



Kazakhstan

Still a dreamland for gamblers?

The phrase 'dreamland for gamblers' is frequently mentioned when you research gambling in Kazakhstan. Not an obvious analogy looking from the outside in, but one, which was until recently, 'on-the-money'

Gambling was legalised in Kazakhstan over a decade ago in 2007 when President Nursultan Nazarbayev signed a law to regulate the gambling market. The idea was to stop the glut of casinos spreading throughout the country and confine them to two main geographical areas.

The law basically divided the country into 'north' and 'south' zones for gambling and forced all the casino and slot hall operations into these two Las Vegas style enclaves.

The northern zone is located in Borovoe, Shchuchinsk (Akmola region) near to the capital Astana within the territories determined by local authorities, whilst the southern zone is on the coast of the Kapshagay reservoir in the Almaty region.

Prior to the law in 2007 there were said to be a staggering 126 casinos, 856 gaming tables, 24,000 slots, some 2,000 gambling halls and 53 bookmakers registered.

Today that figure is considerably lower. There is currently one casino and one slot hall (inside the casino but on a separate licence) listed in Borovoe and in Kapshagay there are six casinos, six slot halls (inside the casinos) and four separate slot halls.

According to Gulmira Bergenova, Executive Director of the Supervisory Board of the Self Regulating Organisation of Betting and Lottery Operators, the drop in numbers is also a result of tax hikes which came after the law changes.

She said: "The transfer of gambling activities (casinos, slot halls) into the gambling zones took place in April 2007. As in any normal business process the strongest remained. In addition, the process of natural selection is influenced by the serious marketing costs of casino and slot hall owners – in the struggle for clients they constantly draw expensive prizes (cash and premium cars) and arrange performances of stars.

"At the same time the state pursues a policy of serious and consistent increase in tax rates in the gambling business – two times in the last four years – thus restraining the widespread distribution of gambling institutions and social tensions associated with the negative consequences of gambling addiction."

When the law was introduced operators had three months to move out of the cities into the gaming zones. Not all could afford to move due to the high investments and higher taxes involved. Many began to re-invent themselves as poker rooms or bingo clubs and some transformed into

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Essential information and facts about Kazakhstan:

Capital	Astana
Total Area	2,724,900sq.km
Population	18,556,698
Median age	30.6 years
Religion	Muslim (70%), Christian (26%)
Ethnic Groups	Kazakh (63%), Russian (23%), Uzbek, Ukrainian
Languages	Kazakh, Russian
Currency	Tenge (KZT)
Government type	Presidential Republic
Chief of State	President Nursultan Abishuly Nazarbayev
Head of Government	Prime Minister Bakytzhan Sagintayev
Elections	President elected by popular vote for five year term (renewable). Last election was in 2015.



Between 2010 and 2015 there were up to 1,000 betting shops in existence in Kazakhstan. Betting targeted lower income brackets and enabled citizens to gamble. The move to shift all the casinos to the two regional zones was to help regulate what was a rather grey area in terms of operations. Although the number of casinos dropped, tax revenues rose.

night clubs or cafes whilst others merely went underground, simply closed or moved over to Bishtek in neighbouring Kyrgyzstan.

For those that moved, the empty locations were swiftly taken over by betting shops and this sector mushroomed. Between 2010 and 2015 there were up to 1,000 betting shops in existence in Kazakhstan. Betting targeted lower income brackets and enabled citizens to gamble.

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Taxes have always been high and as one source said: "If you are paying the requested taxes you are working at a loss."

The OECD.stat reports that total gambling tax revenue in 2014 was T7.5bn compared to T9.2bn

in 2015 and T12bn in 2016. Of this casino tax revenue was T5.1bn; T6.6bn and T7.2bn respectively.

Between January and July 2018 tax from gambling amounted to T15.6bn - a huge increase from the same period the previous year when it was T6bn. Back in 2005 taxes from gambling establishments paid T370.2m to the budget.

GAMBLING LAW

The law in 2007 'On Gambling Business' No. 219-3 prohibited online casinos but permits casinos, gambling rooms, bookmakers and totalisator. Licences are issued for a 10 year period. The law states the following:

- Casinos must have at least 30 tables (this was increased from 20 in January 2018).
- Slot halls must have at least 60 machines minimum (this was increased from 50 in January 2018).

- Players must be 21 years minimum.
- Percentage payout must not be less than 90 per cent.

It placed casinos and gaming halls in the Kapshagay area (Almaty region) on the shore of the Kapshagay reservoir. Kapshagay is located on the Ili River and the construction of the Kapshagay Dam in the 1960s forms the reservoir which is popular with beach goers. Population is almost 57,000.

In this region the six casinos are Bellagio, Macau, Flamingo, Astoria, Bombay and Royal Plaza whilst the four individual slot halls are called Tornado, Zolotoe Runo (Golden Fleece), Eldorado and Grand Victoria.

Shchuchinsk is a city in the northern area of Kazakhstan and has a population of around 45,000.

In Shchuchinsk (Akmola region) the only casino open is CashVille which is said to be one of the largest and most luxurious casinos in Central Asia and located in the Rixos Borovoe Hotel. It is operated by East Casino Management which also operates Astoria and Bombay in Kapchagay.

Most of the landbased casinos belong to Russian operators and the black market operations are said to be controlled by Uzbekistan groups. They cater to high rollers mostly and an entry fee (in chips) is around \$300 to \$500, a huge sum which the government introduced with the theory - if a player was willing to drive an hour from the city to a casino and pay the entry fee then they had the income to play - therefore placing it out of reach for most Kazakhstan locals.

Online poker is extremely popular and last year Borovoe hosted the Eurasian Poker Tour here which was the largest poker tournament in the history of Kazakhstan.

Classic tote at the hippodrome is no longer accessible but thanks to gaps in the legislation, businesses operating under a tote licence are working as bingo halls for example and offer gambling under the guise of betting on the tote. Amendments are now due to be made to prohibit any bets in the tote other than running and racing and in the bookmaker offices on everything except sporting events.

The latest tax increases were introduced earlier this year under Article 536 of the Tax Code in January 2018 basically doubling taxes for most operations.

The rates now include:

- Casinos - 25,000 monthly MCI; annual licence fee is 3,845 MCI and new monthly tax fee is 1,660 MCI per gaming table or T3.9m (previously tax was 830 MCI).
- Slot machines - 25,000 MCI; annual licence

fee is 3,845 MCI and monthly tax fee is 60 MCI per machine or T144,300. Previously it was 30 MCI.

- Bookmakers - 20,000 MCI; annual licence fee is 640 MCI plus monthly tax fee is 300 MCI per one bookmaker office counter or T721,500). Previously tax was 150 MCI.
- Totalisator - 5,000 MCI; annual licence fee is 640 MCI and monthly tax fee is 300 MCI per one totalisator office counter or T721,500. Previously it was 150 MCI. (1 MCI is approximately US\$7).

GAMBLING OFFERS

When casinos moved to their Las Vegas style enclaves bookmaker bets began to grow significantly. New electronic payment machines, designed to ease the purchase of phone credit or pay utility bills, were adapted so anyone could place a bet and these are located in high traffic locations such as grocery stores and bus stops.

Olimp was the first offline betting shop and fast became the largest with around 70 per cent of the market. Around 2010 the company began to offer franchises and by entering the bar market with their brand the number of available betting locations grew immensely. Olimp was founded in 2004 and is one of the biggest bookmakers in Kazakhstan.

The slots accepted bets starting at T500 and although the legal limit for gambling is 21 many youngsters access these machines with little oversight. In the mid 2000s betting shops mushroomed and betting and totalisator essentially replaced the casino market.

Today there are said to be eight large bookmakers currently in the market including Olimp, Pari-Match, 1xBet, Profit, Tennisi, Finbet, Stavka.bet, Eurosport and Fairplay plus there are some 10 smaller operators working in the cities.

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In 2012 VIP betting began to enter the market which brought high end gambling into the market place and operators began to charge \$100 to \$200 for entry into the betting shops which offered betting in more upmarket locations.

Although the illegal installation of gaming machines are subject to hefty fines or imprisonment it is said one gambling machine can bring in an operator T40,000-T100,000 per day depending on the location.

For example the news service Kazpravda.kz reported the seizure of an underground casino



found in a sauna in Kyzylorda region at the beginning of this year.

Operators who have offline betting shops can apply for an online licence but only for betting. Online casinos are forbidden entirely, although it is impossible to completely block sites thus many defy the law.

As Bookmakers and totalisators can only be located in non-residential premises it makes it tough for operators to find good locations whilst the hardware and software must be located in Kazakhstan. Any financial transactions over and above T3m (around \$8,000) must be reported to the Financial Control Committee.

Meanwhile the National Lottery of Kazakhstan launched in September 2017. The lottery is operated by JSC Satty Zhuldyz which was awarded a 15 year contract with global gaming entertainment company Scientific Games, exclusively supplying all games, technology and services.

Satty Zhuldyz won the bid to run the Kazakhstan lottery after a new 'On Lotteries and Lottery Activity' law was introduced back in 2016.

In February 2017 after a competitive bid process, the government contracted the lottery operator Satty Zhuldyz led by CEO Alexandr Ten. The first games were launched with Scientific Games'

A THIRD ZONE

Last year the government decided to develop plans for a third gambling zone whilst opening up the zones within the two existing gaming areas.

The government is now supporting new gambling zones in the tourist region of Almaty specifically in the Akbulak zone aimed at attracting foreign gamblers from China and in the Khorgos zone for gamblers in the western region of Kazakhstan and also in Mangistau.

Mangistau is in south west Kazakhstan on the east coast of the Caspian Sea. It is 165,600 sq.km and population of 373,000. The region includes two main cities, the capital Aktau and Zhanaozen and five rural areas.

The Ministry of Culture and Sports began work on a draft law 'On Amendments and Additions to Certain Legislative Acts of the Republic of Kazakhstan on Gambling' in October last year. The bill reads:

"Location of casinos and gambling houses is prohibited on the territory of Kazakhstan except for the following territories: Coast of Kapshagay lake, village of Akbulak, Talgar region, Khorgos international centre of border cooperation in Almaty region, Shchuchinsk district of Akmola region and Mangistau region.

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internet based FlexSys instant ticket gaming system which was followed with the integrated AEGIS lottery gaming system launched in March 2018, which supports instant tickets and three draw games: Lotto 6/49, Keno and 777 plus instant lotteries.

By June this year, there was a network of more than 1,000 lottery retailers. The National Lottery is run in partnership with the Kazakhstan government which also partnered with Fastrack Lottery Solutions to provide new scratch dispensers and marketing material.

The turnover of the lottery benefits sports development organisations to specifically support the Kazakhstan Ministry of Sports and Culture and the Olympic team.

Scientific Games said: "The National Lottery of Kazakhstan is already planning to expand the instant product portfolio, increase the frequency of the Keno draw, develop the interactive sales channel and add bingo."

will be provided within the frameworks of the territories by the local executive bodies in coordination with authorised body in compliance with the land legislation of Kazakhstan."

The creation of a gambling zone in Akbulak zone is part of a plan for a tourist cluster of 'alpine skiing + casino+ golf' at the Akbulak International Tourist Centre which will compete with international resort areas.

The direct budget benefit from the gambling business planned for this zone is anticipated to amount to T550m (\$1.5bn) annually in the form of gambling taxes and related payments to the budget.

Meanwhile last year the Ministry of Culture and Sports presented a draft law to move the bookmakers and sweepstakes into the two gambling zones whilst also creating a single betting operator.



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The Ministry of Culture and Sports wants to bring in five changes – three of which include:

- Firstly there are plans to ban slot machines outside of casinos which will see an end to slot gambling halls. This could see some 400 jobs lost and a loss of around T900m annually to the state budget. It is impossible to adapt machines for the casinos and businesses face bankruptcy.
- Secondly it was proposed to introduce a single operator for bookmaking and totalisator and rate centre which would monopolise the market and lead to lack of competition and black market operations
- Thirdly the operators of gambling business will have to allocate 15 per cent of their net profit to the development of sports.

The Ministry believes these changes will help lift the market out of its grey situation and bring transparency. But the industry begs to differ. They say more than 70 companies will lose their licences and the changes mean their market will no longer be attractive to investors.

Gulmira Bergenova said: "We are against such a development. The issue of transferring of the activities of the bookmakers and totes into gambling zones is no longer being considered since the authorised state body could not prove

the necessity and effectiveness of this measure in the context of the spread of internet and new technologies.

"On the issues of banning slot halls and the creation of a single betting operator instead of bookmakers and totes, the Ministry of National Economy and Atameken National Chamber of Entrepreneurs are strongly opposed, as this is a loss of investments already made and may adversely affect the country's investment attractiveness in the future.

"The system of checks and balances works well here, which does not allow some government bodies to consider industry problems in isolation from general economic tasks."

The bookmakers association of Kazakhstan was founded in 2013 and in 2017 they created a voluntary self regulating organisation of bookmakers (SRO Bookmakers) with founders of the market which make up 90 per cent of the market.

The association says the bookmakers paid out around T10bn (\$27.4m) in taxes during the first half of 2018. They have launched an appeal against the introduction of the single bookmaker operator saying it will lead to the demise of the bookmaker/sweepstake sector and could cost some 2,500 jobs.

TOURISM GROWTH

Tourism is still relatively small in Kazakhstan but is increasing and because of that there is a growing demand for Kazakh hotels and accommodation.

The government has implemented a plan to develop the tourism industry in Kazakhstan until 2023 via company JSC Kazakh Tourism.

The number of tourists grew by 21 per cent last year with a high number of visitors from Germany, UK, Japan, Korea and China. There were 6.5 million tourists last year most of which go to Astana whilst the number of hotels and hostels has increased from 36 to 95. Tourism expenditure amounted to \$1.7m. There is now a plan in place to attract more tourists via business, recreational and medical tourism. By 2025 the government hopes the share of tourism will reach eight per cent of the GDP.

Kazakhstan is the most economically advanced of the 'Stans' and generates 60 per cent of GDP in Central Asia, thanks to its abundant oil and natural gas reserves and has reasonably high standards of accommodation, transport and restaurants. Total GDP in 2017 was \$160.84bn and \$8,841 per capita.

Unemployment is around five per cent. This goliath country has a mixed ethnic bag whilst visitors are drawn and intrigued by its emptiness



Meanwhile the Kazakhstan Horseracing Association (KHA) which was set up in 2012 has plans to build a huge horseracing park called Kazakhstan Horse Racing Park (KHP) of 113 hectares in size. The association has obtained the relevant MOUs from various partners including the China Complete Plant Import and Export Corporation (COMPLANT) and Japan Racing Association Facilities (JRAF) and is expected to begin construction next year (2019) and will be open to the public by 2021 with a soft launch and a full completion by the following year.

The project will include an amusement park, shopping centre, medical centre, VIP villas and stable facilities for up to 700 horses, a grandstand for up to 6,000 people and hotel and casino.

There will be a 1,600m track to host racing distances from 1,000m to 2,400m. It is predicted horse racing will be responsible for 36 per cent of the Park's income and the casino 21 per cent. It will be located 20km from Almaty and is said to become the world's largest cryptocurrency based integrated facility development.

The park will feature an open source platform operated by a new crypto currency called 'Pegasus Coin' which will hold all the information gamblers need about the horses and the new currency will require special wallets for any of the services from gambling to shopping.

Gulmira Bergenova is an Advisor on GR for the KHP said: "KHA is currently fully focussed on preparing and finalising the groundwork to release our Initial Coin Offering in the fourth quarter of 2018. Thereafter the funding for the

KHP project will be made available to begin construction.

"KHA expects construction of the park to be a streamline process where funding from the ICO is obtained and released immediately for the construction to being in early 2019.

"Throughout the year the KHA team has methodically prepared for important events leading up to the ICO to ensure the success of obtaining the required funding. The KHA team attended three blockchain conferences and events and each of these events were well received and it extended our presence to a wider crowd of investors.

"Meanwhile as KHA moves closer to the construction date the blockchain team continues to develop and adhere closely to the stipulated timeline of completing several blockchain projects such as the Equine Registry Blockchain Platform, Flash-pay wallet and analytical tools for horse price arbitraging."

Horse racing in Kazakhstan is popular and deeply rooted in culture although the current 15 racetracks have never met international standards. The most renowned horse racecourse is the Almaty Hippodrome which was established in 1930 and caters for 3,000 spectators but technology is outdated.

The new Kazakhstan Horse Racing Park will also include up to 20 off site betting stations located in cities to allow customers to place bets remotely using the Pegasus Coin and will cater to over 18 million people. The project is due to cost around US\$247m and generate \$500m in its first year of operation.