any other type of documents that could prove the applicant's economic and financial position.

The Court of Justice of the European Union issued a preliminary ruling in the case on 8 September 2016 and began by noting that a requirement of the kind in question could be contrary to EU law. However, the requirement was considered to be justified for overriding reasons in the public interest because the aim of the Italian legislation was to combat gambling-related crime, channel gambling from illegal to legal operators and protect consumers. The Court of Justice of the European Union therefore considered that the requirement was needed to ensure that licence holders had the economic and financial standing that could enable them to permanently carry out gambling activities on the market. The Court of Justice of the European Union then went on to deal with the question of whether the requirement was proportionate and found that this was the case, taking into consideration partly the characteristics of the gambling industry and partly the fact that the obligation to exhibit two bank certificates ensured that gambling companies had sufficiently good finances to enable them to pay out winnings to consumers.

Matters relating to gambling legislation in EU Member States

France

Time limitation possibilities for poker players

In France, experience in recent years has shown that recycling of stakes, i.e. stakes made on the basis of winnings received from hands played, has been significantly greater in poker in the form of cash games than in other forms of gambling. This has meant that poker players participating in cash games were unable to get a clear picture of how much money they were actually playing for. In this form of gambling, the possibility of self-limitation of stakes, which is a requirement under French law, was considered to be less suitable because the possibility of self-limitation did not appear to be able to prevent excessive or pathological gambling. For that reason, a suggestion was put forward during the year that rules should be introduced in French gambling legislation to force online gambling operators to provide time limitation possibilities for poker players *European gambling pools in online poker*.

A draft law was proposed in France in 2016 whereby customers of licensed poker sites would be given the opportunity to play against players registered with operators operating legally in another Member State of the EU or the EEA. Under the draft law, the French gambling authority, ARJEL would be able to grant licensed poker sites a licence for this. Through this measure, it is considered that it will be possible to increase the volume of liquid assets available on French online poker tables without jeopardising the objective of protecting consumers. This draft law is based on the fact that the poker game's appeal is largely based on the volume of the liquid assets contributed by players who have access to the operators' tables. Restriction of access only to players at licensed operators in France is therefore considered to prevent the build-up of volumes of liquid assets that are sufficiently attractive for these players, which may cause some of them to turn to illegal providers.

Regulating e-sports

I Frankrike har det under 2016 lagts fram ett lagförslag. In 2016, France introduced legislation concerning e-sports contests and explicitly excluded them from the scope of the gambling legislation. The new legislation includes rules specifying that winnings must make up a certain percentage of the participation fees and that persons under the age of 16 may not participate without the consent of a guardian.

Malta

In December 2015, the Malta Gaming Authority, MGA, published a position paper on games of skill in the digital environment. The position paper identified a particular type of game of skill in which the outcome mainly depends on the participants' skill, but where there is still elements of chance. Fantasy sports were considered to fall within this type of game of skill. According to the

gambling authority, these games of skill should be subject to somewhat less stringent legislation than that applying to types of games covered by the gambling legislation. The reason for this was that the risks associated with participating in games of the former type were different from and less than the risks associated with taking part in games of the latter type. As a result of the position paper, a draft regulation on games of skill was presented in 2016. Broadly speaking, under the draft regulation games of skill will be subject to a separate licensing procedure and somewhat less stringent conditions than those of gambling legislation in general. Pending the entry into force of the regulation, fantasy sports have been excluded from the scope of the Maltese gambling legislation so that they may be covered instead by the licensing rules of the new regulation.

The Netherlands

In the spring of 2016, the Dutch gambling authority announced that a compliance activity would take place with regard to mobile apps relating to gambling. The activity was based on studies showing that the earlier children are exposed to gambling, the greater the risk that they will suffer from problem gambling in adulthood. With regard to the apparent increase in gambling precisely via mobile apps, it was also noted that those apps were easily accessible by young people and that measures needed to be adopted to counter this. The compliance activity resulted in around fifty mobile apps being removed from the Dutch App Store and from the gambling companies' websites. The authority also decided that this compliance activity would in future take place within the framework of permanent compliance, which means that more apps may be removed in future.

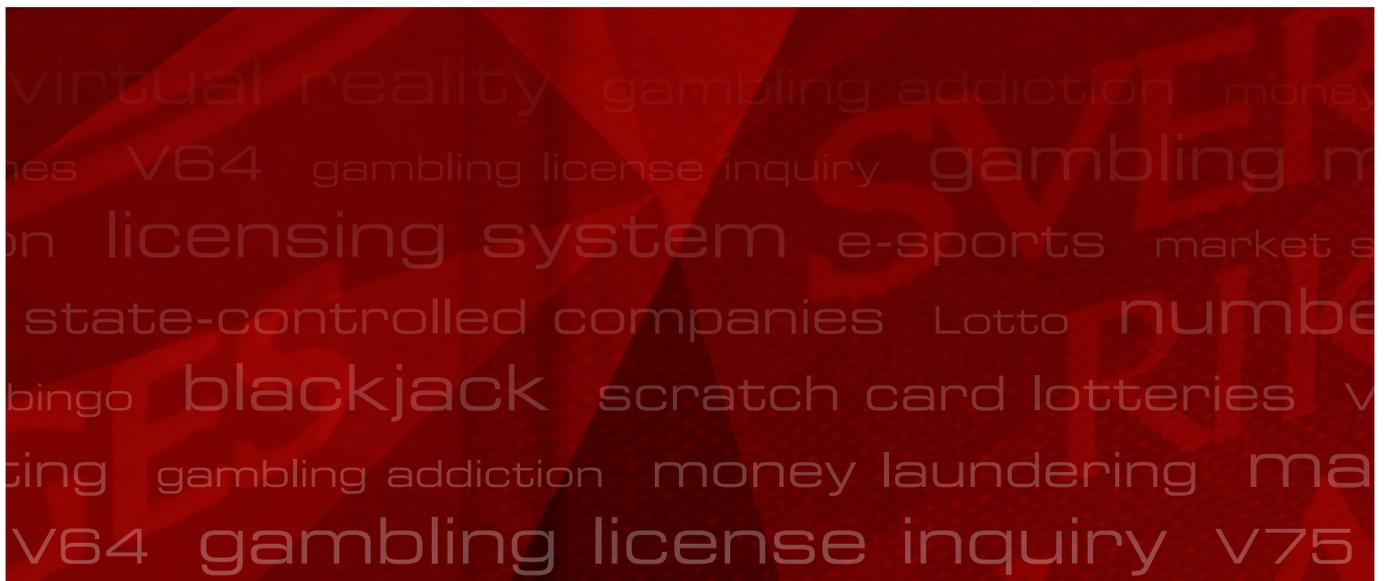
Denmark

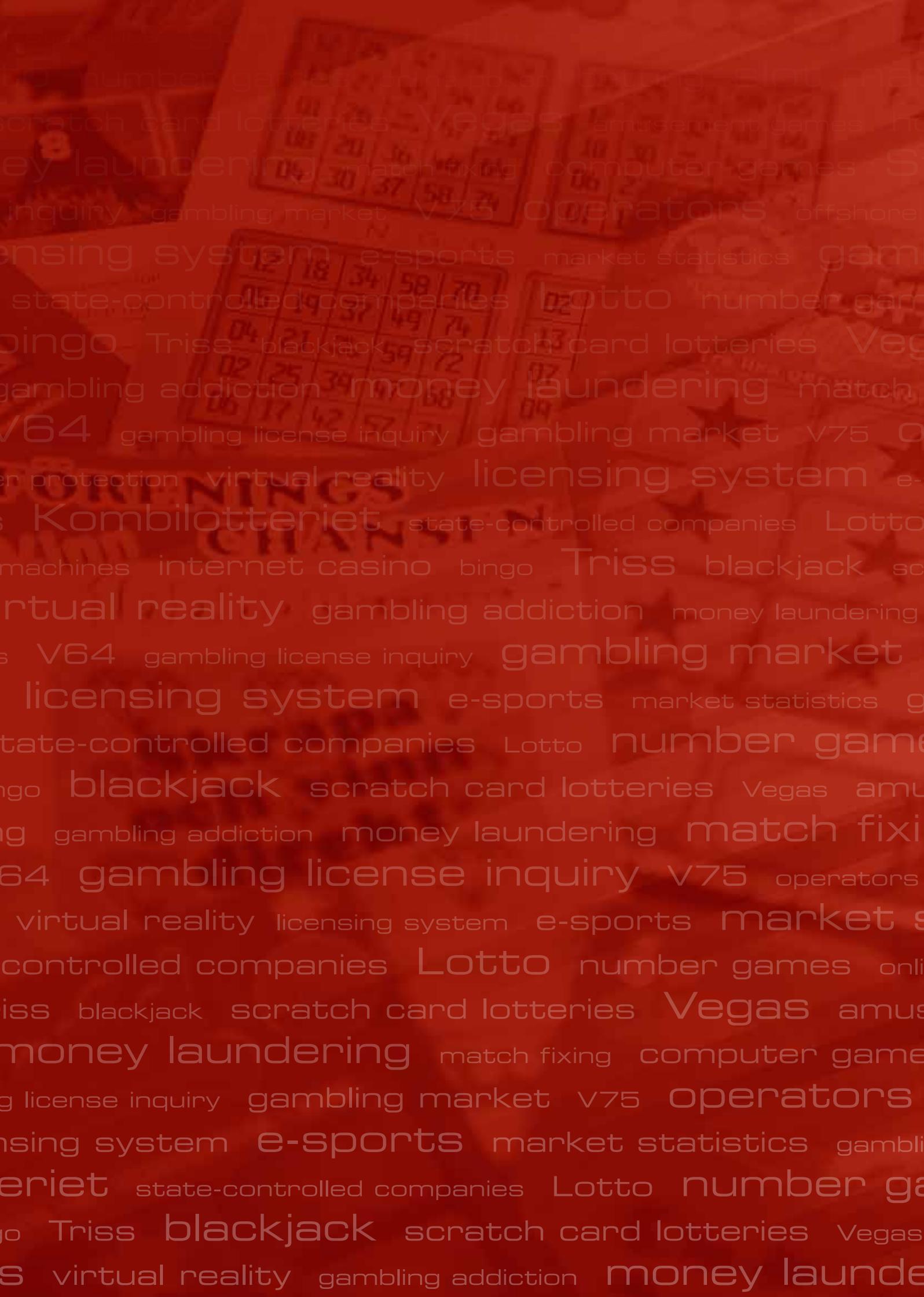
On 1 April 2016, Danish licence holders were to allowed to install self-serving betting terminals in betting shops.

The self-serving betting terminals can be used without what is referred to as a NemID (a form of electronic signature). However, holders of online gambling customer accounts at a licence holder cannot make deposits in their gambling accounts via the self-serving betting terminals.

The United Kingdom

In 2016, the British gambling authority, the Gambling Commission, made changes to the licensing conditions to be met by all licence holders. The changes entered into force on 31 October 2016. The changes mean, among other things, that licence holders must now implement and continuously assess the risks of money laundering in their businesses. Furthermore, a requirement is imposed on licence holders who provide online gambling casinos whose gambling equipment is located outside the United Kingdom to comply with anti-money laundering rules. All licence-holders must also inform the Gambling Commission if they are involved in criminal investigations in any way. However, this only applies if it can be assumed that the Commission would have reason to question whether the licence holders in the individual case in question had adopted the necessary measures to protect their business from crime. Furthermore licence holders may not market themselves, even through third parties such as affiliate sites, on websites which provide unauthorised access to copyrighted content.. A requirement is also imposed on licence-holders for sports betting not to accept bets from customers whose betting would be contrary to the rules of various sports associations (such as rules stating that a player in a professional football league may not gamble on matches in that league). These licence-holders must also require their employees to report incidents relating to irregular betting patterns and not to make use of information on such matters on their own behalf.





Annex 3

New rules for the gambling market with regard to money laundering

New rules for the gambling market with regard to money laundering

It is proposed that a new revised Anti-Money Laundering Act should begin to apply in June 2017. For the gambling market, this means major changes since the new rules proposed in principle cover all providers of gambling services. The changes in the Anti-Money Laundering Act are made primarily to meet the requirements of the fourth EU Anti-Money Laundering Directive¹².

Rules to prevent money laundering and terrorist financing have existed in Sweden since the early 1990s. The rules are based on EU (formerly EC) Directives. Initially, the rules only applied to parts of the financial sector but, over time, more and more industries have been included.

The casinos were required to comply with anti-money laundering rules in 2005 when the second Anti-Money Laundering Directive was implemented in Swedish law. Statements included in the preparatory work assert that "[b]ecause casino games are played with cash and can involve large sums, there is a significant risk that these activities may be exploited for money laundering." The requirements of the Casinos Act regarding identification, registration and camera surveillance of visitors was certainly considered to limit the ability to launder money in the casinos, but it was not considered to fully meet the Directive's requirements, including with regard to the obligation to report suspicious transactions¹³.

As early as at the time of the introduction of the second Anti-Money Laundering Directive, one or two of the referral bodies considered that the Anti-Money Laundering Act should cover more gambling activities than just the casinos, for example trotting and horse racing. Nevertheless, the Government considered that the matter of an expansion of the circle of gambling activities included should instead be dealt with within the framework of EU cooperation¹⁴. It was only at the time of the fourth Anti-Money Laundering Directive, which was adopted in May 2015, that the EU decided that other gambling activities should also be subject to the anti-money laundering rules. This decision is likely to have a major impact on the gambling companies' operations in future.

The rules will apply to gambling providers

A study¹⁵ containing proposals on how the Anti-Money Laundering Act and several other Acts should be adapted to meet the requirements of the fourth Anti-Money Laundering Directive has been presented in Sweden. The proposed rule changes referred to below relate to the proposals presented in that study.

The study proposed that the rules include gambling providers, specifically those who have a permit to provide casino games in accordance with the Casinos Act and those operating under a permit or registration in

accordance with the Lotteries Act. Under the proposal, the Anti-Money Laundering Act will therefore apply to both casino games under the Casinos Act and most gambling services in accordance with the Lotteries Act, including sports gambling, gambling on horses and other betting, gambling in gaming machines and slot machines, restaurant casinos, bingo games, card games and scratchcards. Nevertheless, a few exceptions are proposed. These exceptions include, for example, gambling on product gaming machines and lotteries for which no permit or registration is required under the Lotteries Act, in other words lotteries organised in accordance with sections 19–20 of the Lotteries Act.

The proposal also opens up the possibility of including more gambling services in the exceptions at a later date. Any exception must be based on a risk assessment that clearly shows that the gambling service in question entails a low risk of money laundering and terrorist financing. Under the proposal, the risk assessment must be carried out by the Swedish Gambling Authority, which also decides on any exceptions. The risk assessment to be carried out at EU level – the so-called supranational risk assessment – must be one of the aspects taken into consideration in the assessment. The possibilities for more exceptions may, however, be seen as limited, which is also confirmed by Johan Röhr, Senior Legal Adviser at the Swedish Gambling Authority.

– It is important to remember that the preamble to the Directive specifies that a Member State should only consider using exceptions under strictly limited and justified circumstances and where the risk is assessed as low. Taking into account the nature of the exceptions already proposed in the study, the scope for excluding further types of gambling must be seen as being extremely limited, states Johan Röhr.

According to the study's proposals, the rules must apply to gambling service providers. This means that agents that, for example, sell lotteries on behalf of the provider and other partners will only be covered indirectly. The provider that employs an agent is ultimately responsible for ensuring that the agent complies with the rules. According to the Swedish Gambling Authority, this is likely to be a challenge for operators that use agents since it certainly represents a significant amount

¹² Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing.

¹³ Government Bill 2003/04:156 More Stringent Rules to Combat Money Laundering, p. 52.

¹⁴ Op. cit. p. 51 f.

¹⁵ SOU 2016:8 Additional Measures against Money Laundering and Terrorist Financing – the fourth Anti-Money Laundering Directive – coordination – a new Anti-Money Laundering Act – etc.

of additional work on developing procedures, training agents and monitoring their work. Both the providers and the agents engaged must also undergo a specific suitability test.

The rules will reduce the risk of the gambling sector being exploited for money laundering

The proposed rules aim to prevent the financial sector and other economic activities being exploited for money laundering or terrorist financing. To accomplish this, the operators that are subject to the rules, including gambling service providers, must adopt a series of administrative measures in their businesses. The measures adopted must be risk-based. This means that resources will primarily be used where risks of money laundering and terrorist financing are considered to be greatest. Measures do not need to be so extensive where the risks are low.

In order to be able to work in a risk-based way, the providers are required to conduct a risk assessment on their own businesses. That risk assessment will indicate where the risks of money laundering and terrorist financing exist in their own businesses, what the risks are, where they are greatest and where they are smallest. The procedures and other measures adopted by the business to combat money laundering and terrorist financing will then be designed on the basis of that risk assessment.

Another key element of the proposal is the rules on Know Your Customer. In simplified terms, those rules mean that providers must carry out certain customer controls. For example, customers' identities must be checked and verified and transactions and business activities carried out must be audited and monitored.

According to the proposal contained in the study, there must be a clear link between the Know Your Customer measures adopted and the risks of money laundering and terrorist financing identified through the risk assessment. However, there are some obligatory situations in which Know Your Customer measures must always be adopted, namely in the case of business relationships, suspicion of money laundering or terrorist financing and if, for any reason, the customer's details are incorrect or need to be updated. A specific rule is also proposed for the gambling area specifying that Know Your Customer measures must also be adopted in the case of transactions amounting to EUR 2,000 or more, regardless of whether the transaction in question consists of one transaction or several smaller transactions that may be assumed to be linked. The Swedish Gambling Authority considers that one practical consequence of this is that, in principle, it will be impossible for the gambling companies to provide unregistered gambling if they are to comply with the rules in an appropriate way.

The proposal also includes an obligation to report. If there is any suspicion of money laundering or terrorist financing, the provider is obliged to immediately report it to Finanspolisen [the Swedish Finance Police]. Provisions

are also proposed in relation to internal management and control, documentation and conservation of documents and training and protection of employees. Background checks must also be carried out on the company's own personnel.

It is therefore clear that the proposed rules involve a number of new administrative requirements that will have a major impact on the gambling companies' work in future. The Director General of the Swedish Gambling Authority, Håkan Hallstedt, states that the Authority has been asking the gambling companies to prepare themselves for the new rules for a long time.

– The requirement for Know Your Customer is doubtless the biggest challenge for many gambling companies. The new rules require new work processes, may be costly and must be implemented fairly quickly. However, they can hardly argue that they did not know what was coming, says Håkan Hallstedt.

The role of the Swedish Gambling Authority

It is proposed that the Swedish Gambling Authority should be the supervisory authority and that it should therefore be responsible for monitoring to ensure that the gambling providers comply with the rules in the Anti-Money Laundering Act. Failure to comply with the rules may result in significant penalties.

Even though the focus is on regulatory responsibility, the Swedish Gambling Authority also sees informing the operators in the gambling market of the new rules as an important part of its task. This includes providing easily comprehensible information on the proposed new rules and what they mean on the Authority's website. The Swedish Gambling Authority also offers the gambling market an opportunity to undergo online training on the fourth Anti-Money Laundering Directive at a reduced price. The Authority is also planning to organise information meetings on the draft regulations.

Under the proposal, the Swedish Gambling Authority will also be given the right to issue regulations that, in some parts, contain more detailed provisions concerning the requirements to apply to the gambling providers.

What will happen in the future?

According to the proposals contained in the study, the new anti-money laundering regulations should begin to apply in June 2017. The next step in the legislative process is for the study to be sent to the Council on Legislation for comments.

At EU level, amendments to the fourth Anti-Money Laundering Directive have already been proposed before the rules have been incorporated into the laws

¹⁶⁾ *Proposal for a Directive of the European Parliament and of the Council amending Directive (EU) 2015/849 on the prevention of the use of the financial system for the purposes of money laundering and terrorist financing and amending Directive 2009/101/EC.*

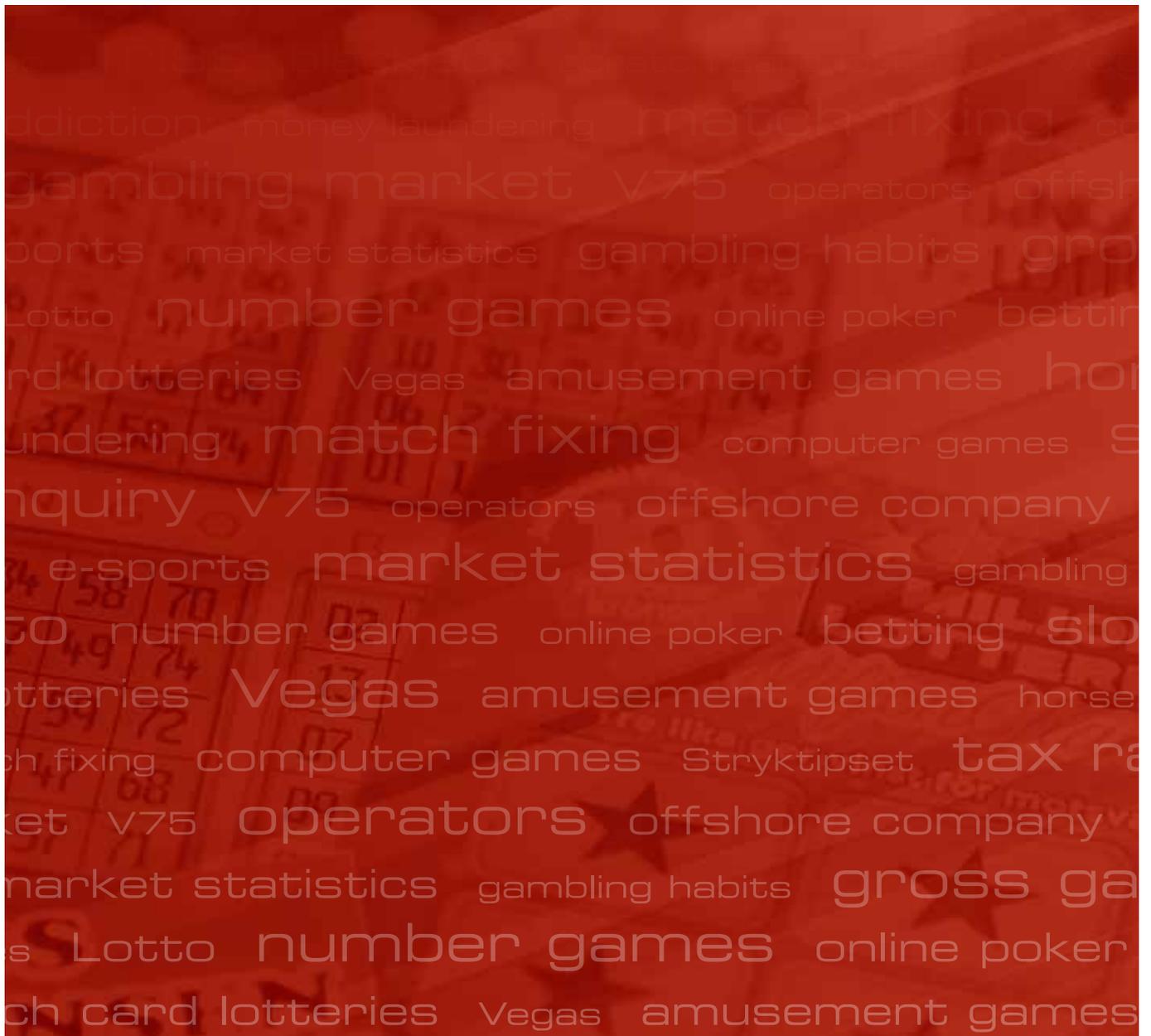
of the Member States. The proposed amendments¹⁶ will further strengthen the fight against terrorist financing and increase transparency for combating money laundering and tax evasion. This is in view of the recent terrorist attacks in Europe and the revelations of the so-called Panama Documents, among other things. According to the proposal, the Member States will also be given less time to transpose the Directive to their national law. Nevertheless, the proposal must be adopted by the European Parliament and the Council before it takes effect.

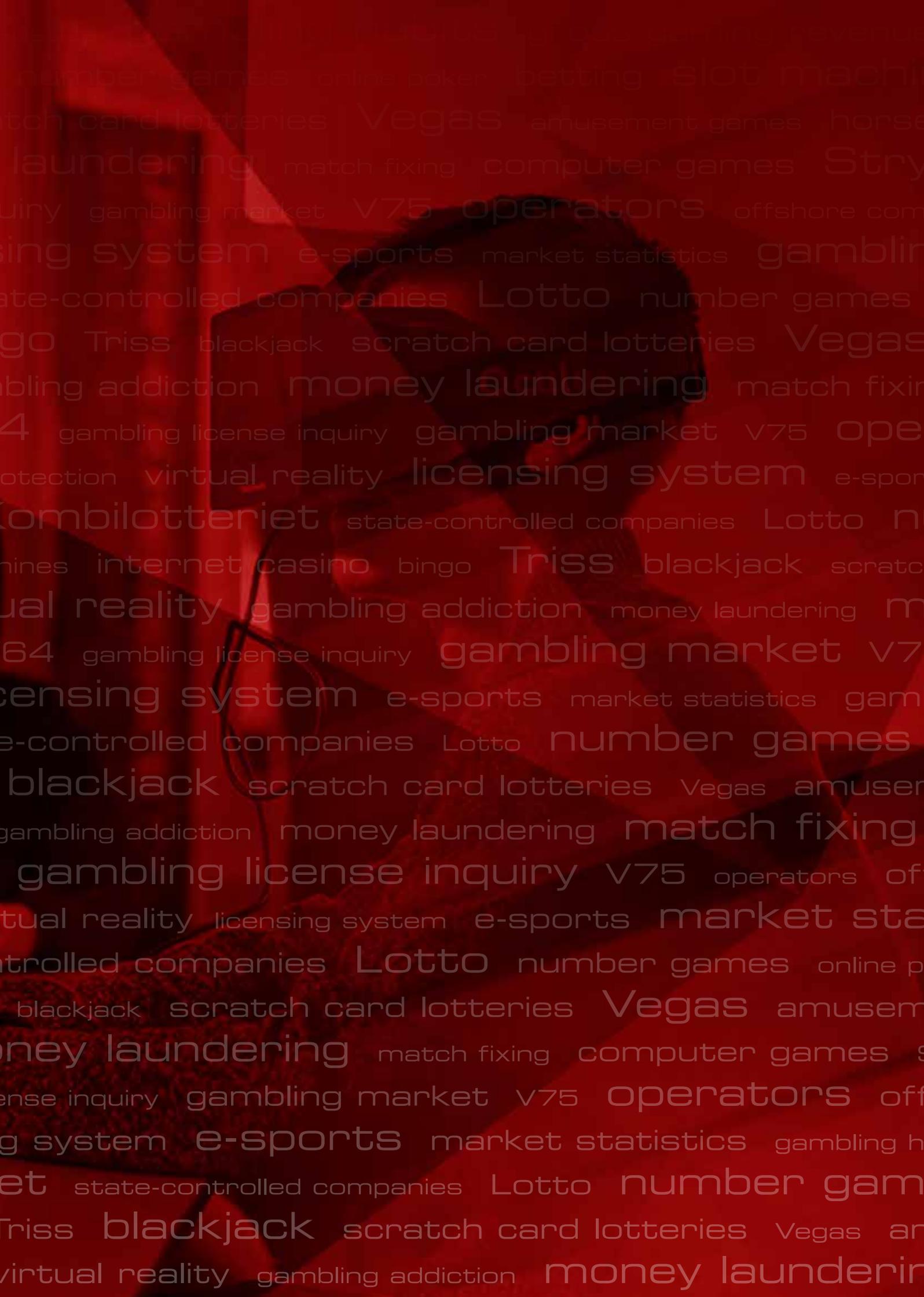
The FATF's evaluation of Sweden is also ongoing in¹⁷ 2016 and early 2017. The FATF [Financial Action Task Force (on Money Laundering)] is an intergovernmental body of which Sweden is a member. The FATF issues guidelines on combating money laundering, terrorist

financing and the proliferation of weapons of mass destruction. Regular evaluations are carried out on how well the Member States comply with the guidelines and how effectively they deal with these matters.

It is proposed that the Swedish Anti-Money Laundering Act should only apply to operators that are licensed or registered in Sweden. However, as is known, more operators may become subject to Swedish legislation if the plans for re-regulation of the gambling market become a reality and a licensing system that attracts new operators is introduced. However, this is something that will become clear in the future.

¹⁷⁾ Financial Action Task Force.





Annex 4

State-of-the-art: Some selective issues in the gambling studies field

This section is written by Dr Mark Griffiths, Professor of Gambling Studies.

The conclusions are the authors own ones.

The last year has proved to be an exciting time in the gambling studies field. The lines between gambling and other forms of gaming appear to be ever more blurred with the rise of gambling on eSports, the growth of wagering on fantasy daily sports, and the use of gambling-like games in online video gaming. We have also witnessed the introduction of commercial virtual reality headsets and such technologies may have an impact on how gambling is experienced in the coming years. These areas are all discussed further below.

Daily fantasy sports

Fantasy sports games have been popular for many years and involves individual's assuming the role of a professional sports team manager (typically football) and assembling a virtual team of sportsmen to compete against other players within a private or public league. For decades, the game was played out across the whole season with the winners being those that had accumulated the most points (with the points gained being based on the real-life statistics of individual sportsmen using a predetermined scoring system). However, fantasy sports have changed dramatically over the last few years. Although the game can still be played over a whole season, the playing of daily fantasy sports (DFS) has become increasingly popular (particularly in countries such as the USA, Canada, and Australia) and can operate over much shorter time periods. In DFS, players can pay to play and this has led to the blurring of lines of whether the activity is a game or whether it is gambling. As Pickering et al (2016) note:

"Daily fantasy sports (DFS) is the most recent and controversial of FS games...It is an accelerated version of FS conducted over much shorter time periods: generally a single game (per day) or weekly round of competition. Users pay entry fees ranging from US 25 cents to US \$5000 per league, which is deposited into a prize pool typically paid out to the highest ranked users in the contest. A portion of the entry fees also goes to the operator as commission. Accordingly, DFS, as such, is most associated with wagering. Currently, the US DFS market is dominated by 'FanDuel' and 'DraftKings' (combined with about 95 % of the market)".

According to Pickering et al (2016), in the USA, the fantasy sports (FS) market is currently estimated to be between \$3 and 4 billion. In 2015, approximately 57 million Americans played FS. Research suggests that the prevalence rates are higher in North America than elsewhere with 19% of Canadian adults and 16% of American adults engaging in FS compared to 10% of British adults and 6% of Australian adults (Pickering et al., 2016).

However, these figures relate to FS rather than DFS and many FS players do not pay money to participate in the game and simply play for fun. Some research also suggests that those who engage in playing DFS do not typically engage in other forms of gambling (Drayer et al 2013), and that compared to more traditional forms of gambling, the elements of fun, excitement, competition play a bigger role than winning money in the playing of DFS (Dwyer & Kim, 2011).

A study carried out by Martin and Nelson (2014) found that college students who were FS users (free and fee-based) were five times more likely to incur gambling problems than non-FS users, and students who played FS for money had significantly higher rates of gambling problems than those who played in free leagues. A more recent study by Marchica and Derevensky (2016) examined data from national surveys of collegiate athletes and reported a steady rise in FS participation among college students between 2004 and 2012. They reported that approximately half of the male and a quarter of the female college athletes who qualified as at-risk or problem gamblers also reported wagering on FS.

There has been much debate (particularly by US legislators) as to whether Playing DFS for money is classed as a legitimate form of gambling. If gambling is defined as *"an agreement between two or more parties to deliberately stake something of value (typically money) with intent to profit on the outcome of an event that is determined wholly, or partially by chance"* (Pickering et al., 2016), then DFS could well be a form of gambling as they argue:

"DFS can be construed as representing a form of gambling: (a) DFS includes an agreement between an individual and others, (b) money is staked on the relative performances of athletes across a certain number of sporting events with the outcome determined by both chance and skill, and (c) chance is involved given that multiple unknown factors can influence outcomes. In this regard, similarities are found in horse and sports wagering where some skill in selecting horse/sports outcomes is present, but unpredictable variables influence results (i.e., chance)...Literature from the legal field asserts that gambling must contain three elements: (a) consideration (staking something of value in order to participate), (b) chance (luck is a substantial factor in determining results), and (c) prizes (cash, merchandise, services, or points) are redeemable...While the first and third elements are clearly present in DFS, the second element, chance, is the source of current disagreement".

The US legislation on gambling rests on whether an activity is more skill than chance determined. If DFS is predominantly a game of skill it is not deemed to be a form of gambling. The DFS operators claim that DFS games are not gambling because of the *"substantial"*

amount of skill involved in the selection and management of FS teams. But is this any different for the professional gambler who bets on horse racing given the many factors that the person gambling has to take into account (the form of the horse, the skill of the jockey, the weather conditions, the state of the track, the number of other horses involved in the race, etc.). Similarly, poker and blackjack are both games that players can win big if they are skilful. Personally, I believe that playing DFS games for money is definitely a form of gambling, and even if it isn't legally classed as a form of gambling, the games contain structural elements (including high event frequencies, low entry fee per game, lots of games, etc.) that can facilitate excessive use and expose vulnerable players to harm. DFS operators also allow team line-ups from a previous sporting event to populate other events which increases the speed of play, another factor that can facilitate habitual use. Furthermore, the enhanced participatory role that fantasy games introduce could facilitate the illusion of control as they perform actions, making bettors overestimate the importance of skills and knowledge for the outcome of the competitions (Thomas et al., 2015).

eSports and gambling

Like daily fantasy sports, betting on eSports (i.e., professional video gaming) has also increased in popularity over the last few years and has given rise to allegations of unregulated and underage gambling. The eSports market is large. According to Superdata (2016), professional eSports is growing exponentially and is worth an estimated \$612 (US) million a year. Furthermore, *Eilers and Krejcik Gaming* estimate that real money betting on eSports betting will reach \$10 billion (US) by 2020 (Wood, 2016). The professionalization and sportification of this entertainment form has brought sports-world elements to it: stadium-like facilities, cheering stands, sponsors, big rewards, and competition. Instant replays, jumbotrons (i.e., super-huge television screens), and referees add to the sport dramatisation. In some notorious cases, prizes have gone beyond the \$10 million [US] threshold in a packed arena housing 73,000 fans (Wingfield, 2014). Sportification is the process of incorporating the logics of sport to non-sporting contexts (e.g., poker, eSports; [McMullan and Miller [2008]]). This can materialise in many ways but most commonly occurs when (i) other industries capitalise on the positive attributes of sport (e.g., popularity, engagement, or sanity and health inferences); and (ii) non-sport fields try to increase the entertainment and playability of their products and their association with joy and excitement.

Twitch, an online platform that streams live video gaming, informs its' advertisers that it has 100 million monthly viewers, who watch for an average of 106 minutes a day (Melbourne & Campbell, 2015). Betting on eSports presents new challenges. As Melbourne and Campbell (2016) observed in relation to betting on the game *Counterstrike: Global Offensive* (CSGO):

"Gambling – licensed, regulated, and by adults – is generally accepted in eSports. There is growing concern, though, that teenagers are being attracted to different

forms of betting facilitated by third-party providers. One such platform is CSGO Lounge (an independent site not affiliated with Valve Software, which develops the game itself). The site allows spectators to bet in-game add-ons known as skins – weapons, tools and the like – on the results of matches. Not all skins are created equal, and the rarity of some means they can cost hundreds of real dollars on marketplace sites like SkinXchange.com. The temptation is too much for some".

Put simply, skin gambling is the use of virtual goods and items (typically cosmetic elements that have no direct influence on gameplay) as virtual currency to bet on the outcome of professional matches. Melbourne and Campbell also claim on the basis of interviews with industry insiders that underage skin gambling is a *"huge problem"*. Justin Carlson (lead developer of *SkinXchange*) claims there are *"countless"* parents whose children have used their credit cards without their knowledge to buy skins and bet on gaming on other sites. Although anecdotal, Carlson claims that some minors have *"racked up hundreds or thousands of dollars in skins on 'SkinXchange' just to lose them all on some betting or jackpot site"*. It's clear that people trading skins in eSports has grown over the last few years and various regulators around the world – such as the UK Gambling Commission (UKGC) – are considering regulation and says it is an *"emerging product"* and an *"area for continuing future focus"*. More specifically, the UKGC's 2016 Annual Report notes:

"The growing market in esports and computer gaming has scope to present issues for regulation and player protection – issues which are being examined by gambling regulators in other international markets. ...These issues range from the emergence of real money esports betting markets, to trading in-game items which blur the lines between gambling and social gaming. Our focus will be to understand developments, including engaging with key stakeholders, and we will work wherever we can to ensure the risks associated with these, particularly to children and young people, are minimised" (Gambling Commission, 2016).

One of the complicating factors for eSports gambling is that while cash is the currency for many gamblers, there is a growing trend towards the use of virtual currencies, or 'in-game items' which, according to the UKGC, can be *"won, traded, sold or used as virtual currency to gamble with and converted into money or money's worth"*. These, according to the UKGC, *"include digital commodities (such as 'skins') which can be won or purchased within the confines of computer games and can then be used as a form of virtual currency on a growing number of gambling websites"* (Gambling Commission, 2016). No academic research has examined underage skin gambling but this is an issue that is unlikely to diminish over the coming years.

It is also worth noting that this massive interest in eSports followed by a massive audience has led most major betting operators to include eSports in their daily gambling offer. However, the singularities of eSports market pose new challenges that conventional online betting sites struggle to address. Suraj Gosai, co-founder

of *Blinkpool*, an eSports dedicated betting platform, laid out two main problems: in-play betting limitations and odds algorithmic programming (Bracken, 2016). For in-play betting to be viable, companies need to get access to reliable, instantaneous, and unambiguous data that can settle bets and separate winners from losers. Data companies like *Perform* do that in sport, and betting operators rely on their data to offer in-play action to gamblers. The problem in eSports is that actions are not as quantified and standardised as in real-life sports. To counteract that, *Blinkpool* created a computer vision technology that extracts data from real-time action and promotes hyper-contextual opportunities, that is, 10- to 45-second in-play betting mini-markets concerning very specific developments in the narrative of the games.

Odds programming in sports betting is fundamentally based on historical data from hundreds of thousands of games, from which each factor (home advantage, table position, head-to-head, etc.) is weighted in to determine the probability of an event occurring. In the fixed-odds betting market, the bookmaker makes the probability available to bettors plus a benefit margin. When placing a bet, an individual bets against the probability that the house has predicted. This is not yet feasible in eSports because the historical data are scarce and the modelling is complex. Companies are circumventing this problem by offering exchange betting rather than fixed-odds. This method comprises peer betting, that is, bettors do not bet against the house but between one another. This way, the house gets a commission from winning bets and operates a much less risky business (Bracken, 2016).

The use of gambling-like games in online video gaming

Over the last decade, gambling and gaming technologies have begun to converge with video games featuring gambling-like elements, and gambling games featuring video gaming-like elements (Griffiths et al., 2014). Many of the newer convergent gambling-gaming convergent forms include such activities as online penny auctions (Griffiths & Carran, 2015) and gambling-type activities on social networking sites, so-called 'social gaming' (Griffiths, 2015). With regard to video gaming including gambling-like elements, King et al. (2012) noted that simulated gambling activities and gambling themes have a substantial presence in many modern video games. According to King, et al (2012), gambling content in video games may be categorized according to the following three categories:

- *Standard gambling simulation*, a digitally simulated interactive gambling activity that is structurally identical to the standard format of an established gambling activity, such as blackjack or roulette;
- *Non-standard gambling simulation*, an interactive gambling activity that involves the intentional wagering of in-game credits or other items on an uncertain outcome, in an activity that may be partially modelled on a standard gambling activity but which contains distinct player rules or other structural components that differ from established gambling games;

- *Gambling references*, the appearance of non-interactive gambling material or gambling-related paraphernalia/materials within the context of the video game.

In regard to the second of these categories, it could be argued that some online video games feature mini-games that are non-standard gambling simulations. For instance, in February 2014, the mini-game 'Treasure Hunter' (TH) was introduced into the online video game Runescape. To get in-game prizes, players have to get keys to open chests. Originally, to participate in TH, players had to play in a members' world. Players that tried to play TH in a free world are given the message: "*As a member, you are eligible for improved prizes, so please play Treasure Hunter on a members' world instead.*" However, in April 2014, TH was reformulated and for the first time, members' prizes could be claimed by those playing in a free world also.

In TH, five chests can be opened, each containing one of five different gems (going from most common to least common – white, yellow, orange, red, or purple gem – with white being the most common and purple being the rarest). After obtaining a key, players select a chest (not knowing what gem is inside the chest), and open it. The player is then given the option of storing the prize in the bank, discarding the prize, collecting the prize later, or cashing out for a small number of coins. There are a number of different ways to gain TH keys (free daily keys, keys obtained through skilful gameplay, and buying keys). Members get two free keys a day and those playing in free worlds only get one free key a day. Those players paying to be in the silver or gold Premier Club get three free keys a day.

It should also be noted that (i) TH is reset every night at midnight, (ii) free keys have to be used on the day, (iii) one monthly free key can be earned by playing 'Troll Invasion', (iv) players can buy bonds for gold coins or money, and (v) a random number generator is used to determine the winners. After completing any daily challenge, players receive an extra key, and after completing any in-game quest, players receive two additional keys. Keys can be bought in bundles of 15 (€3.99), 35 (€8.00), 75 (€16.00), 200 (€39.99) or 450 keys (€79.99). The maximum number of keys that could be bought is \$200 (US) a day and \$500 (US) a week. Keys can also be earned by watching advertisements, buying products, and completing surveys (and accessed via the 'Earn keys' option). TH prizes include in-game skilling items, weapons, bonus experience stars, etc. or can be converted to coins.

The legal definition of gambling in Great Britain is contained in the Gambling Act 2005. It notes that gambling includes "gaming", "betting" or "participating in lottery". Gaming is defined in the 2005 Act as "playing a game of a chance for a prize" while betting involves the process of placing or accepting a bet on anything other than financial services that remains uncertain to at least one party of the transaction at the time of the bet. By this definition alone, it would appear that *Treasure Hunter* is a form of gambling if purchases to participate are made (rather than being given free spins or keys, or earning them through skilful gameplay).

The UK Gambling Commission (2015) highlighted that they believe the mini-games within *Runescape* to be 'social gaming' and not a game of chance and therefore out of their jurisdiction in relation to the regulation of the game. They have also claimed that *RuneScape* bonds have no intrinsic value outside of *Runescape* under the terms of the British Gambling Act and therefore is not gambling. The Gambling Commission (2015) also note on their website that:

"We are not saying there are no risks in social gaming, nor are we saying that this ends our interest in the issue. We are simply saying that our current assessment of the available evidence is that there is no persuasive reason for us to take regulatory action, in effect to change from maintaining a watching brief. We will continue to monitor emerging evidence, and we are prepared to change this position if the evidence warrants it".

However, there are instances when the bonds and prizes won do have value outside of the game. Bonds that are purchased with real life currency can be sold to another player for an in-game sum of money. Bonds and prizes can also be redeemed within the game for real-life services. These services are not just limited to the buying of game-related merchandise, such as the buying of card games like *Top Trumps*, but also includes attendance at offline *RuneScape* events, such as *RuneFest*, hotel rooms, and even plane tickets (Griffiths & King, 2015). The bonds can also be used to pay for postage and packing of items bought outside the game. Players can also donate the bonds to charity (in which *Jagex* contributes the full value of the bond to the charity chosen by the player) (Griffiths & King, 2015). These examples clearly demonstrate that the bonds do have specific financial value outside the game in some circumstances, and an impact on real-world activities. More specifically, they demonstrate that the financial value of the bonds and prizes can be used outside the game itself.

Mini-games like *Treasure Hunter* within the online game *RuneScape* are not uncommon and are another example of convergence between gambling and video gaming. These games appear to meet the criteria for gambling found in the gambling studies literature.

Virtual reality and gambling

The hyper-technologized sports terrain, particularly when it comes to elite sports, has been predicting the arrival of virtual and immersive technologies for over ten years (Katz et al., 2006). The vantage position of sportspeople in the game was emulated by utilizing on-board cameras in cycling and motor sports. Multi-camera set-ups promised fans personalised viewing with angle and viewpoint selection in their hands, as well as 3D features created to revolutionise the sports experience. The public turned out to be far more conservative than anticipated about the best way to consume sports.

However, virtual reality's potential in mass commercial markets appears to be finally taking off because of mass-produced affordable hardware such as *Oculus Rift*, *HTC Vive*, *PlayStation VR* and the (very cheap) *Google Cardboard* (in which a smartphone can be inserted into cardboard VR headset frame). Last year, a report by

the marketing and consulting company *Tractica* (2015) claimed that spending on virtual reality hardware could be as much as \$21.8bn by 2020. A more recent report by online and digital market research company *Juniper* estimated that global sales of VR headsets would rise from 3 million in 2016 to 30 million by 2020. Three markets are likely drive sales, and they all happen to be areas that I research into from an addiction perspective – video gaming, gambling, and sex.

I've noted in many of my academic papers over the years (e.g., Griffiths, 1996; 2001; 2003) that when new technological advances occur, the sex and gambling industries always appear to be the first to invest and produce commercial products and services using such technologies, and VR is no different. How the gambling industry will harness VR technology remains to be seen but the most obvious application of VR in the gambling world is in the online gambling sector. I can imagine some online gamblers wanting their gambling experiences to be more immersive and for their online gambling sessions to be more akin to gambling offline surrounded by the sights and sounds of an offline gambling venue.

There is no technical reason that I know of why people that gamble via their computers, laptops, smartphones or tablets could not wear VR headsets and be playing poker opposite a virtual opponent while still sat on the sofa at home. As Swaddle (2016) noted:

"We already know that participation in online gambling is snowballing, so if the entertainment industry can use VR to simulate the experience of being inside a video game, or social media sites can give you the opportunity to not just see your friends' pictures, but to walk through them, why shouldn't online casinos be able to do the same? VR may actually be the hook that mobile and online casinos need to draw in more millennials"

I agree with Swaddle's observations as the gambling industry are constantly thinking about the ways to bring in newer players. Today's modern screenagers love technology and do not appear to have any hang-ups about using wearable technology including *Fitbit* and the *Apple Watch*. As Swaddle (2016) goes on to say:

"By using VR technology to transport players and their friends to exciting locations for their online gambling experience, such as a famous casino in Las Vegas, or a smoky basement room in 1920s New York, or even to the poker table in the James Bond film Casino Royale, mobile and online casinos may stand a better chance of drawing in younger audiences if they use VR to gamify the casino experience".

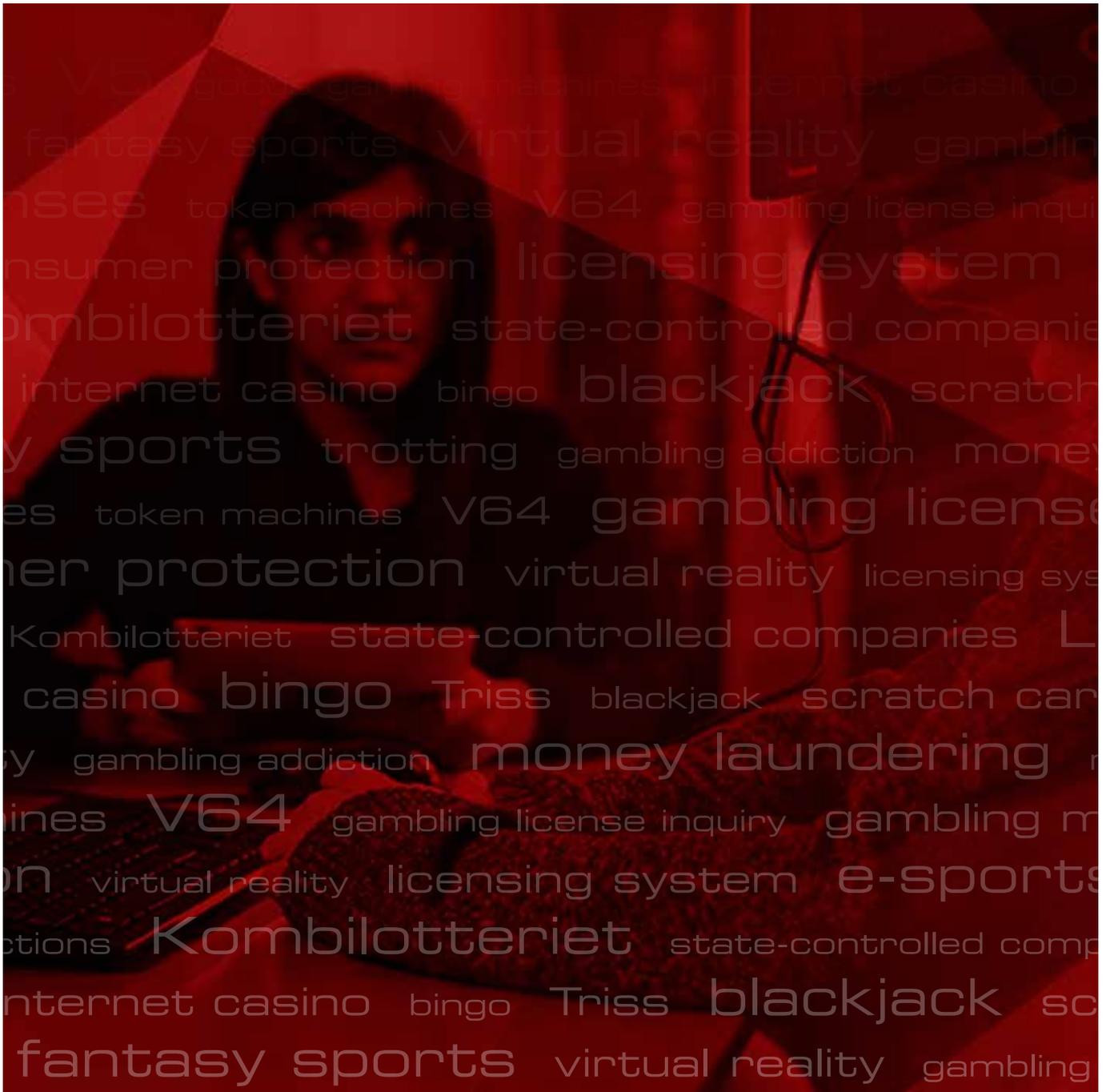
Again, this makes a lot of sense and I wouldn't bet against this happening. Swaddle thinks that such VR gambling experiences will become commonplace in the years to come and that the gambling industry needs to get on the VR bandwagon now. For its UK horse racing market, the bookmaker *William Hill* has been experimenting with a merge between GPS data and virtual reality. Bettors can watch an online simulation of the actual race, built by real world live data, in a virtual environment where fans can impersonate the jockey (Davies, 2016). Theoretically, strategies such as immersive realities could pose a threat for gamblers. A deeper

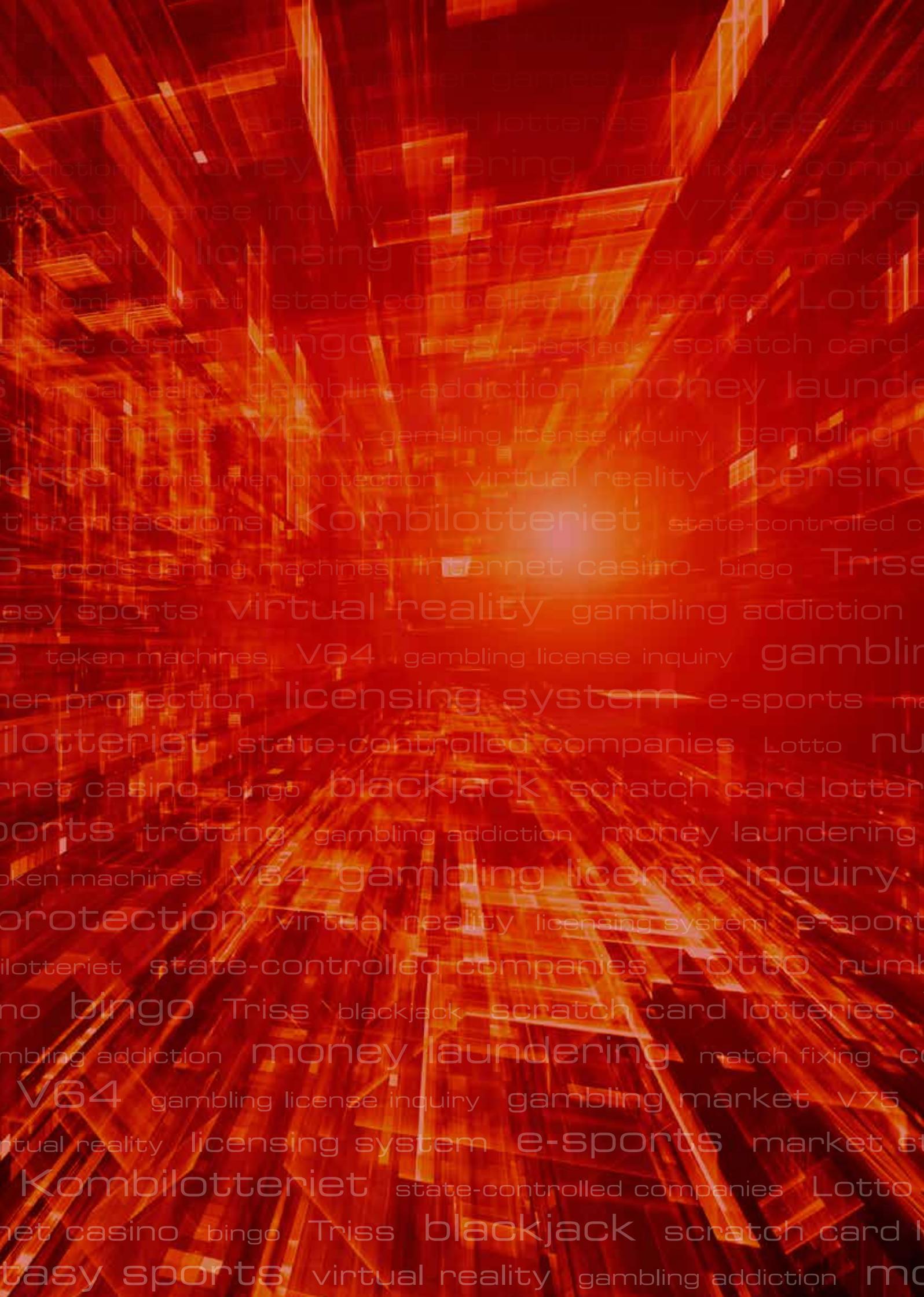
immersion could augment the illusion of control of bettors as their betting experience switches from a passive to an active exercise, resulting in a bigger involvement with the events bet upon. This involvement could be interpreted by the gambler as playing a bigger role in the outcome of the race, emphasizing the association between skills and outcome (Tobias-Webb et al., 2016).

Conclusion

Considering the speed of technological change affecting gambling, media, and gambling operators, the conver-

gence and integration processes described in some of the gambling practices outlined here are likely to evolve rapidly and in unpredictable ways. These integration processes can be interpreted as opportunities from the gambling industries' point of view, although conversely they might turn into sources of social discomfort and alarm, especially when involving vulnerable groups. If technology perpetuates itself as the principal moderator of the gambling operator and gambler relationship, future research studies might find it difficult to keep up the pace of the constant and radical shifts of that relationship.





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Annex 5

Virtual reality in the gambling market

Introduction

Virtual reality is about replacing actual sensory input with artificial sensory input. Imagine the ability to experience absolutely anything from your home. One minute you can be on top of a mountain, the next you can be diving with sharks, followed by a session in a casino. Despite the fact that special helmets for experiencing this have been around since the 60s, it is only now that the technology has developed sufficiently to become a commercial product for the consumer market.

Virtual reality technology is known as VR, which stands for "Virtual Reality". VR technology also has the potential to be of considerable importance in the gambling market, though that will require the technology to become cheaper so it becomes more widespread among the general public. The commercialisation of the technology is stimulated partly by making it more advanced and user-friendly and partly by making it more cost-effective. That will mean that more and more consumers want to buy the products, which in turn will lead to cheaper, better services. Development by these means is common in the technology industry. For example, the desktop computer and the mobile phone were developed in this way.

The development and spread of VR technology means opportunities for gambling providers to produce new forms of gambling that can attract the younger generation in particular. However, this technology also means new challenges for regulators, i.e. for politicians and authorities. For example, could problem gambling increase if it is easy to forget time and space in a virtual environment?

What is virtual reality?

Virtual reality is about replacing real sensory input with artificial impressions, mainly visual and auditory, but sometimes even movements. The concept is that a fictional world is created in front of the user's eyes and the user feels as though he or she is actually in that digital environment. This can be done using a special helmet known as a VR helmet. Helmets often have a monitor for each eye. The most sophisticated VR helmets are also equipped with sensors that detect head movements and then reflect them in the virtual world. Some VR helmets can also connect to a hand-held controller or motion sensors, for example, that translate the user's body movements from reality to the virtual world. This all creates the illusion that the user is part of the virtual world being displayed.

However, virtual reality is not a new phenomenon. You could argue that the technology had already been invented in the 900s if you choose to categorise panoramic painting as a kind of virtual reality.

The first VR helmet able to follow the user's head movements was invented in 1961 (Headsight). By the 1990s, gaming companies like SEGA and Nintendo tried

unsuccessfully to make use of the technology with the launch of VR games. That failure may have been due to the fact that the technology had not developed sufficiently. For example, the frame rate was too slow for users to perceive the virtual illusion as reality.

Technological development

So called S curves¹⁸ are often used to describe how a technology develops in a market (see Figure 2). In the first phase of technological development, take-up is generally low (i.e. few users) because the technology feels alien. In the second phase, the technology has become more established and more widely understood by broader sections of the population. When this happens, the market (sales) and the number of users grow considerably. Because of this, competition increases and more improvements are made to the technology. Potential price reductions can also start to appear on the market in this phase. Finally, in the fourth phase, the market becomes saturated and the pace of development slows. In this phase, fewer innovations occur and products become more standardised.

Most technology products develop in this way. The desktop computer, the mobile phone and the calculator are just a few examples of products that were developed to an increasingly high level and became cheaper during their life cycle. Batteries are one of many examples of technology that has become standardised.

This theoretical model can also be applied to VR technology. In recent years, technological development has made these products more usable. Computers and smart phones can now deliver an image at the speed required for the virtual world to feel real. In recent years, companies' investments have increased and helmets such as Oculus, HTC Vive, Sony Playstation VR and Samsung Gear VR are just a few of the products currently available on the market. The disadvantage with many of these helmets is that they are quite expensive – upwards of SEK 9,000. In addition to this, a powerful computer or a new smart phone is also required, which means that the total cost will be even higher.

However, a couple of cheaper models of products costing under SEK 100 have begun to appear. These cheaper models are present mostly as an alternative to smart phones. However, one disadvantage with the cheaper models is that they are unable to provide the same experience as the more expensive models. For example, you lose the ability to interact with your environment. The fact that the most technologically advanced products have quite a high purchase price is the biggest

¹⁸⁾ An S curve is a method of describing the relationship between commercial demand and technological development for a product. For technology products, this life cycle is normally relatively short.

disadvantage at present. Nevertheless, prices will most likely begin to fall, even for the more advanced products, as more people purchase the products and more companies enter the market. Continued price reductions will be a decisive factor for inducing more than the most tech-savvy people to start buying these products. As the helmets become more advanced and probably cheaper, more and better services for the technology will also be developed.

The bottom line is that the more developed a technology is; the more useful and cost-effective it is. This in turn leads to more areas of use and higher demand.

Virtual reality on the gambling market

In other words, virtual reality is in a growth phase. This means that the use of the technology in various industries is in its start-up phase in many cases. This also applies to virtual environments for gambling. Despite this, technological development for gambling has come a relatively long way in a short time. There are already games developers working on VR technology in games such as slot machines, poker and roulette. The fact that companies such as Microgaming have decided to invest in this technology is a sign that the gambling industry is moving more towards virtual environments. The company demonstrated games using VR technology at the ICE fair in London in 2016.

For example, this technology makes it possible for a player to enter a virtual casino environment in which he or she can play and socialise with other players in a way that is not possible in the current digital casino environment. As with many other technological developments, the industry needs to attract major operators to drive the technology forward in order to be successful. For that reason, launches by companies such as Microgaming are of interest to the entire industry because they can result in more operators in the market choosing to invest in the technology.

Is VR technology relevant to the gambling market right now?

The important question to ask is whether this technology is relevant to the gambling industry at present. It appears to be taken for granted that the technology will be used. Some gambling providers and developers have already begun to invest in the technology. One likely scenario is that the more operators choose to invest in virtual environments in gambling, the more operators will follow suit, particularly if some of the bigger operators decide to invest in the technology. From a gambling provider's point of view, this technology can be seen as an opportunity to reach the younger generation who are not as likely to choose gambling as their preferred form of entertainment at present¹⁹. In a virtual casino, for example, microtransactions for the customer's virtual character could be a possibility. Gambling could become more social by making it possible for players to talk to each other, for example.

To begin with, we can conclude that the technology itself is not yet sufficiently widespread to be useful to the gambling companies. VR helmets are too expensive for

many of the people who use a PC as a platform, whereas the versions available for mobile phones are too simple to be interesting to smart phone users. However, reports are emerging that more products are being developed and that big companies are entering this market. As more companies invest in the technology, more services will be offered and more consumers are likely to buy the products. A lot has happened in this market in 2016 and developments are likely to continue in 2017 and beyond. It is common in the technology industry for new technologies to be very expensive in the beginning and then gradually fall in price while at the same time the products become better developed (see Figure 2). This development will probably also occur for VR helmets, which means that more consumers will want to buy these products. A price reduction combined with greater improvement in both technology and services will, in all likelihood, make the technology more widespread and will allow it to be used in many different fields such as architecture, therapy, viewings of apartments and computer games. Some big companies have already begun to invest in the technology. For example, IKEA is testing the ability to allow customers to wander around a virtual kitchen environment to facilitate the purchase.

Virtual environments in gambling are, as stated above, extremely new. But products are already being developed for virtual gambling environments and a few gambling providers have begun to offer gambling in this environment in order to attract gamblers. However, in order for virtual gambling environments to become more widespread, VR helmets must first become more popular.

Specifically when it comes to gambling, it is considered that virtual technology must be better for smart phones. Smart phones and tablets are the platforms where the gambling industry has seen the biggest growth of new consumers in recent years. At present, helmets such as Oculus or HTC Vive have the technical potential, but they are too expensive for the average gambling consumer. If the virtual environment can be created on smart phones at a reasonable price and if it can be integrated with the environment and other players, more gambling consumers will probably be interested. This applies in particular to the younger generations who are not interested in gambling in its present form to the same extent as people aged between 30 and 64 years²⁰.

If gambling companies choose to invest in the technology, there are many theoretical possibilities. Slot machines, poker and roulette already exist in virtual environments. However, it is possible to create virtual racecourses or bingo halls where players can socialise and play with one another in a digital world. For example, players would then be able to sit in this environment and hold conversations while playing a few rounds of Blackjack together. In these environments, microtransactions

¹⁹⁾ *The Swedish Gambling Authority's most recent market survey revealed that only 55 percent of people aged between 18-29 years had gambled in the previous 12 months, which is lower than the average for the population as a whole, which was 68 percent.*

²⁰⁾ *The Swedish Gambling Authority market survey in 2016.*

for gamblers' virtual characters would be a possibility for the companies. Allowing gamblers to alter the appearance of their character would be a whole new source of income for the gambling companies. This is very common nowadays in the computer game market.

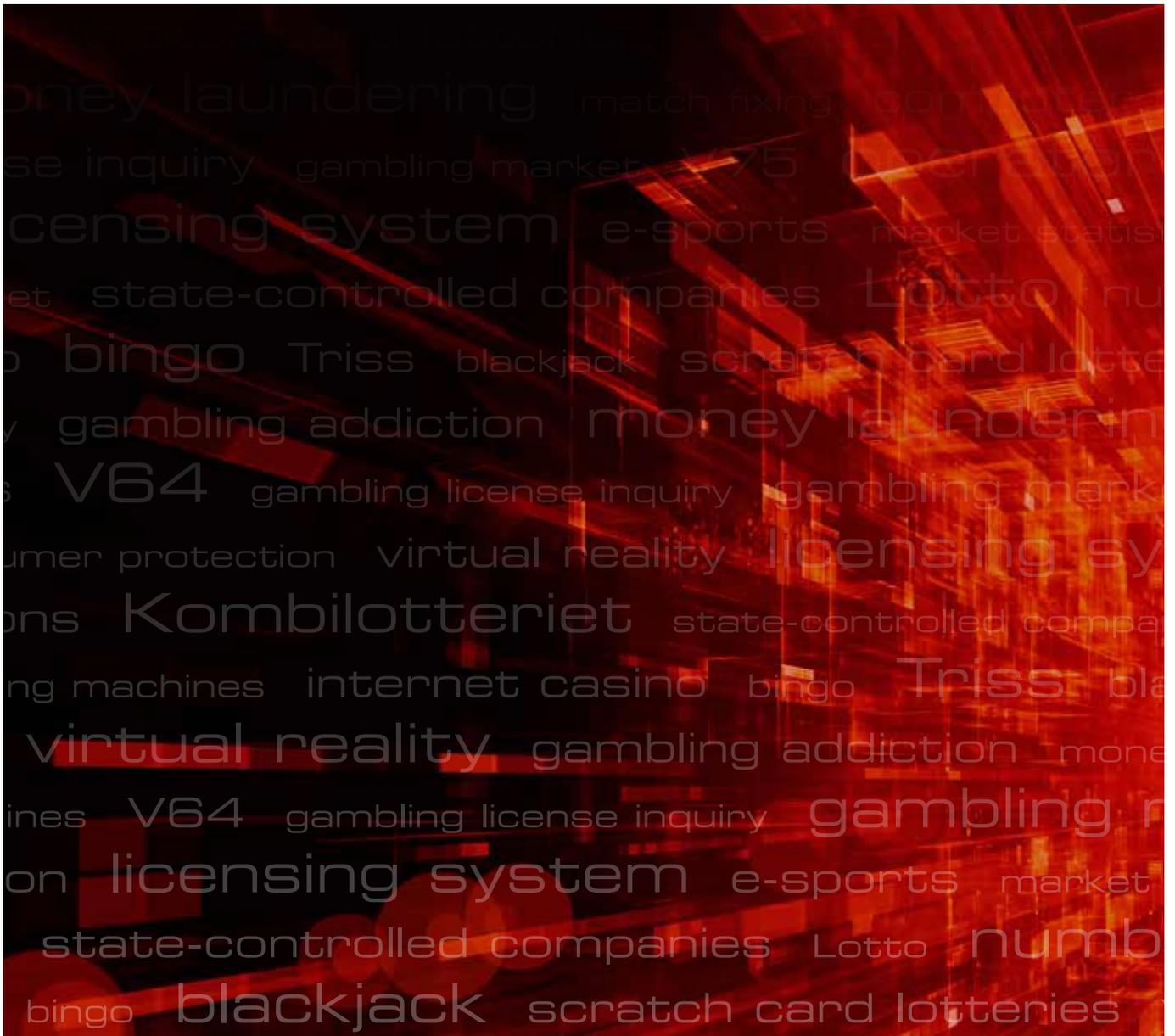
Regulatory perspective

This technology brings new challenges from a regulatory perspective. For example, how will it affect gamblers' health? This is particularly relevant with regard to problem gambling, where players could more easily forget time and space in a virtual environment. It could lead to the situation whereby, from a regulatory point of view, it would be necessary to begin thinking of new ways of preventing the risks of gambling and lotteries from causing social damage to gamblers in this particular

environment. For example, a requirement that a clock must be visible to consumers in the virtual environment could be imposed. Another way would be to somehow remind the gambler to take a break after a certain period of time.

Another challenge that regulators should consider is what potential risks may exist if gamblers are allowed to communicate with one another in a virtual environment. Could it mean the creation of environments that allow manipulation of other players or entail risks of money laundering?

The technology gives rise to great opportunities, but also to potential risks. Hence the need for further analysis of VR technology and its application in the gambling market. We are at the beginning of a development that is difficult to survey at present.





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