



PIQUING INTEREST

Armenia looks set to follow the controversial gambling zone route, allowing gaming only in specific resort town locations from 2013

Armenia is one of the world's oldest civilisations and lies in the highlands surrounding the biblical mountains of Ararat where, according to the bible, Noah ended up parking his ark after the great flood.

As such Armenia was also the first country in the world to officially embrace Christianity as its religion back in the 4th century whilst the world's earliest shoe, skirt and wine producing facility was found here pointing to an advanced early civilisation back in the Bronze Age.

Back in the 6th century the Armenian empire reached its height and became one

of the most powerful in Asia with its empire stretching from the Caspian to the Mediterranean seas. However throughout its history the country has been invaded by a succession of empires from the Greeks, Romans, Persians, Byzantines, Mongols, Arabs, Ottoman Turks and the Russians.

Between the 16th century and the First World War Armenia was controlled by the Ottoman Turks and thousands of Armenians were massacred between 1894 and 1896 by the Turks. The most horrific was during World War I when the Turks ordered the deportation of the Armenian population to the deserts of Syria and

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Mesopotamia. Between 600,000 and 1.5 million Armenians were murdered or died of starvation during the Armenian Genocide. Armenia has been campaigning for official recognition of these events for over 30 years and they are commemorated each year on April 24 and called Armenian Martyr Day or Day of the Armenian Genocide.

The Russian army latterly succeeded in gaining most of Ottoman Armenia, but then later lost it during the Bolshevik Revolution. Eastern Armenia became independent in 1918 but this only lasted two years and was fraught with war and territorial disputes.

In 1922, Armenia was incorporated into the Soviet Union as part of the



Transcaucasia SFSR and this existed until 1936 when it was divided into three entities – Armenian SSR, Azerbaijan SSR and Georgian SSR. The Armenians enjoyed a period of stability under Soviet rule and during World War II was also spared from major devastation.

During the Gorbachev era of the 1980s the Armenians began to demand better environmental care for their country and tensions developed between Soviet Azerbaijan and its autonomous district of Nagorno-Karabakh. The Armenians were disillusioned with Gorbachev's inability to alleviate any of the country's problems and this fed a need for independence and in May 1990 the new Armenian Army was established.

TOURISM IS A KEY SECTOR AND HAS BEEN GROWING ANNUALLY AT A RATE OF 20-25 PER CENT.

In 1990 the country declared independence and became the first non Baltic republic to secede from the Soviet Union and in 1991, when the Soviet Union dissolved, independence was officially recognised.

The post Soviet days were initially marred by economic difficulties as well as fighting between the Karabakh Armenians

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and Azerbaijan. The Karabakh War ended after a cease fire in 1994.

Armenia is a landlocked mountainous country in the Caucasus region of Eurasia. It is located at the crossroads of Western Asia and Eastern Europe and is bordered by Turkey to west, Georgia to the north the Nagorno-Karabakh Republic and Azerbaijan to the east and Iran and the Azerbaijan exclave of Nakhchivan to the south. It is located between the Black Sea and Caspian Sea and is made up of 11 provinces – Marzer, Aragatsotn, Ararat, Armavir, Geghark'unik, Kotayk, Lorri, Shirak, Syunik, Tavush, Vayots' Dzor, Yerevan.

The terrain is mostly mountainous with rivers and forests. Mount Ararat is the highest mountain in the region and is now located in Turkey, but is clearly visible from Armenia.

Armenia is said to have the second worst economy in the world and is also the second most densely populated of the former Soviet republics. The economy shrank by 15 per cent in 2009 as an expat financed construction boom fizzled out, as did the world economy. As the country is virtually dependent on Russia and Iran for most of its energy supplies it is struggling to keep up with the rest of the world.

However, improved relations with Europe, Middle East and the Commonwealth of Independent States have also allowed Armenia to trade.

Per capita GDP is less than a third of neighbouring Turkey and inflation is running at seven per cent. On top of that Russia cut back on its diamond supply hurting Armenia's once thriving diamond processing industry. The country relies heavily on investment and support from Armenians abroad. Agriculture also plays a huge part and is around 30 per cent of GDP and 40 per cent of total employment. Current unemployment however stands at around 15 per cent.

Meanwhile tourism has been a key sector since the 1990s and has been growing annually at a rate of 20-25 per cent since 2000. More than half a million people visit each year, mostly ethnic Armenians from the diaspora, from Russia, Georgia, the EU and Iran.

Armenia was ranked 90th out of 139 countries in tourism figures. Deputy Economy Minister Ara Petrosian reckons the number of foreign tourists to visit Armenia this year is expected to rise to 800,000, whilst global tourist visits will hit the one million mark. He claims a string of events designed to mark the



500th anniversary of Armenian printing will bring more people to the country coinciding with an active advertisement campaign.

In 2011, the main increase in tourists came from CIS countries, Europe, South Asia and Japan with a total of 758,000 foreign tourists in 2011 up from 684,000 in 2010. The increase was attributed to advertising, participation in tourism events, surveys of tourists and seminars for foreign journalists covering this sector.

However, the cost of air travel and accommodation remains high by international standards and although there is a shortage of resources Armenia has been investing in new hotels, whilst outdoor activities and scenery are primary attractions.

Lake Sevan is the world's largest mountain lake and a popular summer tourist spot whilst skiing in the winter is a key attraction. Tourists are attracted not only by the biblical monuments, but by the hot springs of Arzni and Jermuk and the dense forests and caves, whilst the opera and theatre in the cities offer cultural breaks.

THE GAMBLING LAWS

The gambling sector is an important one in Armenia and boosts the country's economy providing much needed revenue for infrastructure and improvements. Although a small country it has neighbours like Iran and Turkey and is poised to benefit from these nations.

The Armenian population is small with barely one million living in the capital. The gaming sector is primarily made up of casinos, slot halls, sports betting and more recently the lottery.

Prior to independence the country operated under a cover of black market operations and it thrived underground. With the fall of the Soviet Union many businesses began to legalise themselves. The country has seen various laws introduced throughout the years. At the moment the country is governed by the 2003 law 'On Games with money prizes and gambling establishments.'

Back in 2000 the law called for casinos to be located no less than 50km from the Yerevan administrative border or 10km from the borders of regional cities. Then in 2003 the current gaming law was

In 2007 there were reports of foreign companies entering the Armenian market especially as there were changes in Russia around the same time. In 2007 the government received around US\$2.5m in terms of tax income from gambling businesses and one of the biggest investments came from Storm International which launched Shangri-La at a cost of US\$300m which was built on the highway out of the city.

introduced and came into effect in 2004. This didn't close casinos but merely shifted them to new locations.

The 2003 law was written with the intention of moving all Armenian casinos and slots hall outside of Yerevan. At the time it was reported that 49 gambling activities were moved outside of the city. The idea was to develop areas outside of the city in terms of investment and visitors.

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The theory was wealthy players can afford to drive or take a taxi to the casinos on the outskirts of the city keeping the lure of the casinos and slot halls away from youngsters and the less wealthy. However in the long term this



plan did not bring in the levels of investment to the cities outside of the capital that the government had originally hoped for.

In June 2009, as Russia's casinos prepared to close, neighbouring Armenia decided to amend their law of 2003. Titled 'On prize games and gambling houses' the law would ensure all casinos and slots were banned from the capital Yerevan.

This new law will come into effect from January 1st 2013 and will basically only allow casinos and gambling halls to be operated in certain resort towns. The idea is to remove all the casinos and slot halls from Armenia's centre and locate them in the territories adjacent to Yerevan. The goal behind the policy is to bring more tourists to these regions whilst removing gambling from urban areas.

The new law is part of an overall project to increase tax in the country to generate around AMD101bn in additional revenue for the government. The casino and slot halls are targeted alongside tax increases for various other sectors such as alcohol, petrol and car tax.

THE GOAL IS TO STIMULATE TOURISM IN RESORT SITES WHILE ELIMINATING GAMING FROM URBAN AREAS.

The Armenian executives approved revisions to the law stating that all slot halls and casinos should be located in the administrative territories of Tsakhkadzor city (Kotayk region), Jermuk community (Vayots Dzor region) and Sevan (Gegharkunik region). They will also be permitted at Zvartnots Airport and 'Yerevan' free trade zone. This law was passed in April 2010.

The new proposal aims to tether gambling activities to the tourist areas whilst also requiring a significant investment for the development of the casinos to introduce larger style casinos. The idea stems from the Russian Federation's 2007 gaming law which saw

It has also been stated in the Armenian law that casinos and gaming activities should only be organised in hotels with more than 125 guest rooms. This, the government hopes, will help consolidate businesses. However if a casino wants to invest at least AMD37bn (\$100m) in building a 5 star hotel and casino complex in Yerevan, basically this would be considered.

four separate gambling zones isolated from the capital. Of course that didn't entirely go to plan.

Some however believe the new law is contradictory. By placing casinos in the major resort towns, which currently promote spas, health and sport they will now lose their role as resort towns and are concerned that gambling and health resorts cannot live hand-in-hand. Meanwhile, others believe the initiative can only promote the development of tourism in Armenia.

Casino operators are currently reluctant to comment on the changes and many will be forced to close and then re-invest in development elsewhere. A costly venture.

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Armenia: Vital Statistics

Capital: Yerevan

Population: 2,967,975

Land Area: 29,743 sq.km

Median age: 32.2 years

Languages: Armenian (official), Yezidi, Russian, other

Ethnic Groups: Armenian (official), Yezidi (Kurd), Russian, other

Religions: Armenian Apostolic 94.7%, other Christian 4% and Yezidi 1.3%

Currency: Drams (AMD)

Government: Republic

Chief of State:

President Serzh Sargsian

Head of Government:

Prime Minister Tigran Sargsian

Elections:

President elected by popular vote for five year term. Next election to be held February 2013. Prime Minister appointed by president based on majority or plurality support in parliament.

Casinos: 11

Casino GGR: AMD275m (€500,000)

Gaming Halls: 79

Gaming Hall GGR: AMD410m (€800,000)

Total GGR: AMD1bn (€2m)

ARMENIA - GAMING INDUSTRY STATISTICS

NUMBER OF:	2008	2009	2010	2011	2012
CASINOS	15	12	10	10	11
SLOT HALLS	118	97	90	92	79
LOTTERIES	4	4	3	3	5
GGR CASINOS (AMD)	400m	300m	250m	275m	
GGR SLOT HALLS (AMD)	585m	485m	455m	410m	
GGR LOTTERIES (AMD)	400m	400m	300m	400m	
TOTAL GGR (AMD)	1.3bn	1.2bn	1bn	1bn	

Prime Minister Tigran Sargsyan said: "If investors introduce a business proposal exceeding \$100m the RA National Assembly will allow the RA government to approve them."

Existing casinos have been given until 2013 to close down. The new criteria would apply to companies wishing to obtain a licence to run such a business from 2013. Casinos will now be in premises with a total area of not less than 250sq.m and slot halls should be at least 100sq.m in size. The buildings must also be 500 metres away from educational, historical, cultural, governmental or health institutions.

Under the new bill the basic duty for setting up slot halls will increase from the current AMD5m to AMD50m whilst for casinos it will increase from AMD25m to AMD400m per year. The changes eliminate fixed payments for tables and slot machines. Currently the amount is AMD5m for slot halls and AMD25m for casinos and the monthly fixed payment fee for equipment is AMD4m per gaming table and AMD125,000 per slot machine. Parliament also suggests that a maximum casino tax should be set at AMD1bn.

CASINO GAMING

The numbers of casinos and slot halls have fluctuated significantly over the years. Many have had their licences revoked whilst others have simply closed.

Back in 2006 there were 18 casinos in Armenia plus 51 gaming halls. At the end of 2008 there were 15 casinos, 118 slot halls and four lotteries with a total of AMD1.3bn collected in revenues.

At the end of 2009 there were 12 casinos plus 97 slot halls and four lotteries. The state collected a total throughout the year of AMD1.2bn

At the end of 2010 there were a total of 10 casinos, 90 slot halls and three lottery

licences. The total for the year amounted to AMD1bn.

At the beginning of 2011 there were a total of 10 casinos, 92 slot halls and three lottery licences and at the beginning of 2012 (February) there were 11 casinos, 79 slot halls and four lotteries.

The majority of casinos are located on the outskirts of Yerevan and mainly on the highway to Yerevan from the airport or other directions.

Shangri-La Casino in Yerevan is one of the most luxurious casinos belonging to Storm International Group. It was formerly known as the Cleopatra Casino and was owned by the Multi Group. Storm purchased it and then invested US\$3m in the reconstruction of this casino and renamed it Shangri-La. It was officially opened in 2008 and is the company's flagship and styled in art deco with fine Armenian mosaics and Tiffany stained glass.

There is Italian Cuisine restaurant called Michelangelo Lounge, three bars, live music concerts and show programmes. The total area is 2,400 sq.m and the casino has 24 tables and over 100 slots whilst VIP players have the XO Club. The casino charges a \$100 entrance fee which is exchanged for chips to play with. There are also club cards for additional services such as free entrance, free bar and restaurant. The casino is located on the 10th km of the Yerevan Sevan highway and just 40 minutes from Zvartnots Airport.

Storm International also runs entertainment facilities in Germany, Mexico, Romania, Belarus and Russia. Meanwhile, Storm also owns and manages Hollywood Entertainment with over 900 slots in two large facilities in Mexico. There are also nine slot halls in Germany with four more planned to open this year.



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General Manager,
Storm International.

Storm's General Manager, Mark Bradshaw said: "At this point in time we are now planning to change our business model due to the changes in the gaming law in Armenia."

Alsart Group is a Russian company which deals with Russia, Ukraine and CIS countries primarily selling used slot machines and internet terminals and also managing a chain of sport poker clubs where they are permitted.

They opened an office in 2008 in Yerevan and began to offer a range of gambling equipment and casino accessories from slots to roulette and chips. The company also used to operate the Senator Casino in Yerevan, which at the time housed 100 slots and 18 tables. Alsart sold this venture a year ago due to "cultural and



political difficulties faced in Armenia.”

LOTTERY AND BETTING

Until 2009 the lottery didn't exist in Armenia. In 2009 the government launched a monthly national lottery based on an eight digit number which was printed on the back of sales receipts. The idea ultimately was to encourage customers to get their cash register receipts from the retail outlets and therefore help stop the retail industry from avoiding taxes. Cash prizes of up to US\$16,000 could be won for winning numbers. The first live lottery draw took place live on Armenian Public TV H1 on February 6, 2009.

Then in November last year, the Ministry of Finance and Canadian Amaya Gaming Group signed an exclusive 10 year

agreement for the implementation of a national lottery system and to also provide central reporting and integrity services in Armenia.

In 2011, the government introduced a national lottery which would operate like the Sportloto lottery run during Soviet times. The government and Canadian gaming group Amaya set up a joint company in October 2011 called Amaya Armenia with a capital of AMD200m.

Amaya Canada invested US\$28m in the form of technical equipment and the income from the lottery will be distributed evenly between the shareholders. The Ministry of Finance expects the partnership will secure several billion drams annually in additional revenue with around AMD2bn in revenue

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 President and CEO,
 Amaya.

expected in 2012 and AMD7bn in 2013.

The companies will provide lottery programmes through both traditional sales channels and SMS whilst the government announced that Amaya will also set up a centralised control system which will collect all data in a central server from all gaming devices. This they claim will help prevent fraud and money laundering, whilst protecting the gambler. In the first stage of this set up Amaya provided US\$4m worth of equipment.

Amaya will install the Amaya Central Reporting Module (CRM) on all electronic gaming devices operating in Armenia for the next 10 years. This will provide the government with real-time reporting tools to capture and monitor gaming transactions, improve tax efficiency and promote gaming integrity.

David Baazov, President and CEO of Amaya said: “We are very pleased to begin a mutually beneficial long-term relationship with the government of Armenia. Our lottery and integrity solutions are providing us with a platform to expand our technology footprint and grow our relationships with customers in new jurisdictions.”

Sports-betting in Armenia accounts for 0.3 per cent of the online sports betting market. Armenian company Vivaro Betting LLC was issued a licence by the Armenian Ministry of Finance in November 2008 and is today one of the leading bookmaking companies in the region operating under the Vbet banner. Bets can be made on all types of sports from football, tennis, basketball, ice hockey, baseball, boxing and cycling.

Vbet was established back in 2003 as Vivarobet and set up land based sports betting outlets which later followed with online facilities. Today, the company has licences for online betting, casino and poker (vivaropoker.am) in Armenia.

Vbet's Zaruhi Surmenyan said: “We have customers not only from Armenia. We have a website called vbet.com which is popular abroad in the countries near to our region. We are also getting a licence in Malta and soon vbet.com will operate under that licence. Vbet.am will continue to operate under the Armenian licence.”

The website is available in 19 different languages. Meanwhile, Vbet currently has 120 bookmaker shops in Armenia which are both franchised and privately operated. They operate up to 6,000 live matches per month for all types of sports and up to 20,000 live videos per year. The second largest sports betting operator in Armenia is Totobet followed by Eurobet.