

LEGAL ENVIRONMENT FOR GAMBLING IN HUNGARY

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AGENDA

- **General overview – types of gambling activities**
- **Online gambling – perplexity or go-slow policy?**
- **Two additional hot topics in Hungary:**
 - **Recently adopted poker regulation**
 - **Envisaged development of the Hungarian casino industry**

Gambling activities (1)

Legal framework:

- Act XXXIV of 1991 on Gambling Operations
- Decree No. 32/2005 (X.21.) of the Minister of Finance on the Implementation of Regulations Concerning the Licensing, Organising and Supervising of Certain Games of Chance
- Other relating legal regulations

Gambling activities (2)

- ◉ 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

Gambling activities (3)

- 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

Gambling activities (4)

State Tax and Financing Control Authority -
Gambling Supervisory Department

- Licensing
- Supervision

Online gambling (1)

- Definition of online gambling

- 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)

Current regulation:

- No sales, organization and mediation activities may be pursued in Hungary in connection with any game of chance without a GSD licence.
- Prohibition for financial institutions and providers of communications services to assist to unauthorized gambling
- Prohibition of online casino games, online drawing games and online card games

Online gambling (3)

Additional requirements for online gambling organizers

- Providing the clients with proper information
- Ensuring the protection of the clients' personal data
- Ensuring the requirement of random selection

Online gambling (4)

- ◉ Problematic implementation of the rules
- ◉ No implementation & sanctions - *lex imperfecta*
- ◉ (Non) Concerted action of the authorities
- ◉ Consumer protection aspects of online gambling
- ◉ Questions relating to the advertisement of online gambling

Online gambling (5)

International aspects – Infringement Procedure in the EU

- ◉ European Commission formal notice – April 2006
- ◉ March 2007 – Reasoned opinion
- ◉ Hungary formally requested to amend the law
- ◉ No information on reference to European Court

Online gambling (6)

International aspects – Preliminary ruling procedures before the ECJ

- ◉ Liga Portuguesa case (C-42/07)
- ◉ Ladbrokes case (C-258/08)
- ◉ Sporting Exchange (Betfair) case (C-203/08)
- ◉ 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

Online gambling (7)

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

Poker (1)

- Definition 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.
- GSD's interpretation: poker is a game of chance if paid for and played for prize
- Result: poker shall only be organised under a GSD licence

Poker (2)

Organization of poker in practice:

- 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

Poker (3)

Recently implemented regulation of poker

- Card games may be organised in a casino or a card room – in card rooms only poker type card games
- The operation of card rooms is a liberalised activity
- Minimum 5, maximum 10 tables
- Operator: business association established exclusively for such purpose with at least HUF 25 million (app. EUR 90,000) registered capital
- Only totalisateur–type, cash and/or tournament-type poker type games may be organised in card rooms
- Cash games – starting bet shall not exceed HUF 500 (app. EUR 1,8) and HUF 1,000 (app. EUR 3,5)

Poker (4)

Recently implemented regulation of Poker

- Cash games – maximum HUF 100,000 (app. EUR 350) to be changed by one player at a time
- Tournaments – the entry fee (bet) shall not exceed HUF 50,000 (app. EUR 175)
- Personnel and equipment requirements
- Card games not to be organised via communications equipment
- Game tax of the card room is 40% of the net gambling revenue

Casino (1)

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

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

Casino (2)

- Concession tender – conclusion of concession agreement
- In addition to obtaining a concession, a licence has to be obtained from GSD to operate a casino
- Concession Fee
 - Category I casino unit: HUF 500 million / 600 million (app. EUR 1,8 million / 2,1 million)
 - Category II. casino unit: HUF 50 million / 350 million (app. EUR 0,18 million / 1,25 million)
- Concession Period
 - Category I casino: a maximum of 20 years
 - Category II casino: a maximum of 10 years

Casino (3)

Concession company – practical problems

- Obligation to establish a resident business association within 90 days from the signing of the agreement
- Obligation to own the majority of the shares and/or voting rights of the concession company throughout the concession period
- Restriction of other activities: the concession company is only entitled to pursue the activity subject to concession and connected activities
- The concession company may not assign its right to pursue the activity subject to concession to another party

Casino (4)

- Currently 3 casinos – 2 in Budapest, 1 in Sopron

	Casino	Operator	Legal title of operation	Currency
1	Las Vegas Casino	Las Vegas Casino Kft.	Concession	HUF/EUR
2	Tropicana Casino	Belvárosi Kaszinó Kft.	Concession	HUF/EUR
3	Casino Sopron	Casino Sopron Kft.	Concession	HUF/EUR

Casino (5)

- Planned new Category 1 Casino developments
 - > Eurovegas – Hard Rock (Bezenye – Hegyeshalom)
 - > Dream Island – Budapest
 - > King's City (Sukoró, Velence lake) – highly debated recent tender

**THANK YOU FOR
YOUR KIND ATTENTION**

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