

## **Deteriorated consumer protection if new restrictions are introduced**

### **Introduction**

When the government initiated the re-regulation of the gaming market, a requirement was expressed that everyone who operated in the Swedish gaming market should have a required license. The games would have a high level of consumer protection and there would be a high level of player security. The negative consequences of gambling would be limited. In addition, the channelling (the proportion of players who play within the licensing system) would be high, over 90 percent.

Shortly after the Swedish gaming market was re-regulated on 1 January 2019, the government, through Minister of Social Insurance Ardalan Shekarabi, criticized the licensed gaming companies for lack of moderation in their marketing. It was also argued that a digital online casino was more dangerous for consumers than a lottery subscription. In light of this, another inquiry was requested to investigate and evaluate marketing restrictions.

The Gambling Market Inquiry will be submitted to the Government on 14 December 2020 with a number of different proposals for further restrictions on the licensed gambling market.

### **Background**

The two main proposals presented in the inquiry mean that certain forms of gambling must be classified as more dangerous for consumers than other forms of gambling, and that selected forms of gambling may not be marketed during certain times of the day.

The inquiry proposes the following:

- Online casino is prohibited from being marketed on television, radio and streaming media between 06:00 in the morning and 21:00 in the evening.
- A risk classification system is created for the purpose of rating the degree of danger of gaming products, in which online casino is expected to be classified as a

high-risk game. Based on this classification, the inquiry believes that further restrictions can and should be imposed on high-risk gambling.

The proposals can be seen as reasonable on paper, but in reality, mean that consumer protection deteriorates for those who are most in need of a safe gaming market. In a digital world, neither the government nor the gaming companies decide where gaming consumers play. It is up to the consumers themselves. If the gaming experience deteriorates with extensive restrictions and prohibitions, licensed gaming is perceived as monotonous or complex, which in turn increases interest in the unlicensed games that are never further away than a push of a button on the computer or mobile phone. This becomes particularly remarkable when the supervisory authorities have not succeeded in preventing or prosecuting a single gaming company that targets Swedish customers without a license.

Since the licensing system was introduced almost two years ago, gaming companies' investments in marketing have dropped significantly. In addition, the industry has taken the initiative for self-regulation through its own guidelines, both in Sweden and at European level, and the Swedish Consumer Agency has clarified what is acceptable, which has also been confirmed via court decisions. In other words, the purpose of the Gambling Market Inquiry is partly unnecessary.

### **Impact description**

BOS believes that the inquiry's proposal would put a well-functioning licensing system with expanded consumer protection out of play. If the proposal is implemented, even more consumers would choose to play with unlicensed operators without consumer protection. This is in direct contrast to what the Swedish Parliament decided on almost two years ago.

- **A risk classification of games misses the target.** The idea of introducing a risk classification of games to protect consumers is basically right and proper. But in a digital environment where gaming companies can monitor every game while customers can easily choose to play outside of a licensing system, it is an ineffective measure. Instead, a common risk classification of customers should be introduced where the Swedish Gaming Authorities is commissioned to implement this together with other authorities based on gaming history, level of debt, income levels and more. A risk classification of gaming consumers rather than gaming products.

- **Prohibiting marketing reduces the possibility of retaining players within the licensed system.** Sweden has invested in a licensing system with 102 companies that offer a high level of consumer protection, pay around SEK 4 billion annually in gaming tax, invest in workplaces and staff, sponsor Swedish sports and technology development, among other things. Prohibiting these companies from

responsibly marketing their services to Swedish consumers while leaving unlicensed companies free to offer their services to Swedish consumers is a bad proposal. This only leads to reduced consumer protection.

• **The proposals in the investigation in combination with the temporary restrictions lead to lower channelling and increased problem gambling.** Too few Swedes choose to play with licensed gaming companies. Every fourth Swedish Krona played on online games already goes to gaming companies without a Swedish license, without Swedish consumer protection. A hasty decision by the government in accordance with what the inquiry proposes would further increase the proportion who play at unlicensed gaming companies without Swedish consumer protection. The sharp restriction among licensees, such as a maximum limit for deposits and bonuses, will drive customers to unlicensed companies. We also know that high volume players looking for high bonuses and high pay-outs will be among the first to leave the licensing system. As a result of more restrictions on the licensed market, we therefore also risk increased problem gambling. Two years after the reregulation, the proportion of games measured in turnover at companies with a Swedish license has fallen to critically low levels well below the target of 90 percent.

• **It is not illegal for unlicensed gaming companies to accept Swedish players or to market themselves towards Swedish players.** The government's ignorance of gambling and inability to absorb the proposals made by the investigator and former General Secretary Håkan Hallstedt suggested in the original Gaming License Inquiry has led to a hollow licensing system. It leaks like a sieve. Since the re-regulation was implemented, too little has been done to make it more difficult for unlicensed gambling in Sweden. It is important that the government does not introduce further regulations that in practice push customers away from licensed gaming companies with a high level of consumer protection.

• **The proposal leads to reduced tax revenues.** A consequence of the reduced gambling at licensed gaming companies will inevitably be reduced tax revenues for the Swedish state. It is a big risk in itself during times of economic turmoil.

• **Swedish sports will have fewer resources.** Another consequence will be less resources for investments in Swedish sports, which is of course not desirable.

### ***BOS welcomes gaming supplier licenses and the inquiry's rejection of market fees for sports and horse betting***

Even if the overall assessment is that an implementation of the Gambling Market Inquiry's proposal would harm the Swedish licensing system, it is worth emphasizing that there are individual proposals that are good. BOS wishes to

emphasize in particular that the inquiry proposes the introduction of so-called gaming supplier licenses. Such an introduction would mean that the licensing obligation would be extended to developers and suppliers of games, which BOS believes would have a positive effect. It would then be illegal for these suppliers to sell their games to gaming companies that do not have a Swedish license.

BOS also supports the proposal to reject the introduction of additional fees for horse and sports betting, so-called market fees. Such a special fee for Swedish licensed gaming would only create additional incentives for the gaming consumer to leave the licensing system, an argument that the inquiry has gratifyingly adhered to why such fees have been rejected.

## **The new inquiry on unlicensed gambling by Gunnar Larsson**

### ***Unlicensed gaming companies***

It is positive that the government also now recognizes the need to take stronger action against unlicensed gambling. Unfortunately, the Swedish Gaming Authorities has not succeeded in preventing an increasing number of unlicensed companies from targeting Swedish customers. The self-exclusion tool Spelpaus.se risks going from a security to becoming a target group for rogue companies.

The interventions in gaming experiences and restrictions in marketing proposed by Anna-Lena Sörenson cannot be implemented until a functioning regulatory framework is in place that prevents gaming companies without a license from targeting their offerings at Swedish customers.

### ***Match fixing***

Gambling and match-fixing are serious threats to competitive sports and the integrity of the sport. Sports, law enforcement agencies and gaming companies must all work together to prevent, detect and prosecute those who use sport and gaming companies in their criminal activities.

Today we see a need for an authority to take an operational role in the work against match-fixing and that can act quickly on suspicions. We also see a need to be able to share data between gaming companies and sports to a greater extent than today.

The combined gaming industry, through BOS (The Swedish Trade Association for Online Gambling, or Branschföreningen för Onlinespel), looks forward to contributing with experiences and ideas from other countries and previous investigations.

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