

LEGAL ENVIRONMENT FOR GAMBLING IN HUNGARY

September 2009

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Hungary

AGENDA

- Types of gambling activities – general overview**
 - Online gambling – past, present and future?**
 - Poker – hot topic**
 - Casino – large developments in the pipeline**
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Gambling activities (1)

- ❑ Liberalised: tombola drawings, operation of slot machines
- ❑ Non-liberalised: any other gambling activity



Partial state monopoly – the activity may only be carried out by certain entities

- ❑ Full state monopoly – lottery and betting except for horse race betting and bookmaker type betting
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Gambling activities (2)

- Business associations with major or (indirect or direct) exclusive state ownership:
 - State Game Organizer (a company exclusively owned by the State and created for the operation of gambling activities on a regular basis)
 - a company exclusively owned by the State Game Organizer
 - a company with the majority ownership of the State

 - Others to whom the State assigns this right on a temporary basis by concession agreement

 - State licensing/supervision GSD/STA
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Online gambling (1)

□ Term: "communications equipment and network"

Includes any equipment allowing a player to make a declaration or to perform an action by which to enter a game of chance covered under the Gambling Act. Such are, in particular, entry forms with or without address, standard letters, order forms, catalogues, telephone sets, automatic calling devices, radio, video phones, videotext with keyboard or with touchscreen, the Internet, electronic mail (e-mail), facsimile machines and television sets.

Online gambling (2)

- Prior to 1 January 2008, it was forbidden to provide any advertisement / propaganda for foreign gambling
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Online gambling (3)

- ❑ European Commission formal notice – April 2006
 - ❑ March 2007 - Hungary formally requested to amend the law
 - ❑ No information on reference to European Court
 - ❑ Metropolitan Court of Budapest: in conflict with the founding treaties of the European Union; obviously discriminative for the benefit of national monopoly without reasonable justification
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Online gambling (4)

□ Current regulation:

No sales, organization and mediation activities may be pursued in Hungary in connection with any game of chance without a GSD licence.

Financial institutions and providers of communications services may not participate in the publication or acceptance of announcements for soliciting players for unauthorized gambling operations (i.e. without a GSD licence), nor provide technical assistance for such.

□ No implementation & sanctions - *lex imperfecta*


Online gambling (5)

- ❑ Attempted regulation – autumn 2008
 - ❑ EEA enterprise with min. 5 years actual experience
 - ❑ Min. registered capital HUF 1 billion (app. EUR 3.7 million)
 - ❑ Registration by GSD – max. 5 years
 - ❑ Bookmaker type sportsbetting and horserace betting (no poker or casino games)
 - ❑ Gaming tax HUF 1 billion (app. EUR 3.7 million) per year
 - ❑ Penalising electronic communication Service providers
 - ❑ Revoked; future yet to be seen
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Poker (1)

- Definiton of game of chance:

Any game in which the player agreed to pay cash or other form of consideration for the chance to participate and to receive a cash prize or something of value in the event of a certain outcome or a future contingent event; winning or losing depends exclusively or in a significant degree upon an element of chance.

- Analysis  can be interpreted in both ways

- GSD's interpretation: poker is a game of chance if paid for and played for prize

- Result: poker shall only be organised in a casino on the basis of an approved game plan under a GSD licence

Poker (2)

- ❑ Actual situation
 - ❑ Great number of poker clubs operate
 - ❑ They often operate in the form of sports clubs (allegedly free participation; only payment of membership fees)
 - ❑ Extremely difficult for GSD to prove illegal activity
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Poker (3)

- New bill in Parliament
 - To introduce the operation of cardrooms as a liberalised activity
 - Only totalisateur-type, cash and/or tournament-type poker type games
 - Cash games – prize-pools not to exceed HUF 25,000 (app. EUR 90); in case of tournament-type games, prize-pool not to exceed HUF 20,000 (app. EUR 75)
 - Card games not to be organised via communications equipment
 - At least 85% of prize-pool to be distributed as prizes
 - Gaming tax: 5% of the monthly prize-pool
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Casino

The Hungarian regulation system of casino concession: two-tier regulation:

- Concession Act – main rules regarding all sorts of concession
 - Gambling Act – sector specific rules regarding gambling activity
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Concession tender - conclusion of agreement

- ❑ The Minister of Finance invites a tender for the conclusion of the concession agreement
 - ❑ The evaluation of the tender and the conclusion of the concession agreement also fall within the competence of the Minister of Finance
 - ❑ Foreign natural persons, legal entities and organisations without a legal personality - the concession agreement may also be concluded with them and in this case, they have the same rights as domestic persons
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Concession company (1)

- ❑ Obligation to establish a resident business association within 90 days from the signing of the agreement

Practical problem: the concession agreement is concluded between the State and the winner of the tender, but the activity subject to concession is pursued by the concession company – the legal relationships are unclear

- ❑ Minimum registered capital:
 - class I casino unit: HUF 1 billion (app. EUR 3.7 million)
 - class II casino unit: HUF 300 million (app. EUR 1.1 million) (Budapest and Pest county) / HUF 100 million (app. EUR 0.37 million) (other parts of the country)
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Concession company (2)

- ❑ Obligation to own the majority of the shares and/or voting rights of the concession company throughout the concession period
Practical problem: the encumbrance or sale of shares is restricted
 - ❑ Restriction of other activities: the concession company is only entitled to pursue the activity subject to concession and connected activities (activities closely connected to currency exchange and catering)
 - ❑ The concession company may not assign its right to pursue the activity subject to concession to another party
Practical problem: not possible to conclude an agreement for the management of the casino with a third party
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Concession fee

- ❑ An annual amount payable to the State
 - ❑ Category I casino unit (at least 100 game and/or card tables + 1,000 slot machines)
 - min. HUF 600 million (app. EUR 2.2 million) in Budapest and Pest county and
 - min. HUF 500 million (app. EUR 1.85 million) in the other parts of the country
 - ❑ Category II casino unit
 - min. HUF 350 million (app. EUR 1.3 million) in Budapest and Pest county and
 - min. HUF 50 million (app. EUR 0.19 million) in the other parts of the country
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Concession period

- Category I casino: a maximum of 20 years
- Category II casino: a maximum of 10 years

may be renewed with half of the original term
at the maximum

*Practical problem: the decision of the Minister on the
renewal is discretionary*



Casino licence

- In addition to obtaining a concession, a licence has to be obtained from the State Tax Authority (acting in its capacity as the Gambling Authority) to operate a casino
 - personnel requirements (private individual members, executive officers, director, accountants, cashiers, etc.)
 - equipment requirements (building, security system, video surveillance, etc.)
 - financial requirements (e.g. depositing cash or Hungarian government securities to secure sufficient funds for the winnings)
 - The State cannot undertake prior obligation to issue the licence!
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Background: Hungarian casino market (1)

- 5 casinos – 2 in Budapest, 3 in other towns (Győr, Kecskemét, Sopron)

	Casino	Operator	Operation licence expiry date	Legal title of operation	Currency
1	Las Vegas Casino	Las Vegas Casino Kft.	31/12/2009	Concession	Mixed (HUF/EUR)
2	Tropicana Casino	Belvárosi Kaszinó Kft.	31/12/2009	Concession	Mixed (HUF/EUR)

Background: Hungarian casino market (2)

	Casino	Operator	Operation licence expiry date	Legal title of operation	Currency
3	Casino Sopron	Casino Sopron Kft.	31/12/2010	Concession	Mixed (HUF/EUR)
4	Casino Győr	Casino Győr Kft.	15/01/2012	State monopoly	HUF
5	Casino Kecskemét	Casino Kecskemét Kft.	01/02/2012	State monopoly	HUF

Background: Hungarian casino market (3)

- Planned new Category 1 Casino developments
 - Eurovegas – Hard Rock (Bezenye – Hegyeshalom)
 - Dream Island – Budapest
 - King's City (Sukoró, Velence lake) – highly debated recent tender
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**THANK YOU FOR
YOUR KIND ATTENTION**
