

# Finland

## Frozen in time?

Despite consistent calls to bring an end to the monopoly the Finnish government holds over its gambling market, the charitable support they give means the control continues

A reform of the Finnish Lottery Act saw the three state owned companies – Veikkaus, RAY and Fintoto – all merged to form a single company in January 2017, whilst a new reform will see other measures put into place which includes the compulsory identification of slot machine players and amendments concerning licences for non-money lotteries, guessing games, bingo games and non-money prize machines.

Measures will also be taken to prevent the operations of gambling providers outside of the exclusive rights systems in place via Veikkaus.

The Finns spend around €2bn a year on various games of chance and wager the most in Europe with 80 per cent of the population gambling in some form every year.

The Finnish gambling market is directly controlled by the state through a government monopoly with funds channelled back into Finnish society.

Marketing slogans suggesting that even when players lose a bet 'A Finn always wins' helps promote and advertise gambling widely and as such the market has always been a tightly run, successful ship.

It wasn't always the case however. Gambling at one time was prohibited. Finnish lotteries were held as far back as the 17th century but in the 19th century, under the control of Russia, lotteries gradually ceased to operate and gambling was considered illegal.

After independence in 1917 permission to run gambling in Finland was granted and the first lottery was held in 1926 followed by slots arriving on the scene when the Payazzo machines were imported from Germany by private operators.

However the public began to complain that private businesses were taking advantage of people's need to play the machines and in 1933 the state intervened and issued a decree giving charitable organisations the exclusive right to operate slot machines. This resulted in competition between various organisations and so a new decree was issued in 1937 which specified that a new association should be set up and given the exclusive right to carry on gaming operations, whilst using its gaming revenue to fund the promotion of public health.

And so Finland's Slot Machine Association Raha-Automaattiyhdisty (RAY) was launched a year later in 1938 and was established by eight charitable organisations together with representatives of the Finnish state. RAY began its operations in April 1938 and also began to manufacture its own machines at this time.

Meanwhile Veikkaus Oy, the Finnish National Lottery was set up in 1940 to control the football pools and the lotteries and Fintoto Oy, the third monopoly group, was set up in 2001 to govern horse racing pari-mutuel betting whilst providing funds for the Finnish Trotting and Breeding Association Suomen Hippos. There are 43 race tracks in Finland and the most popular sport in Finland is Harness Racing.



The three companies controlled the various markets until May 2016 when under a reform of the Lottery Act it was decided to establish a new company and merge the three state companies.

Finland's Committee on Economic Policy announced the merger of the three monopoly companies in a bid to strengthen the country's commitment to reducing the social harm said to be caused by gaming.

All the shares of Fintoto were acquired by Veikkaus and RAY was transferred to the company as an asset deal whilst the shares of the old Veikkaus were transferred as a contribution in kind. A temporary integration of the companies took place with a new board of directors under the temporary name FRV Evo Oy.

The reformed company was later renamed Veikkaus Oy and began business on January 1 2017. Today Veikkaus Oy has a total of two million Finnish customers, nearly 2,000 employees and dishes out around €1bn in grants each year.



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*Minister of the Interior, Kai Mykkanen*

#### MORE CHANGES

Meanwhile a new reform of the Lottery Act launched by the Ministry of Interior will prepare legislative amendments concerning the compulsory identification of slot machine players and amendments concerning licences for non-money lotteries, guessing games, bingo games and non-money prize machines.

Measures will also be taken to see how to improve Veikkaus' capacity to channel the demand for gambling and to prevent the operations of gambling providers outside of the exclusive rights system.

The proposals were due to be submitted to parliament in October and are expected to be completed by March 2019.

The identification process means players, who currently must identify themselves when they play Veikkaus online games, would also need to

identify themselves with slot machines in venues (excluding those in arcades) making it possible to introduce restrictions to manage at-risk gambling in slots.

This would be entered into force by January 2022 following a transition period and will enable the authorities to monitor the age restrictions for players more effectively.

Minister of the Interior Kai Mykkanen said: “Gambling researchers, gambling addicts and their families and friends are concerned about the problems caused by slot machines played in shops and kiosks. The aim is that in future slot machine players could set gambling restrictions on themselves. With this legislative proposal we will also reduce the administrative burden of voluntary activities, for example by simplifying licence processes for lotteries.”

This would work by players using the Veikkaus

Card before they could play the slots making sure the 18 years age limit is adhered to and would involve all slots located in shops, petrol stations and kiosks. At this stage machines found in Veikkaus arcades can still be played without identification.

The Ministry is now working to prepare the technical implementation of the identification and restrictions set on game accounts.

Meanwhile as part of the deregulation process the government plans to simplify licence and notification procedures relating to non-money lotteries, bingo games and non money prize machines. At the moment licences for non-money lotteries are given for six months which can make some fund raising projects difficult and in future the licences will be issued for a year at a time.

The maximum length of the financial period for



### Essential information and facts about Finland:

<b>Capital</b>	Helsinki
<b>Total Area</b>	338,145 sq.km
<b>Borders</b>	Land borders with Norway, Sweden and Russia and 1,250km coastline with the Gulf of Bothnia, Baltic Sea and Gulf of Finland.
<b>Population</b>	5,518,371
<b>Median age</b>	42.5 years
<b>Religion</b>	Lutheran (71%), Greek Orthodox, other
<b>Ethnic Groups</b>	Finnish (93%), Swede, Russian, Estonian
<b>Languages</b>	Finnish, Swedish, Russian
<b>Currency</b>	Euros
<b>Government type</b>	Parliamentary Republic
<b>Chief of State</b>	President Sauli Niinistö (since 2012)
<b>Head of Government</b>	Prime Minister Juha Sipilä (since 2015))
<b>Elections</b>	Last held 2015 and next due to be held April 2019
<b>Unemployment</b>	7.6 per cent
<b>Tourism</b>	The number of visitors to Finland reached 3.1 million in 2017 and total expenditure for tourism in 2016 was €13.8bn of which foreign inbound tourism was €3.6bn. In 2017 there were 15.2m overnight stays.



“The Finnish gambling market totalled an estimated €1.46bn in terms of GGR in the period January to September. Veikkaus’ share of the total market was about 89 per cent. The development of the regulatory environment, among other things, has led part of the gaming to take place with foreign operators.”

*Olli Sarekoski, CEO and President of Veikkaus*

which accounts on the bingo need to be rendered is also extended from six months to 12 months and the limit for the combined sales price of tickets in a small lottery run without a non-money lottery licence will be raised from €2,000 to €3,000. These amendments should be in force by autumn 2019.

#### VEIKKAUS

Veikkaus Oy is now a limited liability company fully owned by the Finnish state and operates under regulations set by the Lotteries Act which gives them the exclusivity on all aspects of gaming.

Veikkaus is headed by President and CEO Olli Sarekoski who says the company’s first year of operations had gone ‘according to plan’ regarding the core strategic areas.

Veikkaus profit for 2017 was €1.02bn during its first year of operation. Turnover was €3.2bn and the GGR was €1.77bn whilst the company has more than two million front end customers.

Around 58 per cent of the turnover came from the retail sales network whereas 42 per cent came from digital channels. Veikkaus has divided the company into three game categories: Slot Machines and Instant Games; Lucky Games and Skill Games.

More than 200 new games were released last year including Kulta Jaska 2 slot machines which were launched in May as a slot and also online game and proved the most successful game.

Meanwhile at the beginning of this year Veikkaus announced it would focus more on its

digital gaming sector and as such would stop offering table games at restaurants. At the moment Veikkaus has 187 gaming tables in 162 restaurants. The plan now is to reorganise the support functions of the games as well as their retailer and chain cooperation.

The company says the move will help to reform its cost structure and boost efficiency across its operations but is set to cut around 400 jobs as a result of the changes. The company currently employs around 2,000 people.

Mr Sarekoski said: “We want to ensure Veikkaus’ future in the middle of the ever accelerating digital competition. Players are increasingly switching over towards the digital channels and, as a result of the structural changes in retail trade, our point-of-sale network has experienced a drastic decrease over





the past few years. "That is why we are planning to introduce significant changes to our own points of sale, as well as to end the restaurant table gaming activities. In addition we are planning to make the organisation of the retailer functions more efficient."

Veikkaus offers the following:

Slot Machines and Instant Games represent the largest amount of turnover with 38.3 per cent (€1.23bn) and include scratchcards, digital e-instants, e-bingo and slot machines.

Lucky Games represent 35.7 per cent share of turnover (€1.15bn) and include Lotto, Eurojackpot, Vikinglotto, Jokeri and Lomattonni

Skill Games represents 26 per cent (€839.5m) and include fixed odds betting and live betting, odds betting, football pools, toto games and table games.

Prizes paid out amounted to €1.45bn whilst the company paid €212.8m in lottery taxes to the state plus €163.6m in compensations.

Veikkaus has 3,950 gaming locations, 87 Pelaamo and Feel Vegas arcades, 21,424 slot machines and 223 table games.

Meanwhile turnover for the third quarter of 2018 amounted to €2.3bn (a 2.4 per cent drop on the same period last year) of which 57.7 per cent came from retail and 42.3 per cent from digital channels.

Olli Sarekoski, CEO and President of Veikkaus said: "Gaming is undergoing a strong shift towards the digital channels. Although Veikkaus holds the exclusive right to operate gambling games in Finland, the gambling provision in the digital channels takes place in a competitive market in practice.

"The Finnish gambling market totalled an

estimated €1.46bn in terms of GGR in the period January to September. Veikkaus' share of the total market was about 89 per cent. The development of the regulatory environment, among other things, has led part of the gaming to take place with foreign operators."

#### ONLINE GAMBLING

Finland, as an EU member state, has faced and could face further pressure from EU authorities to change its stance on its online gambling monopoly.

Veikkaus reports that around 42 per cent of its sales are from online operations and claims it has around 90 per cent of the country's overall online market but still needs to compete with internationally licensed operators. There are an estimated 100 plus international sites offering Finnish language gaming on their sites, whilst the estimated sum of money Finnish people play on gambling games from abroad via the internet is around €200m.



# Reports

## FINLAND MARKET

### LOTTERY

VEIKKAUS LOTTERY

### LOTTERY REVENUE

€1.15BN (LUCKY GAMES)

### RACETRACKS

43

### BETTING REVENUE

(FIXED ODDS)

€379.8M

### HORSE RACING REVENUE

€108.9M (PARI-MUTUEL)

### SLOTS

21,424

### SLOTS REVENUE

€821.8M

### CASINOS:

1

### TOTAL TURNOVER

€3.2BN

In December last year the company announced a new responsible gambling programme requiring customers to set deposit and spending limits in advance. They also launched a TV advertising campaign to promote the new programme. Veikkaus' strategy now for 2019-21 is now based on a competitive monopoly status but offering games responsibly.

Olli Sarekoski added: "From the perspective of responsibility it is important that we can channel digital gaming towards Veikkaus games, which are subject to gaming restrictions that are unique even in the international setting.

"Our players have been able to manage their gaming by following the gaming restrictions to such a degree that problem gambling has decreased. Our first analyses indicate that the gaming restrictions have thus functioned properly and in the intended way. It is estimated that the gaming restriction concept will reduce the GGR from Veikkaus' digital channel by €30m a year."

The company reformed its online store [veikkaus.fi](http://veikkaus.fi) in April 2017 so the two separate game accounts - Game Account and Casino Account - were combined whilst the online tools for gaming were harmonised enabling players to control their gaming.

This was part of the game restriction concept prepared by the company in 2017. It included a new feature of a maximum limit on money transfers set by the player. Players can also block all their online gaming permanently or set game or game-group specific bans for themselves for any period of time they choose.





## VEIKKAUS GAME GROUP TURNOVER FOR 2017

GAME	2017	% OF TURNOVER
<b>Lucky Games</b>		
Lotto	€344.8m	10.7%
Eurojackpot	€213.8m	6.6%
Vikingloto	€85.3m	2.6%
Add on games	€105.6m	3.3%
Keno	€338.3m	10.5%
Other daily draw games	€66.8m	2.1%
<b>TOTAL</b>	<b>€1.15bn</b>	<b>35.7%</b>
<b>Slot Machine and Instant Games</b>		
Scratchcards	€138.7m	4.3%
e-instants and other digital games	€275.9m	8.5%
Slot machines	€821.8m	25.4%
<b>TOTAL</b>	<b>€1.23bn</b>	<b>38.3%</b>
<b>Skill Games</b>		
Fixed odds betting games	€379.8m	11.8%
Parimutuel betting games	€108.9m	3.4%
Football pools	€76.9m	2.4%
TGames	€101.3m	3.1%
Other Toto games	€130.5m	4%
Table games	€41.8m	1.3%
<b>TOTAL</b>	<b>€839.5m</b>	<b>26%</b>

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Meanwhile games with high event frequency such as casino games, bingo, must be set with daily and monthly loss limits on their gaming.

The company has undertaken several problem gambling studies and also launched an age limit campaign entitled Tunnetko pelin säännöt (Do you know the rules of the game?) which involved several sports associations and athletes raising people’s awareness that gaming age limit is 18.

Veikkaus offers some 200 online casino games digitally and has around 600,000 customers online weekly. Last year Veikkaus announced a new licensing agreement with NetEnt to supply a range of digital gaming options which are due to be launched during the first half of this year. The agreement is for a period of four years.

### PAF ÅLAND

At the beginning of last year the lottery laws and game supervision in both mainland Finland and Åland, were amended (January 2017) and a new

lottery supervision authority Åland Lotteriinspektion was also established.

This was set up in parallel with the already existing Poliisihallitus on the mainland Finland. The new interpretation from Poliisihallitus, as a result of the new monopoly regime, has so far prohibited Veikkaus from renewing its licence and they had to pull out from their Veikkaus activities on Åland.

Finland’s Åland province consists of around 28,000 inhabitants and a group of 6,500 islands between Finland and Sweden in the Baltic Sea.

Åland is governed by a separate local government and the gambling activities are handled by PAF (Ålands Penningautomatförening) owned and controlled by the government of Åland. PAF was founded in 1966 to bring all the Åland charitable organisations under one umbrella.

The first slot machines arrived in Åland in the



# Reports

## FINLAND MARKET



late 1950s and as tourism increased during the 1960s gaming expanded and table games arrived in the mid 1970s. In 1967 the Åland lottery Act was formed and today the sector is governed by the lottery inspectorate Lotteriinspektionen.

Since its foundation PAF has its head offices on the island of the autonomous region of Åland plus also offices in Helsinki, Stockholm, Tallin, Madrid, Riga and Oslo.

The company has grown since those early days when it offered the Payazzo slots. By 1973 PAF had the exclusivity to run slots on the Åland ferries and by 1999 had launched its website paf.fi offering online gaming. Later Paf.com was created and now offers gaming to Spain, Latvia, Estonia, Sweden alongside the home market.

The company sold its Italian subsidiary, Winga, in February 2017 to Maltese/Swedish gaming company Leo Vegas and also discontinued its collaboration with the Casino Sunborn in Gibraltar in late 2018 (sold to Admiral) which it originally opened in 2015 with Finnish hotel company Sunborn aboard the floating Sunborn Hotel. PAF will now focus on online gaming only in Spain and Gibraltar.

Latvia is PAF's latest market and the company operates the pafbet.lv site and received its gaming licence in June 2018 and also opened an office in Riga. PAF has also recently applied for gaming licences in the re-regulated Swedish market.

When internet gambling initially arrived in

Finland there were some problems between RAY and PAF who found themselves competing. PAF was offering online casinos and sports betting whilst RAY was sole provider of online gambling under the Gaming Act 2002.

The government stepped in and permitted both companies to operate concurrently, though with an added marketing ban for PAF on the mainland of Finland.

Today PAF offers various gaming activities from slots to table games, bingo and scratchcards onboard ships in the Baltic and North Sea and in 2003 the first landbased PAF casino opened on Torggatan in Mariehamn, later moving to the first floor of the Hotel Arkipelag on the waterfront in the city.





## Plans for a second casino focus on the new Tampere Central Deck and Arena project to be located in an old locomotive depot which is due to be completed in part by 2020. Tampere is a city in Pirkanmaa in southern Finland and is the third most populous municipality in Finland (after Helsinki and Espoo) with more than 200,000 inhabitants.

PAF operates gaming machines on Viking Line, Tallink Group, Eckero Group, Finnlines and Moby St Peterline plus since 2017 also on Norway's Color Line six vessels. All these make it possible for PAF to meet 65,000 potential customers daily.

Group revenue for 2017 was €116.5m (€113.5 in 2016) and during this year the company donated €18m for the benefit of society. GGR for online operations was €84.5m (€81.9m in 2016) and land and onboard casino revenue was €28.5m and the Åland landbased gaming was €3.3m.

The company has recently launched a loss limit system so customers may not lose more than €30,000 in a 12 month period. This is the first time a non monopoly operator has introduced a hard cap for gaming losses and is part of PAF's responsible gaming measures despite the fact PAF anticipates the measure to cost them about five per cent of its income. The loss limit came into force in September 2018.

### NEW CASINO

Casino Helsinki is the only casino at the moment in Finland although there are plans for

a second casino in the city of Tampere.

It was opened in 1991 and is open every day from noon until 4am for over 18s. There are 23 table games including poker and 20 TouchBet Roulette terminals whilst the 300 slots are from five main manufacturers – WMS, IGT, Novomatic, Spielo and Bally. There are video and reel slots and they operate the EZ pay system

The casino spreads across two floors and also houses bars and restaurant and the Sports Bar with 30 screens for various sports.

It moved to its current location in Mikonkatu, Helsinki in 2004 from its former location in Eteläinen, Rantakatu.

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Tampere is a city in Pirkanmaa in southern Finland and is the third most populous municipality in Finland (after Helsinki and Espoo) with more than 200,000 inhabitants.

It is wedged between two lakes and the rapids which link them are an important power source. The city is the birthplace of Finnish industrialism and today is hugely cultural and also known as the theatre capital of Finland. It is also an important railroad hub, has the largest trolleybus system in Finland and has its own airport in neighbouring municipality Pirkkala about 13 km southwest.

For 140 years the railway has linked Tampere to the rest of Finland and now a central deck will be built above the tracks to house a multi purpose arena. The Deck and Arena project connects the eastern and western sides of Tampere and will be a hybrid city block of housing, offices and entertainment and Finland's largest sports and events arena with ice rink which will house 13,000 spectators.

The casino will be linked to a hotel run by Lapland Hotels and is due to open in August 2021. The company has 17 hotels throughout Finland in the cities and ski resorts and opened its first hotel in 1938.

The casino will have its own street entrance and is expected to be the flagship for the Veikkaus company offering an estimated 80 to 120 slots and between six and 10 gaming tables, plus poker tournaments and sports betting. The casino will be 2,000 sq.m in size and employ 80 to 100 people.

The Arena project is worth €550m and being developed by property developer SRV and will include restaurant facilities operated by Restamax Plc, accommodation and entertainment services.

Although several locations were considered for the project and for Finland's second casino licence, the tourism and good transport connections in Tampere make it a popular choice. SRV was selected in February 2016 to develop the project. The entire site will be 120,000sq.m and include over 1,000 apartments and 285 hotel rooms. The first phase is due to be completed by 2022 and the whole area by 2024.