

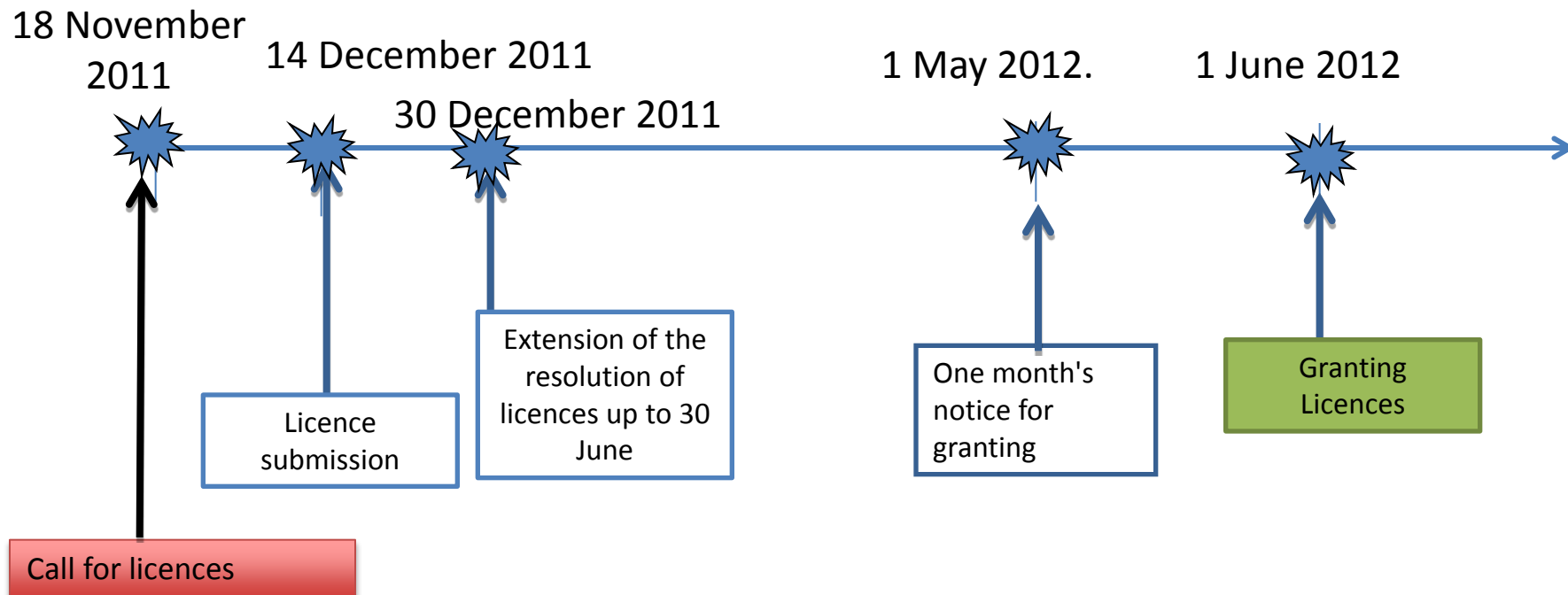
# Online gambling regulation in Spain in 2013

Strategy and most relevant activities

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# Online gambling regulation in 2012



## Actions of the gambling regulation in 2012

- Granting gambling licences
- Elaboration of the Code of Advertising Self-Regulation (Código de Autorregulación Publicitaria).
- Regulation for identifying players (article 26 and 27 of Licences).  
Identification of participants and control of bans related to participating in games and money laundering.
  - The terms of the data verification process regarding the identification and control of bans related to participation are specified.
- Regulations on final formats for technical certification reports
- The gambling administration fee is modified
- Players' taxes are resolved

## Coordination with the Autonomous Regions

- 2nd Meeting of the Gambling Policy Council. Creation of three Working Groups 27 March
- Meeting of Working Groups of the Gambling Policy Council. 25 June
- July-December: Online communication DGOJ - Working Groups
- Meeting of the three Working Groups in Valladolid. 6 November
- Meeting of the Gambling Policy Council. 17 December

## Coordination with the European Commission and other European Regulators

- Meeting of the European regulators in Brussels: European Commission presentation on administrative cooperation of gambling regulators and the analysis of the survey sent to regulators about this issue. 27 February
- Meeting of the European regulators in Brussels. Matters from the Green Paper are discussed: citizen and consumer protection, gambling addiction, creation of a Group of experts in gambling, money laundering prevention and integrity in sports. 14 May
- Meeting in Barcelona of online gambling regulators from France, Italy, Portugal and Spain. (Preparation of session notes). Publication of joint communiqué about the meeting, 19-20 June:
- Signing of an Agreement for the cooperation and exchange of information between ARJEL and the DGOJ. 27 September
- Meeting of the Group of Experts in Gambling in Brussels. Debate about the administrative cooperation between regulators and measures to make it effective, about responsible gambling advertising and consumer protection. 5 December
- Meeting at ARJEL's offices (Paris) of Spanish, French, Italian and Portuguese gambling regulators, with German gambling authorities as invited guests. 11-12 December

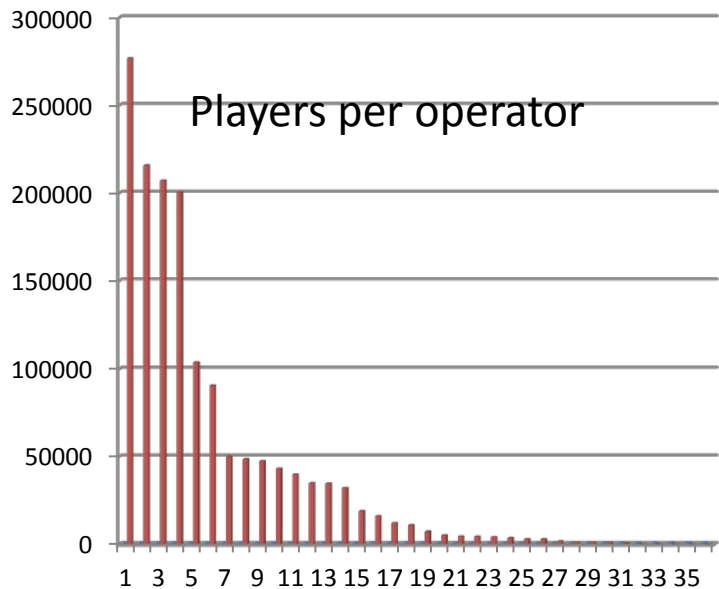
## Current market situation

55 Licensed Operators - 2 resignations = 53 potential operators

 45 operators at the moment

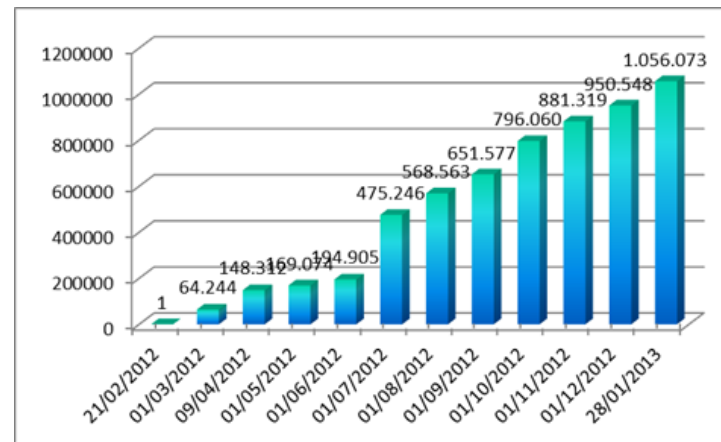
TOTAL LICENCES	Licences GENERAL	93	Licences SPECIFIC
282	OTHER GAMES	45	189
	BETS	30	
	CONTESTS	18	

## Evolution in the number of players

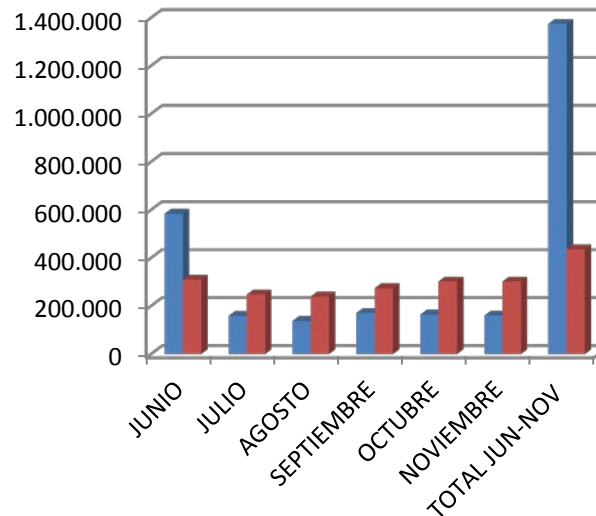


JUNE  
 JULY  
 AUGUST  
 SEPTEMBER  
 OCTOBER  
 NOVEMBER  
 TOTAL JUN-NOV

Total number of players



21/02/2012  
 01/03/2012  
 09/04/2012  
 01/05/2012  
 01/06/2012  
 01/07/2012  
 01/08/2012  
 01/09/2012  
 01/10/2012  
 01/11/2012  
 01/12/2012  
 28/01/2013

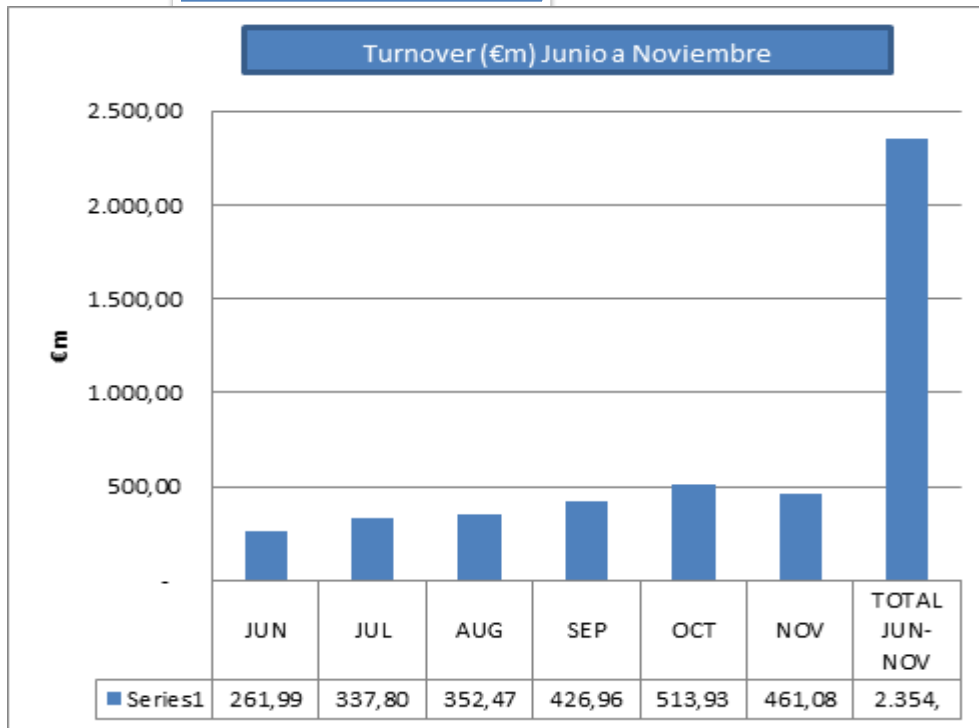


Total number of new registered players in each month  
 Total número de nuevos jugadores registrados en el mes  
 Promedio jugadores activos en el mes  
 Average active players in each month



## Evolution in the online gambling market June/November 2012

Total turnover



Total turnover per game type



## Taxes on online gambling in 2011 and 2012

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
<b>2011</b>	-	4.725.632	26.372.651	38.638.675	69.736.959
<b>2012</b>	44.759.224	27.517.962	22,285,057*-	No data yet**	Until August 2012 94,562,244

- \*Only corresponds to the months of July and August
- \*\*The data will not be available until the tax returns for to the fourth quarter are filed (which will happen in January 2013)

# The economic context of the regulation

- Economic crisis in Spain
- A lot of market uncertainty and volatility
- Decrease in all segments and verticals of the gambling market and almost all countries

# The economic context of the regulation

## **Risks faced by the gambling market**

- Gambling being allowed for minors, self-excluded people, people related to the service, etc.
- Operators not offering fair and honest play
- Privacy or protection of personal data not being guaranteed
- Players' balances not being protected
- Money laundering, fraud

# Challenges for 2013

- Higher expectations in guaranteeing integrity and honesty in the gambling industry
- More concern among citizens related to the balance between costs and benefits of games of chance;
- Increasing globalisation of the gambling industry, including expansion, the maturity and consolidation markets of the gambling operators through different jurisdictions;
- The quick developments in technology and innovation within the gambling industry
- It will be necessary to:
- Achieve a healthy, sustainable, responsible and transparent gambling industry

## Build a Regulatory Management System

- Follow OECD Good Regulation Principles
  - proportional
  - flexible
  - durable
  - secure and predictable
  - transparent and responsible
  - With a sufficiently well resourced regulator
- Objectives:
  - Improve the quality of the new regulation
  - Improve the quality of the existing regulations
  - Internationally coordinate and cooperate with other regulatory authorities and the EU
  - Transparency: periodic information, open to citizens, promoting responsibility of gambling service providers
  - Foster citizen participation in the political and regulatory process
  - Follow the Precautionary Principle: Establish clear aid structures and regulations before deciding on "liberalising" gambling

## Our regulatory objectives in 2013

- Guarantee that online gambling market development complies with the regulation in all its aspects
- Improve the knowledge of the regulation among citizens and game participants
- Complete the regulation in the regulatory aspects that enable us to reinforce the legal security of players and operators.

## Lines of action in 2013

1. Inspection and supervision of gambling
2. Protection of citizens and game participants
3. Regulatory development



# The perimeter of the supervising and control actions of the DGOJ

- 52 online gambling operators, 45 of which are operative
  - With licences to operate 250 games
- 2 lottery operators
  - SELAE and ONCE
- A forecast of 600,000 unique players
- About € 90M in players' balances available to operators in 2012
- 250 illegal gambling websites on the black list of potentially unlicensed gambling operators in Spain

## Supervision and control actions of the DGOJ

### In the licence granting procedure

- Evaluate the technical solvency by approving the game's technical systems

### During the operation

- Approval of substantial changes in the technical systems and periodic audits
- Constant monitoring of the game's operations: information of the operators on the ICS (Internal Control System)
  - Monitoring gambling activities
  - Prosecution of illegal gambling

## Prosecution of illegal gambling

- Monitoring the main online gambling sites with significant presence in the Spanish market
  - Investigate new potential sites to add to the potential black list of unlicensed sites due to reports made or investigations carried out.
  - 250 illegal gambling websites on the black list of potentially unlicensed gambling operators in Spain
  - 70 records of electronic evidence of gambling in Spain
  - Processing of the corresponding investigation and penalty files (currently 70 open investigation proceedings, 17 disciplinary proceedings)
- Complementary actions in the prevention of illegal online gambling:
  - Collaboration with information society service providers
  - Collaboration with payment means
- Actions related with lotteries:
  - Monitoring unauthorised lottery sales

## Supervision and inspection of online gambling

### APPROVAL OF TECHNICAL GAMBLING SYSTEMS

- The technical gambling system approval procedure for licences starts on 1 October 2012.
- The systems corresponding to 90 general licences and 194 specific licences are being evaluated. The operators have filed 393 certification reports, 323 functionality certification reports and 70 security certification reports.
  - The approval procedures end in the first quarter of 2013.
  - Start the procedure of change management based on the quarterly report of changes and the prior approval of substantial changes of critical elements
  - Before the end of the initial approval procedure, an operational note will be issued about the change management procedure and the approval requirements for substantial changes.
- Objective 2013: Continue to strengthen and consolidate the information system of the DGOJ:
  - Quality of the data in the ICS: monthly revisions and quarterly communications for operators
  - Integrity of the data in the ICS: horizontal verification action of user registration, deposits, participation and prizes

# Supervision and inspection of online gambling

## INTERNAL CONTROL SYSTEM FOR OPERATORS

- Gambling operators should keep a record of all the gambling operations and economic transactions are carried out. Such record should be stored in Spain to allow access and continuous monitoring by the Directorate General for the Regulation of Gambling.
- The ICS must capture and record all the gambling operations and economic transactions that are carried out between the participants and the operator: operations on the user records, economic transactions in gambling accounts, gambling operations, results of betting and lotteries, prize awarding and aggregated and control data
- The DGOJ is permanently connected and supervises the proper functioning of the system

## •Plan for 2013

- The data of the daily and monthly user registration files must be correct in March: tax IDs, identification of users, internal consistency of registrations and number of users
- The data from the monthly gambling account files must be correct in June: internal consistency of balances, consistency with the daily files

## Monitoring compliance of legal operators

- Monitoring gambling operations accounted for in the Internal Control System
- Verification of compliance with the subjective prohibitions of article 6 of Act 13/2011
- Monitoring requirements related protecting players' balances
- Compliance reports to all operators (mystery shopper): user registration, obligations to redirect the connections to the web site in Spain, integrity and traceability of the data in the ICS
- Other information concerning gambling activities: solvency, gambling incidents (cancellations, suspensions...)
- Measures for protecting participants' balances
- Verification actions: User registration and Redirecting
- User complaints and claims

## Implementation of user protection guarantees

- Design and implementation of the **Responsible Gambling strategy**, in collaboration with all the actors involved in the gambling industry
- Design and implementation of a **system to attend the claims of game users**.
- Establishment of homogeneous requirements for registrations and deregistrations in the **Interdictions of Access to Gambling Registries, and improvement of the system for transmitting data to the Communities** and to gambling halls.
- Launch of a **Communication campaign on Secure Gambling**.

## Lines of action of the responsible gambling strategy in Spain

- Analysis for identifying the impact of additions on gambling in Spain and in the Autonomous Regions that make it possible to ascertain the risks for each type of activity (slot machines, poker, casino...), the relationship between social games, gambling and pathological gambling, and the effects on teenagers and young people. The aim is to have a realist vision (and not by statistical approximation) of game profiles in the online market (age, gender, activity type, days of the week with the most activity...)
- Awareness: Warning the whole community about the dangers of gambling, and making them aware of the risks of gambling. It is important to emphasise the importance of the warnings: the proposal to exclude minors and young people from warnings on gambling.
- Prevention: Designed to minimise risks and to maximise protection for vulnerable groups. Disclosure of the protection mechanisms (i.e. RGIAJ, limits, self-exclusion,...) Prevention must be approached as a service offered by gambling companies and the administration to players with problems and to their families, as they are the ones affected. We must discard from the start the idea of controlling and repressing the player.
  - Companies have mechanisms to provide the service to the player. Some have already been implemented, but it is necessary to improve, and the research and implementation of these support mechanisms could be part of their 'social responsibility' policy.
- Support for the affected: Through support plans (telephone helplines, associations...), a network of medical centres to treat gambling addiction, etc.



## Promotion of an efficient, transparent and sustainable market

- Publication in the Annual Gambling Report 2012.
- Launching the new DGOJ web page.
  - web page in English
- Quarterly publication of data on online gambling in Spain
- Continuing to the observatory on online gambling in Spain, with two editions a year.
- Dissemination of the DGOJ Action plans in different areas (Regulation, inspection, Responsible Gambling...)
- Agreement with the Spanish Tax Agency for exchanging information

## Forecast of regulation development for 2013

- Modification of the basic regulations of the 5 types of bets and bingo.
  - Modification of betting regulations in order to liberalise competitions and events in which people can bet
  - Modification of straight betting regulations, extending their definition and allowing bets for animal races.
  - Modification of bingo regulations in order to streamline the forms of bingo. The definition of this game is modified, allowing the extension of this type of game and eliminating the 3 modes that existed until now (75 ball Bingo, 80 ball Bingo and 90 ball Bingo)
- Possible regulation of other games.
  - A consultation procedure has begun on the desirability of regulating new types of games.
- Basic regulation for Raffles
- Regulation of gambling advertising
- New opening-up of the market
- Regulation on live bets and betting limits

## Coordination with the Autonomous Regions

- Objective: continue with the regulatory convergence and coordinate regulation
- Analysis of the possible implications once the market unity security act is approved on regulatory coordinating in the sector
- Continuing the activity of the three Working Groups to coordinate regulatory, technical, information and record issues
- Meeting of the Council of Gambling Policies, December 2013

## Coordination with the European Commission and other European Regulators

- Objective: Negotiate three recommendations for protecting consumers, responsible advertising and sporting fraud prevention
  - Participate in expert meetings called by the European Union after the publication of a communication on gambling
  - Contact and coordination with other regulators for the possibility of signing international liquidity agreements and exchanging information to make the fight against illegal gambling and protecting players' balances more efficient
- Monitoring procedures followed by the European Commission in the area of gambling
- Participation in meetings called by the European Council for preventing sporting fraud in collaboration with the Spanish Sports Board.
- Coordination of six-monthly meetings with regulators from France, Italy, Portugal and Germany in order to bring positions closer and to analyse formulas of international liquidity