



## QUESTIONABLE MOTIVES

One of the least appetising gaming markets in Europe, Moldova finds itself sandwiched between its more affluent neighbours, forgotten and dismissed. Are there opportunities in hiding?

An observer once wrote that Moldova is a country in need of an explanation. First there is the question of what type of country Moldova actually is. Secondly there is the question of why anyone should care.

Somewhat harsh perhaps? But essentially Moldova is a forgotten land sandwiched and landlocked in the depths of Eastern Europe. It seems to continually suffer from an identity crisis as it swings between its Romanian heritage and Soviet past. It also carries the tag of being one of the poorest countries in Europe.

Moldova has a large foreign debt and high unemployment. Its once flourishing wine trade has been in decline and the country remains heavily dependent on Russia for energy supplies. Bordered by the Ukraine for 450km on the east and Romania for 940km on the west it is also the second smallest of the former Soviet republics and the most densely populated.

Agriculture accounts for around one quarter of the labour force whilst industry accounts for 15 per cent.

The country's proximity to the Black Sea

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gives it a mild and sunny climate and the land is fertile and used extensively for Moldova's vineyards which supply the country's main source of export - wine and champagne.

Wine accounts for one third of the country's exports and 80 per cent of wine exports go to Russia. In 2005 Russia enacted a ban on Moldavan agricultural products although this came to an end a couple of years later.

The western border of Moldova is formed by the Prut River which joins the Danube before it flows into the Black Sea. In the east the Dniester is the main river which flows through the country from north to south. Most of the country is hilly although not higher than 430m and the



highest point is Balanesti Hill. The Moldovan hills are part of the Moldovan Plateau and in the south the country has a small flatland, the Bugeac Plain.

The country is divided into 32 'raions' and three municipalities (Balti, Bender and Chisinau) and one autonomous territorial unit (Gagauzia) and one territorial unit (Stinga Nistrului). The country's main cities are the capital Chisinau followed by Tiraspol in the eastern region of Transnistria, Balti in the north and Bender in the south east.

The bulk of Moldova lies between the two rivers Dniester and Prut and is an area formerly known as Bessarabia. The land has always been an historic passageway between Asia and southern Europe whilst

## **THE GREEKS, ROMANS, HUNS AND BULGARS HAVE ALL INVADED THE AREA.**

also being a victim of warfare.

The Greeks, Romans, Huns and Bulgars have all invaded the area and in the 13th century it became a part of the Mongol empire. An independent state emerged briefly in the 14th century and grew in territory under the leader Stefan the Great in the 15th century but it fell under Ottoman Turkish rule in the 16th century.

The current Moldovan government was elected in November 2010 and took office in January 2011 in a peaceful transfer of power. Liberal democrat party leader Vlad Filat was re-elected Prime Minister whilst Marian Lupu became Speaker of Parliament and Acting President.

After the Russo-Turkish War of 1806-12 the eastern half of Moldova (Bessarabia) was ceded to Russia whilst the Romanian Moldova (west of Prut) remained with the Turks. In 1878 Romania gained independence and took control of the Russian ruled land in 1918. However the Soviet Union never recognised this action and created an autonomous Moldovan republic on the east side of the Dniester River in 1924.

In 1940 Romania was forced to cede Bessarabia to the Soviet Union which then set up the Moldovan Soviet Socialist Republic by merging the autonomous republic east of the Dniester and the annexed Bessarabian region. Stalin stripped the three southern counties along the Black Sea coast from Moldova and incorporated them into the Ukrainian Soviet Socialist Republic.

In 1941 Romania sought to regain Bessarabia by joining with Germany in an attack on the Soviet Union and a mass deportation programme of Jews began. Around 185,000 Jews within the Transnistria area were placed into concentration camps by 1942 and very few were found alive by 1944 when the Soviets moved in.

Mircea Snegur was elected President of the Soviet Socialist Republic of Moldova in 1990 and as a former communist party official he endorsed the independence from the Soviet Union and sought western recognition. In 1991 the Supreme Soviet renamed itself the Parliament of the Republic of Moldova and declared independence from the Soviet Union.

The transition to democracy wasn't easy and saw several problems including an ineffective parliament, lack of a new constitution, a separatist movement led by the Gagauz minority in the south and unrest in the Transnistria region. The Russian army stepped in to stem widespread violence and support the Transnistria regime and in 1992 the government negotiated a cease fire and although tensions continue negotiations are also ongoing.

In 1994 things began to settle. The ineffective parliament was replaced and a new constitution was adopted, whilst the conflict with the Gagauz minority was defused when they were granted a local autonomy.

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a former communist who resigned from the party after its disputed win in the April 2009 parliamentary elections.

The AIE government has since launched an ambitious reform effort and placed a clear priority on Moldova's relations with the west and integration with the EU. It pledged to respect and promote human and civil rights, improve relations with Romania and help alleviate the effects of the global recession. There are still however some issues over different religious groups.

Since the Moldovan economy was always highly dependent on the rest of the former Soviet Union the breakdown in trade after the break up with the Soviet Union has had serious and economic effects exacerbated also at times by drought and civil conflict.

The Russian ruble devaluation in 1998 also had a detrimental effect and it only started to rebound in 2000 after years of recession after independence.

There have been great strides since independence. In 1993 they began a privatisation programme for the vast

majority of housing units whilst much of Moldova's agricultural land has also been privatised.

After the Russian currency crisis the country has seen some success in reducing inflation and in 2008 it dropped below 10 per cent to 7.3 per cent for the first time in years. However the economy remains over-regulated and has been hampered in some ways by government controls and corruption and few additional jobs have been created and many Moldovans have since migrated. Remittances from abroad reached almost one third of the GDP in 2008 although this has since dropped due to the global crisis. Today the unemployment rate is around 7.5 per cent.

Between 2000 and 2008 the economy grew by 6.8 per cent and the country was less prepared for the more recent global economic crisis and GDP dropped by six per cent in 2009.

Meanwhile issues remain over Transnistria, the area which proclaimed independence more than 20 years ago but still does not exist on a map or has any recognition from any world government.

(Pictured) Lenin Statue, Tyraspol, Transnistria, Moldova.

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The region includes most of the land between the Nistru/Dniester River and the Ukrainian borders as well as the city of Tighina/Bender and is made up of around 40 per cent Romanians/Moldovans, 28 per cent Ukrainians and 23 per cent Russians. In December last year voters elected their second President – Yevgeny Shevchuk and talks continue with Russia and Moldova in terms of the region.

The travel and tourism industry in Moldova is quite underdeveloped. The infrastructure and service industry is low in quality and the country's roads are in need of improvement. Prices for tourist services are too high and Romania, Turkey and Bulgaria offers tough competition in this regard. But it does have the potential for growth and is often considered a transit country for Easter European travellers.

The global crisis had a noticeable impact on travel and tourism during 2009 and the number of inbound tourists dropped whilst the disposable income was also affected. Travel agents were forced to provide less expensive travel products.



In 2010 there were 8,956 tourists coming into Moldova. The highest number came from neighbouring Romania and Russia. The number is a significant drop on figures of nearly 19,000 back in 2000 and 26,000 in 2004. The number dropped drastically between 2007 with 14,000 in 2007 to just 8,700 the year later when the economic crisis began.

The country's wine making tradition remains a huge pull and there are around 50 wine tasting halls in Moldova. Meanwhile the country is now working on a tourism strategy to increase the numbers which includes new hotels, tourist complexes and improved services. There are 95 hotels in the country of which 14 are 4-5 star establishments.

### THE GAMING SECTOR

At the moment the gaming sector is governed by the Law No 285 first published in 1999 and is overseen by the Ministry of Finance and Chamber of Licensing. It has since been amended several times since. It states:

- Gambling is restricted to players over 18 years of age (except lotteries and skill games)

## IN MAY 2011 THE MINISTER OF FINANCE ANNOUNCED THAT THE COUNTRY WOULD SET UP A STATE MONOPOLY.

- A gambling licence is issued for a period of up to one year and must be applied for by a joint stock company or limited liability company.
- Operators of games of chance must be legal residents in Moldova. Total share of the founders (shareholders) must not exceed 49 per cent foreign capital.
- The amount per licence fee is

MDL600,000 for casinos

MDL250,000 for National Lottery

MDL200,000 for betting and gaming halls with automatic machines

(Pictured) The gates of Chisinau, Moldova.

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Managing Director of E-Service Romania.

MDL150,000 for regional lotteries

MDL50,000 for skill games

MDL25,000 for slot machines

- Slots are divided into two categories –  
Class A: an automatic cash game operating with coin or token. The maximum stake is 1 leu. Game time lasts three minutes and maximum stakes shall not exceed 50 times.  
Class B: is an automatic game with no limits.
- A games room must be a separate room and must have at least three tables (one of which will be roulette in a casino) plus 15 or more slots of 'Class A' and 10 or more slots of 'Class B'. There must be at least 100 seats for players where lotteries are conducted.
- A slot hall is used exclusively to operate slots of Class A or Class B and must have no more than 14 slots of Class A and no more than nine Class B machines.

### MOLDOVIAN GAMING TAXES

TYPE OF ACTIVITY	TAX (MDL) IN 2011
Operating slot machines	14,400 per machine
Operating American Roulette	80,000 per machine
Sports betting	28% of total bets.
Instant lotteries	28% of total amount of announced lottery tickets
Number lotteries	28% of total sold lottery tickets
Operating a casino	360,000 per each table.

- Local authorities may impose restrictions on the location and operating mode of the game rooms in their territory
- Casinos must have a games room and the number of casino slots installed can not exceed three times the number of table games.
- Casinos must be equipped with video surveillance in all rooms and at the entrance and tapes kept for at least 10 days.
- Betting is permitted either totalisator, mutual betting or via the bookmaker.

Some 73 companies held gambling licences at the end of 2010 and 67 by the first half of 2011. This is a drop of eight per cent. Of these 73 licences in 2010, 56 were for gaming halls, eight for casinos, seven for sports gambling and two for lotteries. Revenue from licensing reached MDL60.8m (MDL14m more than 2008).

Meanwhile the amount collected in taxes during the first quarter of 2011 from gaming was MDL26.8m compared to MDL27.1m the same period the year before.

In January 2010 the gambling taxes were doubled for each sector of the gaming industry meaning for example that the licence fee for gambling activity was increased to MDL360,000 for each table game compared to MDL160,000 as it was previously. The tax however is still lower than some neighbouring countries. The chart below shows the current taxation rates.

There are just five casinos located in Moldova which are all located in the capital city. Chisinau is located in the heart of the country and rests on the banks of the River Bic which is a tributary of the Dniester River. It is the main industrial and commercial centre and has a population of around 664,000 whilst the municipality is home to 780,000 residents.

Alongside the five casinos there are also 16 electronic casinos in the capital city of

Chisinau located in the main streets and around 200 slots in total are operated in these locations. There are 318 slot halls in total throughout Moldova which operate a total of 4,382 slots.

There are no limits set by law as to the number of casinos which can be opened and likewise there are no laws for slot halls. The majority of slot halls in Moldova are of small to medium size and contain between 10-15 machines and mostly operated by small to medium companies coming out of Romania, Russia and Hungary. Many former operators who had businesses in the Ukraine and Russia have since moved over the border to open operations when their own markets closed. Main operators include Reneco El and Master Game.

E-Service Components SRL which represents Eurocoin in this region says its interaction with Moldovan companies has increased as they have turned to the Bucharest company for support.

Bogdan Stinga, Managing Director of E-Service said: "Moldavian businesses have increasingly looked to Bucharest to widen their supply chain and to seek technical support for their operators in recent months. There was obviously a significant increase in gaming activity after the casino and games room closures in Russia and Ukraine.

"It appears that the gaming law provides a stable framework for our clients who have been looking to E-Service for spare parts and upgrades to their machines. It is a small but significant local market for us."

Other slots exist in bars and betting shops with between three and five slots per shop. The majority of slots are second hand machines with around 30 per cent coming from Novomatic and out of Russia and the other 70 per cent a mixture from the Russian market.

According to Genadi Kuznetsov of the Casino National Group: "The gaming market in Moldova is overrun and in retrospect the country is quite poor. The regulation is strong but there still exists a



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lot of illegal slot halls which makes legal slot operators unprofitable.

"The gaming law dates back to 1999 and is old now and controversial. The new gaming law is still being discussed and has been since 2007. This will bring a stronger regulation and increase the minimum demands on the operators."

#### • CASINO FORTUS

Developed in an Anglo-colonial style this is a luxury casino located in the basement of a building in Chisinau. There is a gaming hall for poker and blackjack plus a VIP room. There are a total of six table games including roulette, Russian Poker, Blackjack, Stud poker. Operated by VLV & Co SRL

#### • CASINO BROADWAY

This casino is located on the fourth floor



of the Jumbo Trade Centre in the Botanica area of Chisinau. There is one main gaming hall with six tables including roulette tables, poker tables and slots. Operated by Reneco-El SRL

- **CASINO EUROPA**

This is a fairly new medium sized casino stretched over two floors. The ground floor has two halls one with slots and another with roulette tables, poker and some slots. The main gaming area is on the first floor with a bar plus a separate VIP room and cocktail bar. There are 25 slots in total and 9 gaming tables. Operated by Saleras Star SRL.

- **XO CASINO CLUB**

This is a small but luxurious casino in the centre of the city which is beautifully decorated. There are four table games including roulette, poker and blackjack

tables and three slots which operate with stakes of 0.5 and 0.2 leu. There is also a restaurant on site. The casino is operated by Alb-Curat SRL.

- **CASINO NAPOLEON PALACE**

A medium to large sized casino just five minutes walk from the central city square in the Sun City commercial centre. It opened in November 2009 and on the ground floor there are slots whilst the main gaming area is on the first floor. There is a mezzanine floor about the first floor which features live music and on the second floor a nightclub. The main gaming area has slots, Touchbet roulette, gaming tables and poker room. There are 52 slots, 16 tables and one electronic roulette. It is operated by Palace Casino SRL which is a subsidiary of the Casino National Group SRL. The Casino National Group was founded in 1993 and is a

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developing group of companies and operators of slots in Chisinau. The company also operates the Nevada Gaming Halls in Chisinau of which there are 10 currently in the city operating a total of 154 slots. The company did operate casinos in Romania and the Ukraine at one time. They have since closed.

### CHANGES AHEAD

In May 2011 The Minister of Finance Veaceslav Negruta announced that the country would set up a state controlled company National Lottery of Moldova, which would take control over all gambling business as a monopoly. Previously everything was privately operated, including the lotteries.

At one time there were up to nine companies operating lotteries in Moldova. Today there is only one company – Loteria Moldovei. The monopoly will include lotteries, video lottery terminals, sports betting and online gaming. The aim is to make the industry more transparent and protect minors whilst boosting revenue for the state treasury.

This means private lottery companies will no longer be able to run their private operations although they can continue doing so until their licence expires. Netrutsa says that between 25-50 per cent of the money raised in this sector will be used for projects of social support for low income people as well as for cultural, education and sport projects.

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Although it states in the Gambling Act of 1999 that the National Lottery is implemented as a state monopoly it is only now that the government has decided to exercise this right. The company Loteria Moldovei has been active in the Moldovan market since 1994 and was launched as a digital lottery called Superloto. In 2004 the company moved into new electronic technology and purchased 120 new terminals and a central information processing system at a cost of €2m.

Last year the Canadian entertainment solutions provider, Amaya Gaming Group, was invited into discussions with the government after the company's successful startups in Kenya, Uganda and



Montenegro. Amaya was subsequently awarded an exclusive 20 year contract with the Loteria Moldovei to provide a full range of gaming solutions. The agreement will see Amaya provide technical and operational assistance for all of the country's gaming operations which will ultimately include lottery, VLTs, sports betting and online gaming.

The contract has a potential to generate revenues of around US\$20m annually and implementation began at the end of 2011. Shares for Amaya jumped by over 13 per cent when the announcement was unveiled. David Baazov, Chief Executive of Amaya said: "We are very pleased to begin a long term relationship with the National Lottery of Moldova that promises to be fruitful for both parties. We believe our breadth of capabilities was a key reason we were selected along with our ability to ensure the integrity of the system."

"While Moldova is the first customer to formally select us for this wide range of gaming activities, our strategy is to expand our relationships over time with new and existing customers by offering more gaming technologies in their jurisdictions."

In February this year Amaya launched its first product for the National Lottery which has been branded as Milioana Pentru Moldova. It is based on SMS technology and enables anyone with a mobile phone to participate. It provides

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Amaya.

the authorities with real-time reporting and a framework for implementing responsible gaming features.

The Milioana is the first product from Amaya for the lottery and the company is now expected to follow through with other gaming solutions over the next few months. However both Amaya and the government are reluctant to comment on future developments at this time.

Victor Barbaneagra, Vice Minister of the Ministry of Finance said: "The National Lottery of Moldova aims to provide for all lottery players equal opportunity to win, and also, to bring benefits to the state budget, which will be directed towards education, health, sports and culture areas. We want to follow the good examples from other experienced countries in this field and promote transparency and fair play."

Next to follow could be Moldova's online gaming law. In an attempt to ease financial problems Moldova has been looking at the possibility of amending its law, which at the moment forbids domestic and foreign companies from entering the online gambling market.

### Moldova: Vital Statistics

**Capital:** Chisinau

**Population:** 3,656,843

**Land Area:** 33,851 sq.km

**Median age:** 42.5 years

**Languages:** Moldovan (official), Russian, Gagauz

**Ethnic Groups:** Moldovan/Romanian 78.2%, Ukrainian 8.4%, Russian 5.8%, Gagauz 4.4%, Bulgarian 1.9%

**Currency:** Moldovan Lei (MDL)

**Government:** Republic

**Chief of State:**

Marian LUPU (acting President)

**Head of Government:**

Prime Minister Vladimir FILAT

**Elections:** President elected by parliament for a four year term. Last successful elections 2005 and most recent failed election was in 2011.

**Casinos:** 5

**Casino Slots:** 520

**Casino Tables:** 11 American Roulette and 38 other tables.

**Casino GGR:** MDL9,056,220 (€582,000)

**Gaming Halls:** 318

**Gaming Machines:** 4,382

**Gaming Hall GGR:** MDL54,643,343 (€3.5m)

Many players of course still flaunt the law and wager on foreign sites such as Party Gaming and Pokerstars and now the Moldovan government wants to tap into this market and the potential tax revenue.

In 2010, Moldova began to look at amending its legislation towards online gaming to not only bring itself in line with other European countries but to help its finances with a much needed tax revenue boost. Moldova looked at neighbouring Romania, which neither prohibited online gaming, or sanctioned it, but in doing so helped bail out the country's ailing economy.

In June 2010 the government announced a project financed by the EU which would look at changing the current gaming law. This was prepared by the Ministry of Economy and was developed with the assistance of the EU financed project 'Support for the Implementation of Bilateral Agreements between Moldova and European Union.'

The aim was to replace the existing gambling legislation with the intention of introducing an improved regulation to open up the online market.