

# worldonline gamblinglawreport

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# Enabling online odds betting in the Czech Republic

The Czech Finance Ministry plans to introduce regulations that could enable online odds betting in the Czech Republic ahead of football's World Cup in June. Pavla Prikrylová and Eva Adamcová of Peterka & Partners look at the reasons why the Government is considering a change.

The planned legalisation on online odds betting in the Czech Republic has recently become a widely discussed issue. Even though the Ministry of Finance has tried to avoid announcing any details of the new legislation being prepared in this area, there are certain indications, which show the basic outline of the planned legal arrangements.

Concerning the authorisation to conduct gambling by way of long-distance access, there is no applicable legalisation since according to the current legal regulations, online gambling is not expressly forbidden. However, this method of conducting gambling is not closely regulated.

Under Act No. 202/1990 Coll., on Lotteries and Other Similar Games, the Ministry of Finance authorisation to conduct gambling may only be granted to a company which is able to comply with all the conditions set forth for the individual forms of gambling. Furthermore, such a company must have its registered office in the Czech Republic.

The main condition imposed by the Ministry of Finance, which must be complied with, is to prevent minors from gambling, which is difficult to ensure in the case of online gambling. This is the reason why up to the present day, the Ministry of Finance has not granted authorisation to conduct online gambling to any company.

According to the Ministry of Finance's unofficial information, the Ministry is now preparing, in collaboration with Czech betting agencies, the modification of a present legal regulation which would enable those companies that comply with the conditions prescribed to conduct online odds betting. In other words, the Ministry is searching models under which online odds betting could be conducted. However, the Ministry

hasn't published any conditions in this respect yet.

The reason for such an effort is obvious on the side of both parties involved, i.e. the Czech Government, and the betting agencies.

The fact is that the people in the Czech Republic are interested in online betting. They thus use foreign betting agencies which conduct online gambling. There are currently eight foreign companies which operate internet gambling in the Czech Republic. Most of these companies have their registered office in different foreign destinations, but the Ministry of Finance also knows about one Czech company doing this. For example, the company Betandwin has its registered office in Austria, the company Expect is registered in Malta, etc. All of these companies offer their services by means of websites in the Czech language which are registered abroad.

The Government loses huge financial resources on taxation due to foreign companies conducting internet gambling in the Czech Republic. The Ministry of Finance has mentioned in its analysis an estimate that these foreign servers gained 1.8 billion Czech Koruna on the Czech market during the last year. Generally, Czechs spend approximately 12 billion Czech Koruna on gambling annually.

Such a situation is disadvantageous for Czech betting agencies as well as for the Government.

Up until now, the Czech betting agencies could not do anything but watch foreign internet companies taking over their clients with impunity. Recently, the situation has changed, and the Ministry of Finance has filed four reports of crime involving some of these foreign online betting companies for operations in the field of online gambling in the Czech Republic

and for law-prohibited advertising. According to the information from the Ministry, a meeting concerning these reports of crime and their procedures should take place in the premises of the Ministry in the first half of May 2006.

The Czech Government has realised that trying to prevent foreign companies offering online gambling is an effort in vain because it is often not possible to find the persons responsible for the operation of such online gambling. Furthermore, these online companies operating in the Czech market do not pay taxes and neither do they provide money for charitable purposes as is required by the applicable laws. Besides, they are not open to state monitoring.

On the basis of the above-mentioned facts, it has been decided to set out rules which would enable companies that will comply with the prescribed conditions to conduct online odds betting, and thus bring the situation under control. The new regulation will concern only online odds betting and not other forms of gambling, such as, for example, online casinos. On the contrary, the Ministry is preparing a plan of how to prevent these other forms of online gambling.

According to the information from the Ministry's spokesman, Mr. Jaroslav Ruzek, these rules should be worked out by June 2006.

The unofficial information is that the Ministry of Finance wishes to render these rules valid before the football World Cup in Germany in June 2006.

This effort is, according to the analysts working in this area, understandable. An event such as the World Cup is a crucial time for betting agencies. The interest in online odds betting is expected to be huge. For the Government, this means taxation income from this

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dynamically developing area.

Concerning the question about which business entities will be allowed to conduct online odds betting in the Czech Republic, the Finance Ministry has not provided any explicit statement. But from the indication of the Ministry regarding this question, and in conformity with the opinion of entities active in this area, the new regulations seem to be the same as the current laws and thus foreign business entities will be probably banned from conducting online odds betting.

Czech betting agencies appreciate this action of the Government. According to a statement from Frantisek Trantina of the betting agency Fortuna for the *Hospodářské Noviny* newspaper and the information of Fortuna's press department, they will apply for authorisation to conduct online odds betting as soon as the Ministry of Finance publishes the new regulations. He said that Fortuna had prepared a product which is able to compete with foreign companies operating in the area of online odds betting. They also plan to offer online odds betting not only to Czechs, but also to foreigners by way of multi-language sites.

Even though the Czech betting agencies wish to open the market for other forms of online gambling as well, one thing is clear at the moment. The Act on Lotteries from 1990 needs to be changed as everybody agrees. And the Czech Ministry of Finance, inspired by Great Britain, seems to be bringing the new regulations in soon.

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