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Sweden

As Sweden attempts to bring in tighter restrictions for its online gambling sector in a bid to prevent an anticipated rise in problem gambling issues, the saying: "Don't use a sledgehammer to crack a nut" is more than a little apt.

Two years ago, Sweden's gambling market was re-regulated and a new online legislation and licensing system was introduced. The aim was to create a more sustainable market and wipe out illegal operations.

However, with tough restrictions recently introduced to control an anticipated increase in problem gambling during the pandemic, tensions are rising among online gambling operators who say this is now simply driving players back in the direction of black market operations; essentially undoing what the new law intended to resolve in the first place.

It's been a tough couple of years for Sweden's online gambling market despite the initial fanfare and huge expectations which accompanied the arrival of the new regulations.

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Many companies licensed in the sector saw disappointing revenue figures for 2019. There are issues with controlling the unlicensed sector whilst low channelisation rates are hindering the market and making it difficult for licensed operators. There are also claims that penalty cases against licensed operators are unjust whilst unlicensed operators are not penalised.

whilst low channelisation rates are hindering the market and making it difficult for licensed operators. There are also claims that penalty cases against licensed operators are unjust whilst, on the other hand, unlicensed operators are not sufficiently penalised.

As the Covid-19 pandemic struck in 2020 certain limits were introduced for online casino deposits

and bonus schemes, which will now continue until summer 2021 causing a huge backlash in the industry.

The restrictions were introduced to help counteract public concerns during the Covid outbreak surrounding probable increases in gambling activity and problem gambling. The Swedish government responded by introducing



temporary legislation (2020:495), which included a deposit limit at online casinos of SEK5,000 per week (per gambling provider) and the introduction of a stricter bonus limit of SEK100 (€8), plus obligatory time limits on playing time, which also applies to land-based gaming machines.

This ruling came into force on July 2, and

although it was only due to be continued until the end of 2020, this was recently extended until June 30 2021 thanks to a proposal by Social Security Minister, Ardalan Shekarabi.

There have been reservations over the new rules, even from the Swedish gambling authority, Spelinspektionen (SGA), who have queried how the deposit limit can be enforced, particularly in

stopping players from depositing via multiple casino sites.

The limits have apparently already affected online revenues whilst some say it has also pushed players over to unlicensed operators who are, of course, not subjected to the same restrictions.



“The Covid-19 restrictions have two obvious consequences. The first consequence is that high volume gamblers who play within the licensing system increase their number of accounts to several different gaming companies in order to avoid the deposit limit of SEK5,000.”

Gustaf Hoffstedt, Secretary General of BOS

Jenny Nilzon at trade association SPER explains: “SPER shares the government’s concern that social isolation and economic vulnerability due to Corona risks increasing mental illness for vulnerable groups. SPER therefore understands that under the current circumstances, with the alarming spread of the virus and the consequences of that, the government is extending the ordinance on temporary liability measures due to the disease Covid-19.

“Having said that, SPER wants to emphasise that it needs to be investigated whether or not it can be seen that a change in risk behaviour or increased gambling problems have occurred due to the pandemic. It is also important to analyse

whether applied gambling liability measures have had the desired effect and protected consumers. For SPER, gambling responsibility is long-term work where the measures need to be based on facts and impact assessments.”

In agreement is BOS (Swedish trade association for Online Gambling) which says the rules are misguided and need to be withdrawn. They claim the alleged increase in online play during the lockdown is unfounded.

Gustaf Hoffstedt, Secretary General of BOS said: “The Covid-19 restrictions have two obvious consequences. The first consequence is that high volume gamblers who play within the licensing

system increase their number of accounts to several different gaming companies in order to avoid the deposit limit of SEK5,000. Therefore, the gambling companies no longer get an overall picture of the individual players gambling behaviour. The possibility of taking protective measures against excessive gambling in accordance with the statutory duty of care is lost. The duty of care is the cornerstone of consumer protection in Swedish gambling regulation which is now largely put out of action by the government.

“The second consequence is a likely continued leakage from the licensing system. In the spring of 2020, the leakage from the Swedish licensing



Essential information and facts about Sweden:

Capital	Stockholm
Total Area	450,295 sq.km
Population	10.2 million
Median age	41.1 years
Religion	Church of Sweden (Lutheran 60% and other)
Ethnic Groups	Czech (64 per cent), Moravian (5 per cent), other
Languages	Swedes with Finnish and Sami minorities
Currency	Swedish Kroner (SEK)
Government type	Parliamentary Constitutional Monarchy
Chief of State	King Carl XVI Gustaf (since 1973). Heir apparent is Princess Victoria
Head of Government	Ingrid Alice Desiree Prime Minister Stefan Lofven (since 2014) President elected by vote for five year term. Next election 2023. Prime Minister appointed by President for a four year term.
Elections	Next elections due 2022
Unemployment	6.4 per cent (2019)
Tourism	7.4 million (2019)

“The second consequence is a continued leakage from the licensing system. This spring, the leakage from the Swedish licensing system was 25 per cent for online casinos, and that was before Covid-19. It can, without a doubt, be concluded that the Covid restriction does not have a beneficial effect on gambling consumers’ willingness to stay within the licensing system.”

Liability Measures due to the spread of Covid-19,’ was published on the Swedish government site asking for opinions. Svenska Spel responded on November 23 stating the following:

“We understand that there is a lack of sufficient information from the relatively short time that has elapsed since the regulation entered into force in order to draw some definite conclusions about the effects. However, it is Svenska Spel’s opinion that the players who hit the deposit and loss limits and time limits of one licensee, in many cases, continue to play with another gaming company on the same or another game format. Today, it is very easy to continue playing commercial games online with other licensed gaming companies and with gaming companies without the required licence where both deposit and time limits are not applicable, plus other gaming responsibility tools required by Swedish gaming regulations.

“Players who hit the loss or time limit on slots (Vegas) can just as easily continue to play similar games online with a large number of gaming companies and also with the

opportunity to play for larger stakes than those allowed via Vegas slots.

“A survey in October 2020 shows that as many as 86 per cent of Svenska Spel sport and casino customers played commercial online games at two or more gaming sites after July 1, 2020 and 28 per cent have played at five or more other gaming sites. Whilst 33 per cent of customer stated they have increased their commercial online gambling at other sites other than Svenska after they hit their limit at Svenska Spel and 55 per cent stated they play the same amount overall or more compared to that played before the regulation was introduced.”

The ATG horseracing operation has not seen any limits imposed and this has also caused some consternation in the industry. Meanwhile, a report by Frontiers in Public Health, published in September 2020, claimed there was no indication of an increase in problematic online gambling intensity during the first phase of the outbreak in Sweden. The report claims gambling activity actually decreased by just over 13 per cent during the first phase of the pandemic.

system was 25 per cent for online casinos, and that was before the Covid-19 restrictions. It can, without a doubt, be concluded that the Covid restriction does not have a beneficial effect on gambling consumers’ willingness to stay within the licensing system, as it is perceived as another layer of regulatory burden to which unlicensed gaming sites are not covered. An extension of the Covid-19 restrictions will, therefore, further lower the proportion of gaming consumers who play within the licensing system, and thus the opportunity to offer them good consumer protection.”

A Ministry of Finance referral ‘Extended Validity of the Regulation on Temporary Gambling

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The huge impact of Covid, plus the restrictions on the gambling market, has pushed some companies out of Sweden. Cherry for example shut down in mid May. The ComeOn Group has closed two of its Swedish licensed brands after protesting the government's limit restrictions on deposits and bonuses. The Sveacasino.com and Cherrycasino.com have closed down although sister brands such as Hajper and Snabbare still continue.

COVID AND CHANNELISATION

The huge impact of Covid, plus the restrictions on the gambling market, has pushed some companies out of Sweden. The Cherry/ComeOn Group closed two of its Swedish licensed brands in the summer after protesting the government's limit restrictions on deposits and bonuses. The Sveacasino.com and Cherrycasino.com brands have closed down completely, while sister brands such as Hajper and Snabbare still continue.

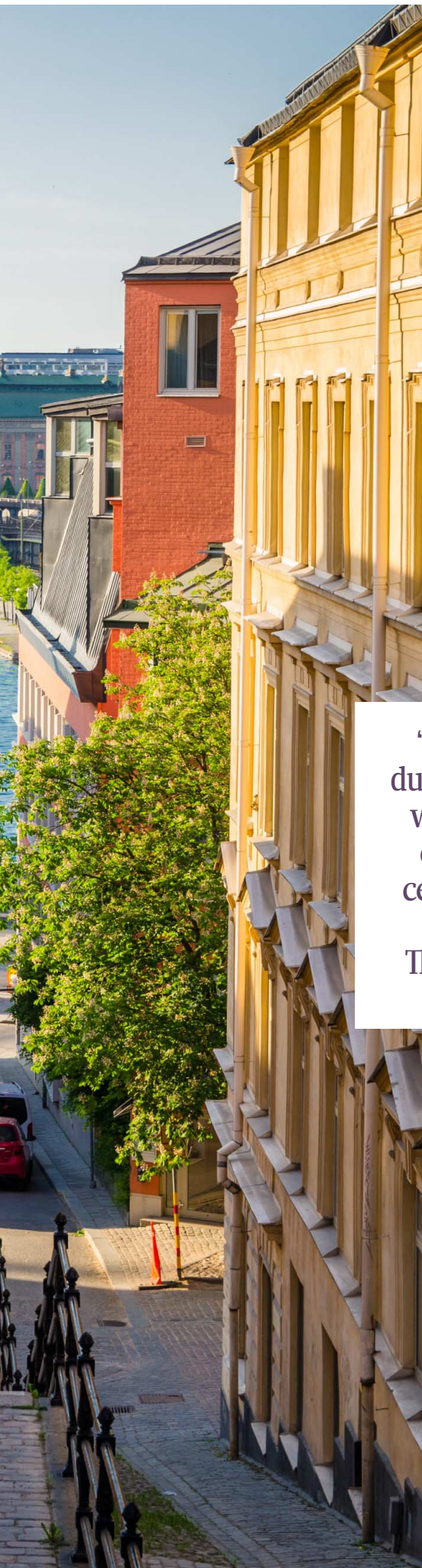
ComeOn hasn't had the easiest ride in Sweden. The company was only issued with a two year licence instead of the standard five year term due to uncertainty regarding the company. This group was one of several who added their comments urging Minister Ardalan Shekarabi to drop his plans to extend the limits.

Betsson AB was another. This company has gaming licences in 15 jurisdictions and operates 20 brands. Established in 1963 the company received its licence in Sweden in 2019 when it acquired a five year licence for four brands.

In 2019, Betsson group saw full year revenues of SEK5.17bn, a decrease of five per cent year on year, whilst gross profit was SEK3.4bn, a drop of 11 per cent. Revenue in the Nordics was SEK2.02bn.

The drop in Betsson's revenue was attributed to an increase in costs of payment solutions and increased costs in taxes following the re-regulation of the Swedish market.

Q3 2020 group revenue for Betsson was SEK1.6bn, an increase of 31 per cent on the same period in 2019 with casino revenue increasing by 39 per cent. The January to September 2020 total revenue was SEK4.6bn (increase of 19 per cent). Active customers increased by 46 per cent to 920,000. Growth returned in the Nordics with an increase of 17 per cent in revenues (year on



year) of SEK558.9m (Q3 2020) and new 'pay and play' brand Jalla Casino was launched in Sweden in April 2020.

Meanwhile, the Kindred Group, which offers 12 brands to 29 million customers throughout Europe, US and Australia, is also speaking out again the restrictions.

The group says there is little evidence to support increased problem gambling whilst the government claimed at the start of the Gambling Act that general limits for players were not effective ways of protection. This turnaround is contradictory, whilst the government is taking tiny steps towards combating illegal gambling sites.

Henrik Tjärnström, CEO at Kindred said: "During the seven months that the restrictions have been in place, the Swedish government has not been taking any measures to determine the level of channelisation, they have not accounted for any measures against unlicensed operators in Sweden, and they cannot present any notable connections between the pandemic and increased problem gambling in Sweden at licensed Swedish operators. What we can see is a lower channelisation and an increased activity at unlicensed operators with zero consumer protection. That is a step in the wrong direction and it is not the gambling policy decided by the Swedish parliament."

"Regarding Covid, the situation now is not as bad as it was during spring when land-based casinos and games on boats were closed, sales of tickets in stores decreased, restaurant casinos were almost empty and bingo halls laid off 40 per cent of employees. Most sporting events were stopped with the result that betting on sports was almost non-existent. The situation looks better now, but casinos are still closed."

Jenny Nilzon, SPER

Kindred saw Q3 2020 revenues of £280.7m (24 per cent increase on Q3 2019) whilst January to September revenues was £765.5m (13 per cent increase). 2019 GGR was £912.8m.

Global Gaming subsidiary SafeEnt had its licence revocation appeal denied by the Swedish Court of Appeal after a series of actions by the operator over the last year or so.

SafeEnt, which runs Ninja Casino and Spellandbet.com brands, had its licence revoked by the SGA in June 2019 due to a breach of provisions in the Gambling Act, mostly in regards to deposit limits, customer support and bonus offers.

It continues to be a tough year in Sweden particularly for the land-based sector. However the online sector has seen fairly regular revenues. GGR in Sweden for Q2 2020 had fallen by 4.1 per cent to SEK5.94bn (the lowest quarter since January 2019), although Q3 saw an increase of 1.3 per cent on 2019 figures to just over SEK6bn.

Online betting and gaming revenue saw a 3.6 per cent increase to SEK3.61bn in Q2 at the height of the pandemic, which is still 1.1 per cent lower than Q4 2019, which contrasts with Shekarabi's warnings of a sharp increase in online casino play.

The onshore online market is valued at around SEK14bn, whilst sports betting is responsible for 30 per cent, followed by horse racing bets (25 per cent), lottery (13 per cent) and gaming (32 per cent). Commercial online onshore sports betting is the largest part of the Swedish sports betting market representing 54 per cent of the total market in 2019.

Svenska Spel led the online gambling market for the first nine months of 2019 with a 14.5 per cent online market share and GGR of SEK1bn, followed by Kindred Group with 10 per cent (SEK723m) and ATG with SEK720m. LeoVegas (SEK603m) and Bet365 (SEK521m) make up the top five.

Meanwhile, sales for land-based commercial gaming (restaurant casinos) dropped by 25 per cent during the third quarter of 2020 compared to the same period the year before. This involves slots, card tournament games and slots in restaurants. 1Q 2020 saw sales of SEK52m, 2Q with SEK34m and 3Q with SEK45m. In 2019, this data was 1Q 2019 SEK48m, 2Q SEK52m and 3Q SEK59m and 4Q with SEK68m.

SPER's Jenny Nilzon said: "Regarding Covid, the situation now is not as bad as it was during spring when international land-based casinos and games on boats were closed, sales of tickets in stores decreased, restaurant casinos were almost empty and bingo halls laid off 40 per cent of employees. Most sporting events were stopped with the result that betting on sports was almost non-existent. The situation looks better now, but international land-based casinos are still closed.

"I think that the outlook for the coming years depends very much on how the government will succeed in fighting illegal gambling. The tools that the SGA has today are not enough."

Sweden has drawn attention for its unorthodox reaction to the pandemic as it shunned lockdowns and instead relied on voluntary measures initially with an emphasis on social distancing measures.

High schools and colleges were closed down moving teaching online and public gatherings were limited with a previous limit of 300 now

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reduced down to eight in the latter part of 2020 due to rising figures.

The first Covid case in Sweden was reported at the end of January 2020 and had accelerated by mid-March at which time most major national and international sport leagues were halted.

By mid-December a second wave hit hard and Sweden recorded 320,000 cases of Coronavirus and over 7,500 deaths. For a country of just 10.2 million people the death rate per capita is several times higher than that of its Nordic neighbours.

Non-essential travel was suspended for those countries outside of the EU and was extended into 2021. At the height of the crisis in April the number of tourists nights fell by 69 per cent compared to the year before, whilst in May the drop was 57 per cent. Visitor nights spent by Americans, Sweden's largest non-EU visitor, was down by 88 per cent.

Last year, Sweden saw around 7.4 million tourism arrivals. Stockholm is the heart of tourism with more than 15 million overnight stays last year made up of domestic and foreign visitors, whilst other regions such as Västergötland (Gothenburg) and Skåne (Malmö) are huge attractions.

MATCH FIXING AND ILLEGAL GAMBLING

The Gambling Act allows offshore licenced operators to advertise with national media if they are licence holders. However, the SGA wanted to crack down on excessive advertising and so formalised a deal with the consumer protection agency, Konsumentverket, to set out advertising guidelines. SPER and BOS put forward their own advertising code of conduct, which outlined nine essential advertising and marketing practices to avoid excessive

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Gustaf Hoffstedt, Secretary General of BOS

advertising. This was criticised by the government as being insufficient.

As a consequence, the government asked the Gaming Market Commission (Spelmarknadsutredningen) to conduct a review of possible restrictions in marketing and advertising of gambling products in a bid to reduce what they consider overly aggressive marketing and advertising. The proposal was presented on December 14 by investigator Anna-Lena Sörenson.



SPORTS BETTING GGR	2018	2019 ESTIMATE	2020 estimate	2021 estimate
Landbased Svenska Spel	SEK896m	SEK855m	SEK816m	SEK778m
Online Svenska Spel	SEK991m	SEK1.05bn	SEK1.12bn	SEK1.18bn
Online commercial	–	SEK3.11bn	SEK3.3bn	SEK3.53bn
Online offshore	SEK2.92bn	SEK742m	SEK1.01bn	SEK1.06bn
TOTAL	SEK4.80bn	SEK5.7bn	SEK6.25bn	SEK6.56bn



The inquiry proposed, among other things, further restrictions and limitations for companies with a Swedish gaming licence. Among other things, a new risk classification system and additional marketing restrictions for Swedish companies. The inquiry proposed the following:

- It is prohibited for commercial online gambling to be marketed on television, radio and streaming media between 6am and 9pm.
- A risk classification system is created for the purpose of rating the degree of danger of gaming products, in which online casino is expected to be classified as a high-risk game. Based on this classification, the inquiry believes that further restrictions can and should be imposed on high-risk gambling.

Gustaf Hoffstedt said: "Sweden has invested in a licensing system with 102 operators that offer a high level of consumer protection, they pay around SEK4bn annually in gaming tax, invest in workplaces and staff, sponsor Swedish sports and contribute to Swedish technology know-how. Banning licensed gaming companies from marketing their services to Swedish consumers, while leaving unlicensed companies free to offer their services to Swedish consumers, is a bad proposal. This only leads to reduced consumer protection and to the erosion of the Swedish gaming market."

The independent consulting firm Copenhagen Economics has in a report from early in 2020 stated that a quarter of Swedes play at online

outside the Swedish licensing system.

"The proportion of Swedes who play at gaming companies outside the licensing system is today far from the goal set by the Riksdag and the government. The government must first stop the unlicensed gambling so that together we can secure a Swedish gambling market characterised by entertainment and high consumer protection," added Gustaf.

In September 2020, the SGA also released a series of regulations and general advice on restrictions and prohibitions on certain betting activities aimed at counteracting manipulation of sporting results (such as match-fixing) and reporting of suspected manipulation. The regulations took effect on January 1, 2021.

The new regulations include a ban on all betting relating to rule violations within football games, including yellow cards, red cards and penalties. Bettors are also unable to wager on football games outside of the top four Swedish football divisions.

Meanwhile, an inquiry was launched at the end of November to investigate how to combat unlicensed gambling and match-fixing in particular. The government has appointed Gunnar Larson, Director General of the Swedish Chamber of Commerce (Kammarkollegiet) to lead the inquiry.

Shekarabi said: "We have a responsibility to protect, above all, vulnerable consumers from illegal gambling, but also to protect the serious

"We have a responsibility to protect, above all, vulnerable consumers from illegal gambling, but also to protect the serious players in the gambling market from unfair competition. Increased efforts are needed to exclude illegal gambling from the Swedish gambling market. We are now also intensifying the work against match fixing and organised crime."

Gunnar Larson, Director General of the Swedish Chamber of Commerce

casinos located outside of Sweden with companies that do not have a Swedish license. Also, many unlicensed gaming companies specifically target their marketing to Swedes who have chosen to shutdown using the self-exclusion system Spelpaus.se.

BOS believes that more effort should be made to increase the competitiveness of the companies that have chosen a high level of consumer protection and social security over the companies that have actively chosen to operate

players in the gambling market from unfair competition. Increased efforts are needed to exclude illegal gambling from the Swedish gambling market. We are now also intensifying the work against match-fixing and organised crime."

Shekarabi will look into issues raised by the SGA regarding application difficulties due to payment blocking, plus current processes of regulatory bodies and ways to improve any issues. He will also address match-fixing and



SWEDEN GGR

Spelinspektionen.se

LICENCE TYPE	2019	1Q 2020	2Q 2020	3Q 2020
Online gaming/betting	SEK14.02bn	SEK3.65bn	SEK3.61bn	SEK3.68bn
State lottery/slots	SEK5.9bn	SEK1.12bn	SEK1.29bn	SEK1.47bn
Casino Cosmopol	SEK975m	SEK196m	0	0
National lotteries	SEK3.41bn	SEK873m	SEK946m	SEK780m
Bingo halls	SEK233m	SEK52m	SEK38m	SEK47m
Restaurant casinos	SEK232m	SEK52m	SEK34m	SEK45m
TOTAL	SEK24.79bn	SEK5.95bn	SEK5.92bn	SEK6.03bn



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organised crime. The move comes after the huge negative response to the government's plan to extend the Covid restrictions, which have highlighted a concern that the government's policy differs to that of parliament's.

Gustaf Hoffstedt at BOS said: "This is an initiative from the government that we welcome. The first two years of the re-regulated gambling market in Sweden has been marked by repressive measures from authorities and the government towards the licenced operators in Sweden, whereas the unlicensed operators have been left untouched. A growing proportion of the Swedish punters have been abandoning the Swedish licenced market with online casino as the most extreme example, with a leakage out of the system of at least 25 per cent. Considering that the government's goal is that at least 90 per cent of Sweden's gambling shall stay within the licensing system by January 1 2022, that goal appears very distant.

"We now welcome that the government appears to have understood and accepted policy standpoints that the industry has been highlighting as flaws in the Swedish gambling regulation. One of the severe problems with the current legislation is that despite the government's rhetoric, most of the unlicensed gambling that Sweden punters are offered is in fact legal."

The Swedish Trade Association for Online Gambling (BOS) represents more than 20 online gaming companies active in Sweden, including William Hill, Kindred, Betsson, NetEnt, Bet365 and Evolution. BOS says licensed operators are still exposed to tough competition from unlicensed alternatives, particularly within the online casino and sports betting sectors.

Gustaf Hoffstedt added: "Most providers, including all major players in the market, applied for and eventually obtained a Swedish licence soon thereafter. Some providers chose not to obtain a licence, thereby circumventing the obligations imposed on the licenced operators. The degree to which online gambling by Swedish consumers takes place on licenced sites is called channelisation. It is widely acknowledged that a share of gambling turnover takes place outside the licence system such as on sites that are controlled by companies that do not hold a Swedish licence and hence do not abide by the Swedish regulations nor pay gambling tax.

"The channelisation rate is the single most important aspect when assessing the success or failure of the Swedish gambling reform. If channelisation decreases, a growing number of players will not be guarded by the regulation put in place to protect them from the negative effects from excessive gambling. In the bill to Riksdagen containing the new Gambling Act, a channelisation rate of 90 per cent was defined as the political goal of the reform. The proportion of gambling within the Swedish licence system, which in our opinion broadly

estimates channelisation, was measured during 2019 by the Swedish Gaming Authority."

At the time (Q1 and Q2 2019) it was indicated that the Swedish market had a 91 per cent channelisation figure according to data provided by the SGA. However, this was later lowered to around 85-87 per cent with renewed data from H2GC for the third quarter period.

In March of 2020, it was estimated that Sweden's channelisation could be as low as 70 per cent according to research conducted by BonusFinder using Google Trends, suggesting a third of Swedish players are searching for unregulated online gambling sites.

Research has shown that searches for 'casino utan licens' (casino without licence) increased by 710 per cent compared to 173 per cent for 'online casino.'

BOS estimates that between 22 and 28 per cent of gambling for the online casino sector takes place outside of the licensed system and between 15 and 20 per cent within the sports betting sector, meaning a drop in turnover for licensed operators. Licensed providers within the sports betting sector lost 16.8 per cent of their revenue during 2019 compared to 2018.

Horse betting, lotteries and bingo remains mostly unaffected mainly because unlicensed operators are unable to offer the same service and ATG and Svenska Spel are strong legal entities.

SVENSKA SPEL

Svenska Spel was formed officially in 1997 after a merger between Tiptjanst and Penninglotteriet, which had existed since the 1930s as lottery companies. The Lotto was launched in 1980 and subsidiary Casino Cosmopol began operations in 2001.

Today, its gaming business is divided into three separate business areas. The largest revenue sector is Tur (number games and lotteries), which has a 55 per cent share of Svenska Spel GGR. This includes number games such as the Lotto, Eurojackpot, Keno, Joker and Vickinglotto plus lotteries Triss, Penning and SkrapSpel.

Sports and Casino has a 25 per cent GGR share and includes both land-based and online sports games and casino games with main sports betting group Oddset (a collective name for games such as Machen, Mixen, Challenge), and football games via Stryktipset, Europatipset, Maltipset and Topptipset. Casino games such as online poker, online casino and bingo were launched in January 2019.

The Casino Cosmopol and Vegas sector has a 20 per cent GGR share and the exclusive right to operate casino games in Sweden via three casinos. Vegas VLTs is the only slot game permitted in Sweden and there are currently 4,299 Vegas VLTs in 1,419 restaurant and bingo

The BOS estimates that between 22 and 28 per cent of gambling for the online casino sector takes place outside of the licensed system and between 15 and 20 per cent within the sports betting sector, meaning a drop in turnover for licensed operators. Licensed providers within the sports betting sector apparently lost 16.8 per cent of their revenue during 2019 compared to 2018. Horse betting, lotteries and bingo remains mostly unaffected mainly because unlicensed operators are unable to offer the same service and ATG and Svenska Spel are strong legal entities.

locations. The three casinos are located in Gothenburg, Malmo and Stockholm.

Svenska Spel saw a GGR of SEK8.57bn in 2019 and had 170,000 customers. GGR in 2019 was divided between SEK3.9bn via retail outlets; SEK2.71bn online; SEK866m from restaurants and bingo hall operations; SEK1.1bn from casinos and SEK110m from other operations.

Svenska Spel's half year results saw SEK3.7bn, a 9.6 per cent decline on 2019 results. The lottery sector Tur saw an increase of 3.8 per cent to SEK2.33bn although sport and casino sectors saw significant losses.

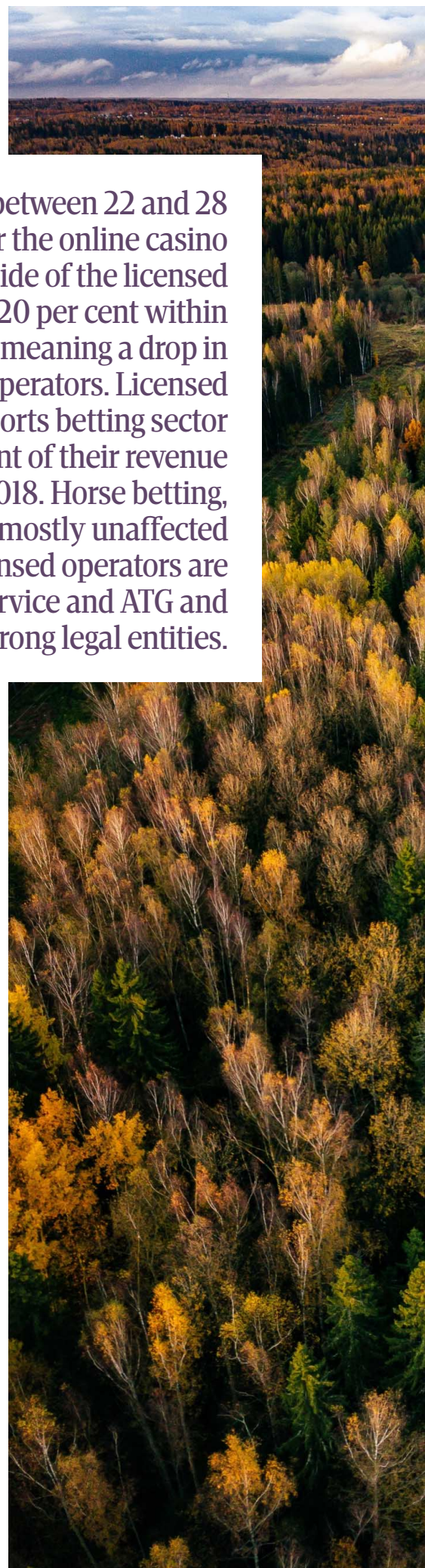
The Casino Cosmopol chain recorded no revenue due to being closed since March.

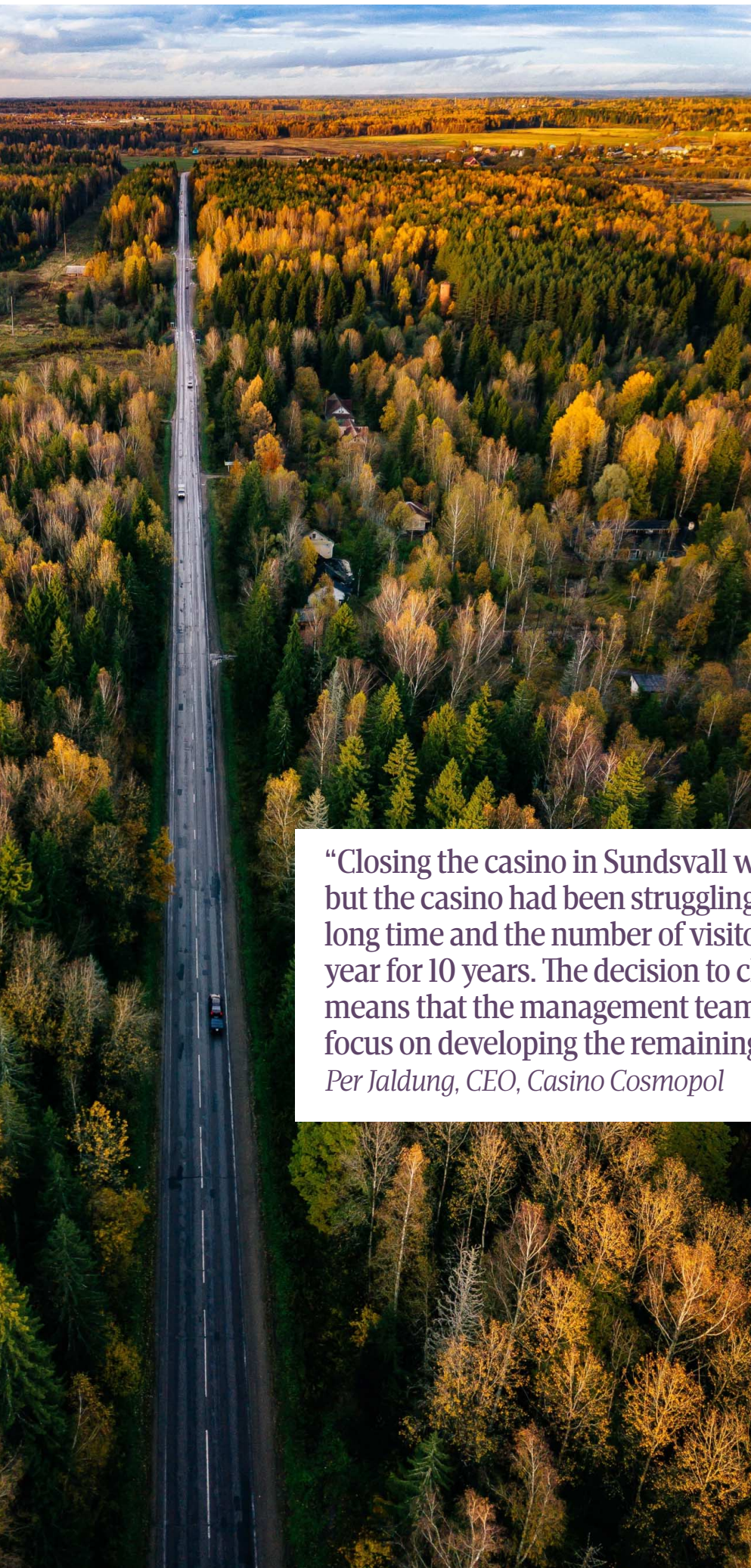
Q3 results were SEK1.84bn lower than the SEK2.01bn recorded for the same period in 2019 bringing in a GGR for January to September of SEK5.54bn (nine per cent less than 2019). Casino Cosmopol and Vegas revenues have dropped 59 per cent due to closures.

However, Svenska launched two new products in the third quarter. Trav & Galopp is a new gaming category with games via French and international horse racing in cooperation with PMU whilst Triss offers a new product BilTriss offering gift product of a Tesla as the prize.

The casino sector has been worst hit. Forced to close in March 2020 due to the pandemic, the company's Sundsvall casino closed its doors permanently as of August 2020. The casino had struggled with profitability for years and with a declining customer base, competition from online gambling and strict marketing rules for casinos.

Patrick Hofbauer, President and CEO of Svenska Spel said: "It is a sad message we have to give





“Closing the casino in Sundsvall was of course incredibly sad, but the casino had been struggling with the business for a very long time and the number of visitors has decreased year by year for 10 years. The decision to close the casino in Sundsvall means that the management team of Casino Cosmopol can focus on developing the remaining three casinos.

Per Jaldung, CEO, Casino Cosmopol

our talented employees, but we must adapt to prevailing market conditions. With a constantly declining customer base, our casino in Sundsvall is no longer profitable and it is unfortunately not commercially defensible to continue to run the business.”

The casino was opened in 2001 and was Sweden's first international casino, with Malmo, Gothenburg and Stockholm opening at later dates.

All casinos were closed on March 29 due to Coronavirus restrictions after the government announced a ban on gatherings of more than 50 people. They have yet to re-open.

CEO Per Jaldung said: “Closing the casino in Sundsvall was of course incredibly sad, but the casino had been struggling with the business for a very long time and the number of visitors has decreased year by year for 10 years. The decision to close the casino in Sundsvall means that the management team of Casino Cosmopol can focus on developing the remaining three casinos.

“Casino Cosmopol is determined to turn its casinos around after the pandemic, and to make sure that they are profitable and sustainable for many years to come. As an example, we are using the time we are closed to invest in our Gothenburg casino. We are expanding the premises by 350sq.m and refurbishing the interior to be able to host larger events, poker tournaments and conferences, and still allow for social distancing. We are also changing our

organisation and internal work processes to be even more effective and to adapt the business to the market's demand for land-based casinos.”

THE RE-REGULATED MARKET

Sweden has been subjected to a state gambling monopoly since the mid-1930s due to a growing need for control. The state acquired ownership of the National Lottery, Penninglotteriet and Tipstjanst, and as the lottery and gambling markets grew, a lotteries board was inaugurated in 1974, which later became the Swedish Gambling Authority in 1995 around the same time the Lotteries Act was introduced.

The gambling offer of sports betting, lotteries and VLTs are all operated by Svenska Spel, whilst a monopoly run horse racing sector is controlled by AB Trav och Galopp (ATG). Any other licences are granted by the authority for private operations, although these were few and far between.

In 1999, Swedish parliament passed a law permitting casinos that gave Svenska Spel, via its Casino Cosmopol subsidiary, permission to operate four casinos.

In 2002, changes to the Lottery Act enabled Svenska Spel to embrace digital platforms with instant scratchcards games and bingo online, whilst ATG could also offer its services online.

By 2008, proposals were made for adapting regulations including the idea of a licence model. The monopoly situation has long been a bone of contention for private operators, but their attempts to enter the market have been largely unsuccessful.

When online gambling arrived on the scene it became clear that there was no realistic way of preventing offshore online betting companies from targeting Swedes, and as such it became harder for Svenska Spel to control player's gambling activities.

A surge in overseas online gambling sites forced the government to comprehend that the monopoly was no longer working in this field, whilst the EC also stepped in requesting that Sweden open up its betting market. A report was presented in March 2017 and a new licence system was introduced on January 1, 2019 with the new Gambling Act SFS 2018:1138.

The change has been dramatic. In 2018, the proportion of the online betting and gaming onshore market accounted for just 36 per cent, a figure that rose to 87 per cent in 2019 after re-regulation. Sports betting grew from 25 per cent onshore in 2018 to 85 per cent in 2019 and commercial online sports betting went from 100 per cent offshore in 2018 to around 81 per cent onshore in 2019.

Until this point the annual average turnover for the Swedish gambling market was around SEK17bn, whilst the unregulated market saw a turnover of between SEK4bn and SEK6bn. Total sales from gambling in 2019 amounted to SEK24.8bn, an increase of SEK1.8bn from the previous year.

At the end of 2020, the Swedish market was made up of 100 companies with active Swedish gaming licences of which there were 72 operating online gambling and betting; 25 operating land-based commercial games (slots, casino gaming or card games); two onboard ship licences (Bell Casino and PAF) and two state game licences (Svenska Spel and Casino Cosmopol). Svenska Spel, Sport Casino and ATG account for half the online and betting market.

The new Gambling Act gives the state continued control over the three land-based casinos, the large lotteries and slots outside of casinos (via Svenska Spel), but the online sports betting market, online casinos, online bingo and other products such as virtual sports are now open to



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those who are given a licence. It also saw the gambling authority receive a new name, Spelinspektionen.

The Swedish market is divided into three sections: betting and commercial online gaming (open competitive market); number games and lottery (state owned Svenska Spel or non-profit organisations) and land-based casinos and Vegas VLTs (state-owned Casino Cosmopol and Svenska Spel).

Basically, all gaming companies are now covered by the same regulations and same supervision. The new gambling law SFS 2018:1138 includes the following points:

- Tax rate of 18 per cent for commercial gaming companies.
- A zero per cent tax rate will continue for non-profit gambling activities.
- Licensing fees include:

1. Licence for Commercial online games and licence for betting both SEK400,000 each or SEK700,000 combined licence. Renewal fee is SEK300,000.
 2. Public lottery licences depending on prizes range from SEK5,000 to SEK150,000.
 3. Licence for bingo is SEK5,000.
 4. Horse betting licence is SEK3,600.
 5. Licence per slot SEK2,800.
 6. Casino licence fee is SEK70,000.
- Age limit is set at 18+ to play online and 20+ for landbased casinos.
 - There are six different licensing options available to include:
 1. Licence for state monopoly which includes landbased casinos, slots and some lotteries.



2. Licence for charities and good causes. This is for some types of lotteries and bingo available only for non-profit organisations only. There are 58 bingo halls currently open in Sweden. Since 2019 a total of 199 licences have been granted for bingo games.
3. Licence for commercial online gambling which covers casino games, slots and bingo online. Licences granted to any operator, including private operators. By October 2020 there were 283 websites offering online casinos or betting games distributed among 72 licensees.
4. Licence for betting for all types of online and offline betting.
5. Licence for commercial land-based games for

slot games and card games outside a casino and certain tournament games.

6. Licence for cruise ships for casino games and slot onboard available to ships on international waters. A licence for a maximum of 75 cash gambling machines or token gambling machines can be granted for each individual vessel.

Only residents of Sweden can apply to be registered for online gambling providing their name, address and national registration number. They must open a player account and all financial transactions are registered. Players must specify a maximum limit for deposits for online gambling and a loss limit for token gambling. Licence holders must provide a 'duty of care' to ensure social and health protection

considerations are in place to protect players from excessive gambling.

Self-exclusion options are available for all gambling licence holders via the SGA. For online gambling players can immediately exclude themselves for gambling for 24 hours or longer. Gaming companies, which require registration for games, must check Spelpaus.se each time a person registers.

SPELPAUS

In a bid to increase awareness during the pandemic concerning licenced gambling, the SGA launched an awareness campaign for its Spelpaus self-exclusion programme.

The campaign ran until mid-January and included 13 different banner ads across

websites, not only highlighting the existence of Spelpaus, but also as an educational tool for players highlighting potential problem gambling issues.

Spelpaus is a self regulating self-exclusion programme, which was launched in January 2019 and applies to all registered payout games with gaming companies licenced in Sweden.

To access Spelpaus players need to log out from any game sites to which they are registered and confirm the suspension of their e-ID. Players can choose to temporarily exclude themselves for one, three or six months or until further notice. If players choose the latter the suspension must last at least 12 months.

Gaming companies must check with Spelpaus every time a person registers or logs in for games and they must also check before sending marketing materials, as direct mailing to excluded players is not permitted.

The exclusion once activated applies to all gaming sectors and players can not specify certain game types. A self-exclusion application cannot be undone until the time period has expired. The exclusion covers bingo and online lotteries, online slots, online casinos, betting, Vegas ATMs or casino games via Casino Cosmopol.

However, those games exempt from registration requirement are lottery, scratchcards and subscription games not provided online, traditional local bingo, restaurant slots, slots and games on ships in international waters or any lotteries still active under the former Lottery Act 1994. The gaming authority promotes Spelpaus in various online locations. Their latest survey indicated that just over half of all Swedish gamblers are aware of the programme and 70 per cent of those who play online.

In January 2019, when the programme was launched, there were around 20,000 registered. This had risen to 58,000 by November 2020, of which 75 per cent were men. By July 2020, 69 per cent of those registered had applied for a 12 month or more suspension, 12 per cent for six months, 11 per cent three months and eight per cent for one month.

Gambling addiction prevention group, spelprevention.se, says just over four per cent of the adult population in Sweden have some form of gambling problem. Statistics supplied by Swelog (Swedish Longitudinal Gambling Study) claims 2.9 per cent (236,000 people) have some risk of gambling problems, 0.7 per cent (56,000) have an increased risk and 0.6 per cent (45,000) have gambling problems.

On average, each person spends around SEK3,000 annually on gambling, whilst 58 per cent of the population have gambled in the past year; 20 per cent play monthly and 11 per cent

play weekly. Around half of those who gamble play the lottery; 16 per cent horse racing betting; 13 per cent sports betting; nine per cent bingo; four per cent slots or casino games and two per cent play poker.

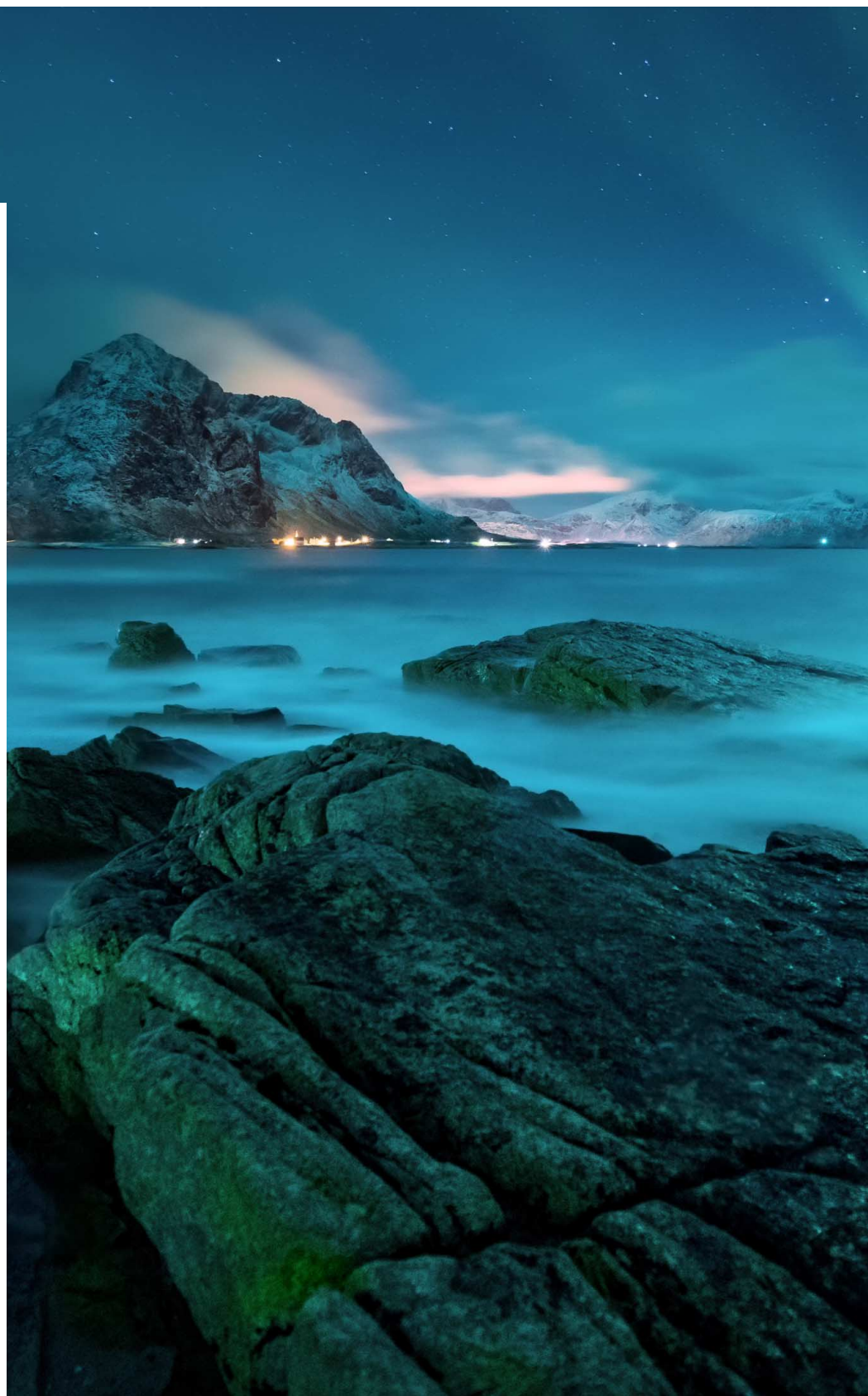
The report said gambling was responsible for 14 per cent of issues with public debts whilst the social cost attributed to gambling problems was estimated to be SEK14bn in 2018. This compares to SEK31.5bn spent on smoking issues in 2015 and SEK103bn on alcohol problems in 2017.

All gaming companies that offer online games

must have three gaming responsibility logos displayed in a locked file at the top of their websites or mobile applications. The logos must also be visible on slot machines in locations other than casino.

Alongside the Spelpaus logo the other two logos are:

Spelgränser – as of January 1, 2019 all players must set a gaming limit prior to their first money transfer to a Swedish licensed gaming company. This gives players the option to set limits in time and money for both deposits and losses. There is



small associations arranging local lotteries. The turnover has increased and the risks are higher.

The first risk assessment for money laundering for the Swedish market was conducted in 2014 and updated in 2017, and a further assessment update was undertaken last year.

This latest update takes into account the European Commission's published supranational risk assessment.

The risk assessment aimed to satisfy three objectives:

- To provide information about threats, vulnerabilities and risks in the Swedish gambling market.
- Provide a basis for assessments regarding wholly or partially exempted forms of gambling from requirements in the Money Laundering Act and the provisions in the Gambling Act.
- To provide support in the work of the authority through risk based oversight.

"The extent of money laundering through gambling is relatively unknown and not many cases have resulted in convictions. The aim of this risk assessment is to identify, evaluate and assess the relevant risks on the Swedish gambling market." The report said.

The risk assessment focuses on the risk of licensed operators in Sweden, which are subject to oversight by the SGA and exploited for money laundering. A separate risk assessment is being compiled for those being exploited for financing of terrorism.

The Coordinating Body for Anti Money Laundering and Countering Financing of Terrorism is made up of 17 members and headed by the Swedish police. The SGA is one of the members. They work in conjunction with Sweden's Financial Supervisory Authority (Finansinspektionen or FI) to offer advice and consultations to enterprises about the risks via the Anti Money Laundering Act 2017 and Finansinspektionen regulations (FFFS 2017).

The FI recently proposed amended rules and a change in the application of Swedish banks' capital requirements to adapt to the EU's banking package. The banking package for risk mitigation measures amends the regulatory framework for capital adequacy and management of banks in crisis with the objective of strengthening a banks' resilience to a crisis.

The regulatory amendments proposed include changes regarding remuneration systems in credit institutions, management of operational risks and prudential requirements and capital buffers.

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The SGA under the Gambling Act is responsible for the oversight of the gambling market. This work also includes combating illegal gambling and match fixing and preventing the sector from being used for money laundering. Operators must comply with the regulations under the Money Laundering Act 2017:630.

The risk of gambling being utilised for money laundering is considered to be greatest in terms of commercial online gambling, casino gambling at the state casinos and online and landbased betting. This is mostly due to the high level of turnover and number of transactions.

Although in Sweden gambling was previously monopolised, mostly by state and charitable organisations, the new Gambling Act means the market includes state-owned and state-governed groups, international gambling companies and

also a daily loss limit of between €0 and €100 for slot machines played via a debit card. The default limit is €50 per day.

Självtest – this is a self testing offer set up by gaming companies so players can assess their gaming behaviour.

In addition to the new Gambling Act, which came into force in January 2019, a new Money Laundering Act was also introduced following on from the publication of the Swedish Gambling Authority's last risk assessment back in 2017.



Maria McDonald

Maria McDonald is a founding partner of Nordic Gambling. Maria is specialised in all legal matters related to gambling, media and sponsorships but also has experience of working with dispute resolution, IT and data protection. Before Nordic Gambling, Maria has during the majority of her career, worked as in-house legal counsel and as the Head of Legal in Unibet and in Lagardère Sports. Maria has also previously acted as Chairman of the Danish Online Gambling Association (DOGA) and treasurer of the Swedish Branschföreningen för Onlinespel (BOS).

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Josef Rotter

Josef Rotter joined Nordic Gambling as an Associate in 2020 and holds an LL.M. from Umeå University. Before joining Nordic Gambling Josef worked with M&A at one of Sweden's top rated law firms. Josef has experience of working with a wide range of queries regarding the Swedish gambling industry.

The Swedish Gambling Authority has issued new regulations and guidelines which entered into force January 1, 2021. The new regulations and guidelines include restrictions and bans on certain forms of betting to prevent the manipulation of results (e.g. match-fixing).

Re-rolling the dice – has online benefitted from the change?



It's been two years since the Swedish gambling market re-regulated with the implementation of the Swedish Gambling Act. Nordic Gambling experts, Maria McDonald and Josef Rotter, appraise and evaluate the challenges that still lie ahead

Sweden implemented the Swedish Gambling Act on January 1, 2019 with the aim of providing regulation based on a licensing system in which all operators in the Swedish gambling market were to have a licence to offer gambling services to Swedish customers. Thus, operators without a licence would be excluded from the Swedish market. 62 licences regarding online gambling were approved during the first three months of the regulation and at the moment 72 companies have received licences to offer commercial online gambling and/or betting.

We are currently seeing a certain decline in the demand for licences in the Swedish market. Of course, large operators were early with their applications for licences and considering there is a certain maturity in the market. However, recent developments have also raised questions from gambling operators as to the benefits of holding a Swedish licence.

INCREASING RESTRICTIONS ON LICENSED OPERATORS

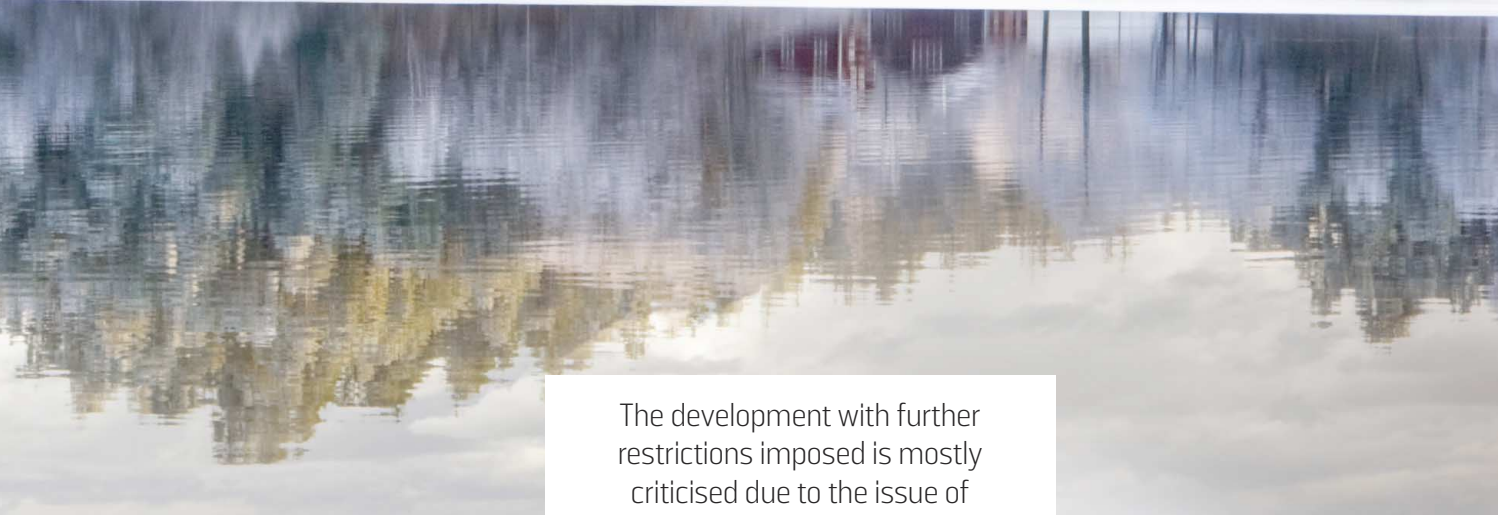
Further restrictions on operators with a licence have been imposed due to Covid-19 with temporary requirements of, for example, weekly maximum deposit limits of SEK5,000 (approximately €500), mandatory log-in limits and a maximum value of welcome bonuses (retention bonuses are prohibited)

of SEK100. The restrictions entered into force on July 2 2020 and were recently prolonged until end of June 2021.

Furthermore, the Swedish Gambling Authority has issued new regulations and guidelines, which entered into force January 1, 2021. The new regulations and guidelines include restrictions and bans on certain forms of betting to prevent the manipulation of results (e.g. match-fixing) within sports as well as the reporting of suspected manipulation.

In addition to the statement of the Gambling Act that licences may not allow gambling on events where the majority of the participants are under 18 years of age, the new regulations from the Swedish Gambling Authority extends the scope on when it is prohibited in this regard. Hence, betting may, after January 1, 2021, not be offered on an individual performance in a match, competition or tournament if the individual is underaged. Individual performance refers to all performance by an individual such as scoring, winning a race, bookings etc.

The new regulations to prevent match-fixing also prohibits betting on football matches in lower leagues and on so-called negative events. Furthermore, in December 2020, the Swedish government published



the proposal arising from an inquiry which commenced to analyse the Gambling Act and certain consequences in the market.

The proposal included, but was not limited to:

- The creation of a risk classification system where games will be divided into different categories depending on the danger of the games. The details of the system will be decided by the Swedish Gambling Authority and further regulations will most likely follow for games deemed to have a higher risk (e.g. live-betting and online casino).
- A ban on commercial online gambling advertising on television, radio and streaming media (Youtube, Podcasts, etc.) between 6am and 9pm in combination with stricter sanctions. This measure is proposed to come into effect on July 1 2022.
- Introduction of B2B licenses for online gambling software providers. Non-licensed software providers will not be allowed to provide their services to Swedish B2C license holders. This measure is proposed to come into effect on January 1 2023.

The development with further restrictions imposed is mostly criticised due to the issue of channelisation and that further restrictions will not prevent wagering on products like the ones that are prohibited and minimise the risk with problem gambling.

SANCTIONS FROM THE SWEDISH GAMBLING AUTHORITY

Since the new Gambling Act entered into force, the Swedish Gambling Authority has issued a large number of sanctions due to violations of the Gambling Act, with the highest fine so far amounting to SEK100,000,000 (which has been appealed to the administrative court). The fines are determined by the operator's gross turnover.

The reasons for the sanctions are varied, but often concern violations of the bonus requirements, including the marketing of bonuses, in accordance with the Gambling Act and betting being (by mistake) offered on events where a majority of participants afterwards proved to have been under the age of 18.

The Gambling Act is a framework law, and some wording is far from clear and has been left to the

Swedish Gambling Authority and courts to interpret. The development has been that the Swedish Gambling Authority has interpreted e.g. the bonus requirements in a very broad manner, which have in many cases been unforeseen by the operators.

THE ISSUE OF CHANNELISATION

The development with further restrictions imposed is mostly criticised due to the issue of channelisation and that further restrictions will not prevent wagering on products like the ones that are prohibited and minimise the risk with problem gambling, but will instead shift the players to unlicensed operators with no restrictions and player responsibility regulations.

For the operators it will continue to be of high importance to monitor compliance risks to avoid high sanctions and to have the right to legally aim their services towards Swedish customers. The main argument between the Swedish government and operators will continue to be the question on heavy restrictions contra to the operator's chances to compete with unlicensed operators and develop a high degree of channelisation.