

## Going Underground Russia

The bookmaking industry is one of the fastest growing sectors in the Russian economy, but high tax rates coupled with further changes to Russia's gambling legislation could cost the industry dearly as some struggle to survive, whilst others have simply shut up shop.

**The allocation of funds from bookmakers for the development of sports (contribution payment) is due to increase from September this year, whilst operators will no longer pay to sports bodies directly, but instead to the state who will then distribute this levy.**

The year 2020 promised to be a profitable and successful one for the Russian gambling industry. With the European Championship due to be held in St. Petersburg there was a buzz in the bookmaking sector in particular, who lined up ready to cash in on the event.

However, as an unexpected pandemic swung into action and sporting events were cancelled, including the Championship, bookmakers, like many other businesses, saw dramatic losses as lockdown became the most memorable event of the year.

Many of the 20+ bookmaking companies have shown losses for last year, whilst others have just shut up shop in Russia completely.

If a pandemic wasn't punishing enough, a new

law which was pushed through at the end of last year has introduced an increase in the amount of contributions each betting company pays.

The allocation of funds from bookmakers for the development of sports (contribution payment) is due to increase from September this year, whilst operators will no longer pay to sports bodies directly, but instead to the state who will then distribute this levy.

At present, bookmakers transfer five per cent of their revenues to Russian sports federations (and not less than RUB15m) per quarter. Of these funds 20 per cent is given to youth sports and 80 per cent to professional sports.

The new law means they will instead transfer 1.5 per cent of all bets and a minimum threshold of





RUB30m a quarter. This commences in September 2021, however, there remains some uncertainty as to whether the 1.5 per cent will be taken from the deficit or from the turnover.

Dmitry Sergeev at Parimatch said: "It is still not regulated and many lawyers are reading this law and there are many ideas. Some say it is from turnover and others from deficit. And the difference is almost four times. So we are still waiting for some details and waiting for them to explain to us the situation."

Surprisingly, despite the dire situation in 2020, contributions to sports organisations increased to RUB2.25bn in total, almost double that paid in 2019.

At the end of 2020, the contributions by

members of the First SRO of Bookmakers (Bookmakersunion.ru) for the development of professional and youth sports amounted to RUB923m (€10.25bn) – almost double figures from 2019 (RUB577.3m). Despite a drop in revenues due to the pandemic, the companies fulfilled their obligations in full.

This was mostly due to the change in law in September 2020, which amended the existing procedure of payments, which now includes contributions from foreign sports. Whereas the first quarter of 2020 saw payments of RUB118m, the second quarter saw payments of RUB79m, the third quarter RUB149m, whilst the fourth quarter quadrupled and saw payments of RUB577m.

Meanwhile, contributions from the SRO BK (The

SRO Association of Bookmakers) amounted to RUB1.33bn from 11 bookmaking companies, twice as much as the RUB575.5m paid out in 2019.

The introduction of contributions for foreign sporting events was part of changes to the Gambling Law last year. In July 2020, the Russian State Duma approved legislation (Bill 647044-7) to overhaul the sports betting industry in Russia introducing limitations on the scope of events that can be wagered upon, plus the introduction of taxes for betting on overseas events. The measures came into effect in mid-autumn last year and the main points are:

- Bets are limited to those organised by Russian national sports federations and professional sports leagues only.





## The Unified Gambling Regulator will bring the regulation of the bookmaking sector under one umbrella by creating a public company to oversee the activities of tote and betting operators. The body will be formed under the control of the Federal Agency for State Property Management and will consist of a supervisory board, chairman and two other members.

- Bets on sporting events held by international sports associations are permitted. All international sports events have to be monitored by a corresponding governing body.
- Operators taking bets on non-Russian sports must pay contributions to the Russian sport federations of at least five per cent of GGR every quarter or lose their licence. This obligation currently applied only to bets on domestic sports events.
- All licensees are now required to have a RUB500m (€6m) bank guarantee and RUB1bn (€12m) of net assets in place.

Alongside the special contributions, the industry taxation framework is made up of gambling tax and personal income tax. Gambling tax was last increased in 2019 and varies and can be set by each of the 85 regions (oblast), but ranges from:

EGMs – RUB3,000–15,000; Table games – RUB50,000–250,000; Bookmaker/Totalisator office – RUB50,000–250,000; Tote/Bookmaker betting point – RUB10,000–14,000 and Bookmaker/Totalisator online gambling – RUB2.5bn–3bn.

In 2016, gambling tax in Russia amounted to RUB809.4m (casinos RUB404.9m),

bookmakers (79.9m) and totalisator (24.5m).

In 2017, the estimated turnover for the bookmaking industry was RUB677bn (US\$10.1bn) made up of around 60 per cent legal and 40 per cent illegal operations.

Last year, the Russian bookmaker market turned over around RUB1.25trillion (US\$17bn), whilst bookmaker revenues in 2020 amounted to RUB238bn with a net income of RUB34.5bn.

### UNIFIED GAMBLING REGULATOR

Secondary legislation, which is due to be adopted in accordance with the changes



## BOOKMAKER REVENUES 2019 AND 2020

COMPANY	REVENUE 2020	NET PROFIT 2020	REVENUE 2019	NET PROFIT 2019
Fonbet	RUB52.19bn	RUB23.29bn	RUB38.06bn	RUB19.4bn
1xstavka	RUB11.6bn	RUB4.5bn	-	-
Winline	RUB47.9bn	RUB3.99bn	RUB29.58bn	RUB2.6bn
BetBoom	RUB19.33bn	RUB1.19bn	RUB20.15bn	RUB480.26m
Liga Stavok	RUB41.82bn	RUB1.1bn	RUB49.46bn	RUB1.3bn
Parimatch	RUB15.42bn	RUB467.1m	RUB7.6bn	RUB397.9m
OlimpBet	RUB13.6bn	RUB227.35m	RUB10.5bn	RUB426.8m
MarathonBet	RUB4.06bn	RUB176.6m	RUB2.67bn	RUB40.8m
Betcity	RUB14.6bn	RUB123.3m	RUB15.81bn	RUB858.8m
Tennisi	RUB459.11m	RUB65.6m	RUB467.4m	RUB8.52m
888	RUB241.9m	RUB52.12m	RUB1.17bn	RUB20.9m
MelBet	RUB1.73bn	RUB49.4m	RUB132.63m	-RUB326.02m
Leon	RUB3.87bn	-	RUB4.07bn	RUB36.53m
Pin-Up	RUB237.76m	-RUB14.13m	- *	-RUB3.26m
PoolBet	RUB182.26m	-RUB21.23m	RUB559.69m	RUB49.97m
Bettery	RUB85.9m	-RUB28.3m	RUB8.69m	RUB6.08m
BaltBet	RUB7.26bn	-RUB133.54m	RUB11.31bn	-RUB31.45m
Bwin	RUB509.54m	-RUB146.53m	RUB647.14m	-RUB63.2m
VulcanBet	RUB88.33m	-RUB186.8m	RUB9.74m	-RUB60.54m
MostBet	RUB2.24bn	-RUB189.4m	RUB4.97bn	RUB125.6m
GG Bet	RUB524.66m	-RUB283.13m	RUB68.78m	-RUB51.14m
Zenith	No data	No data		

mentioned opposite, is the proposed introduction of a Unified Gambling Regulator. This was suggested at the end of last year to establish control over the online betting market. The Unified Gambling Regulator will control and regulate the bookmaking sector as opposed to the current situation, which operates with two Self Regulatory Organisations (SROs)

The draft Federal Law was introduced in November and had its first reading in the State Duma Committee on Economic Policy, Industry, Innovative Development and Entrepreneurship. It will come into force in September this year.

The creation of the Unified Gambling Regulator

(UGR) will bring the regulation of the bookmaking sector under one umbrella by creating a public company to oversee the activities of tote and betting operators. The body will be formed under the control of the Federal Agency for State Property Management and will consist of a supervisory board with a chairman and two other members.

The State Tax Service is the general regulator at present, although bookmakers are effectively managed by a series of Self Regulating Organisations that set the rules around betting and run payment portals.

The main functions of the UGR will be:

- To retain and transfer special contributions to Russian national sports organisations.
- Identify and combat illegal online gambling.
- Look at improving Russian gambling regulations.
- To set up the creation of a Unified Payment Centre of bookmakers and totalisators (UPCBT).
- Development and operation of a new Online

Monitoring System to provide supervision of the sports betting sector looking at information on bets paid, winnings and cashier operations.

The new bill transfers control to a single regulator and will see the set-up of a single centre to accept, account and transfer bets from players to bookmakers and therefore introducing a higher level of control of gambling operations.

The new regulator will also monitor financial transactions carried out in betting and tote shops and provide funding for the sports sector. It will also liaise with the Federal Tax Service in terms of taxes and fees and prepare proposals for any amendments in legislation.

An information system will be able to identify any operators violating the law and a monitoring system will also be created. A compensation fund will also be established.

The aim of the new UGR is part of the country's bid to re-regulate the gambling industry and improve transparency and stop unlicensed operators entering the country.

The current system is made up of one totalisator

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and two sports betting SROs, were created in 2014, which are responsible for regulating the activities of the bookmakers beyond the basic minimum law requirements.

Firstly, Interactive Bet was set up. This means any money, including electronic money, must be transferred through an accounting centre to play on the website, establishing an Interactive Bet rather than a deposit.

Secondly, TSUPIS (Centre for Accounting of Interactive Bet Transactions) was set-up as a Universal Wallet system, which acts as the 'middleman' between the player and licensed bookmakers and keeps a record of all transactions between the two parties. Interactive Bets can be handled only via the TSUPIS system.

Thirdly, a mandatory identification process to confirm the gambling player's identity was introduced. This also enabled the tax office to benefit from the 13 per cent tax on winnings under the Tax Code, which was lost when players bet on offshore sites.

The Interactive Bet system was confirmed with amendments to the Gaming Law in 2019, which gave it clearer legal understanding and grounding.

Any licensed bookmaker can undertake Interactive Bets without any specific online licence, but they can only operate via one official domain name and the servers must be located in Russia. Bookmakers are licensed via the regulating body, the Federal Tax Service.

Two interactive betting transfer accounting centres (TSUPIS) operate under the SROs. The First SRO of Russian bookmakers launched its TSUPIS on the basis of a non-banking financial company 'Mobile Card' Limited in February 2016 and the Association of Bookmakers created the second TSUPIS based on the Qiwi payment system in autumn 2016.

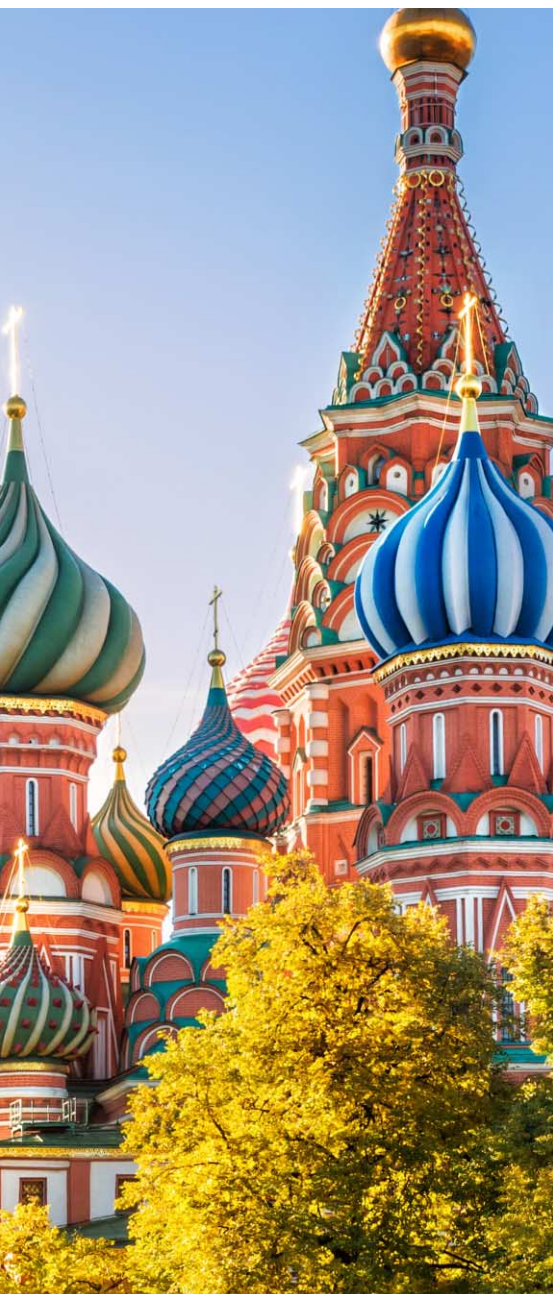
The First SRO of Bookmakers (Bookmakersunion.ru) is a non-profit association which was set up in 2014 to interact with government authorities to develop standards and rules for the betting industry.

This ranges from preparing draft laws and programmes related to bookmaking industry activities and a look at regulations and market changes. Nikolai Oganezov is President and active members include: Liga Stavok, Tennisi, Winline, aBet, Mostbet, 888, Parimatch, 1xstavka, Melbet, Bwin, Poolbet and Betcity.

The SRO Association of Bookmakers ('SRO BK' via Bookmakersro.ru) is the second SRO headed by President Darina Denisova. Active members







include: BetBoom, Zenit, OlimpBet, Leon, MarathonBet, Fonbet, GGBet, Baltbet, Bettery, PinUp and Bet365.

There are just over 1,033 bookmaker clubs throughout Russia, the majority, 343, in Moscow and on average between five and 20 clubs across 32 cities.

#### THE MAIN PROBLEMS

The combination of the pandemic and tough new regulations demanding greater financial contributions from bookmakers, means that bookmakers who have a three per cent or less market share will experience problems under the new legislation.

First SRO President, Nikolai Oganezov, said: "I don't want to make a prophecy, but it will be extremely difficult for any operator with a market share of less than three per cent to stay in the market within the framework of the new legislative requirements for earmarked contributions.

The company shut down its site in February citing "rapidly changing realities and new legislative initiatives," as its reason to withdraw from the Russian market, whilst customer accounts were transferred to Parimatch.

Yuri Kurylenko, Chief Operating Office of Bwin Russia, said: "The decision to leave the Russian market was not easy because over the past year we managed to assemble an excellent team and achieve good growth dynamics in all respects.

"However, due to the changes in the regulation of the betting industry, it has become almost impossible to fulfil our obligations. In this situation we did everything to maintain customer loyalty to the global Bwin brand and found partners in Parimatch, who were technologically and operationally most ready to accept our customers without any losses for them."

Bwin launched in Russia back in mid-2017 and as such was the first western brand offering betting in the country. It was launched by

**"It will be extremely difficult for any operator with a market share of less than three per cent to stay in the market within the framework of the new legislative requirements for earmarked contributions. Operators are faced with the choice of staying in business or leaving it, and I really hope that common sense will prevail among legislators and the law will be revised in the direction of easing the size of earmarked contributions for small companies or at least the size of the mandatory minimum."**

*First SRO President Nikolai Oganezov*

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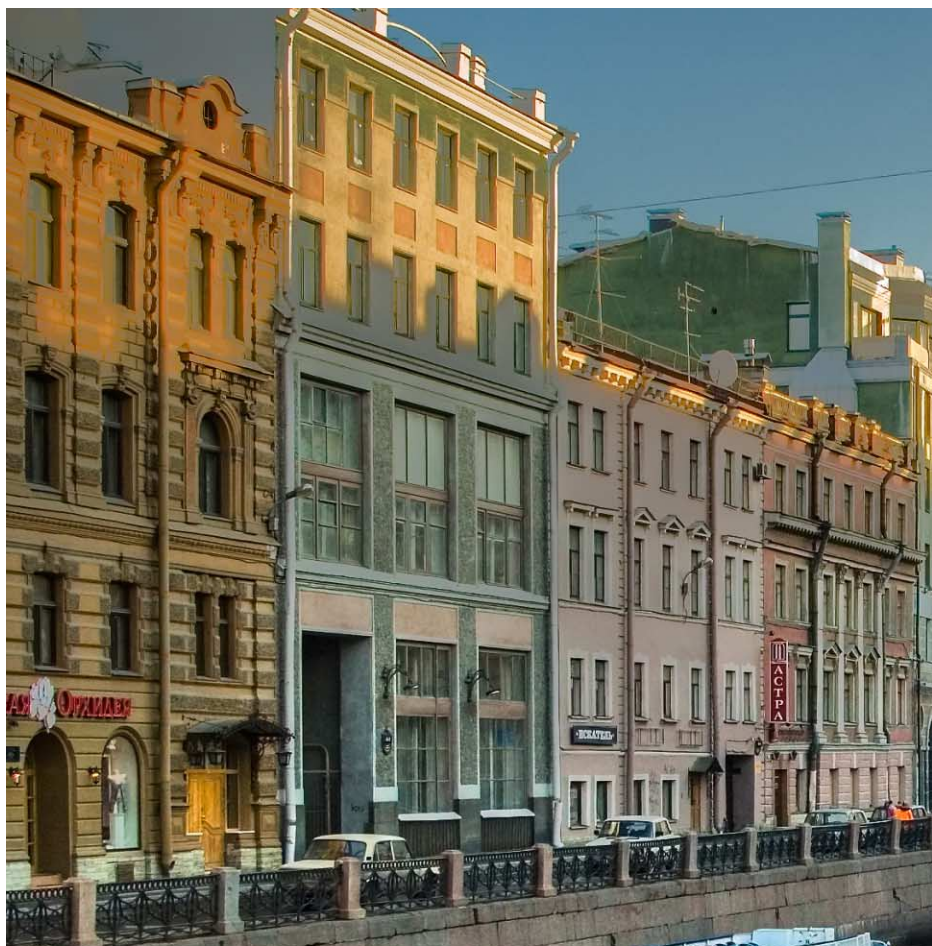
Bwin has already terminated its activities in Russia due to the fact that its legal entity, Digital Betting, will have to pay around an estimated €3m per year to operate in the country.

Digital Betting LLC whilst Entain (GVC Holdings at the time) provided the betting technology and Digital Betting the licence and marketing impact.

In 2019, the CEO of Bwin Russia, Dmitry Sergeev, moved to Parimatch and in February last year bwin.ru was sold to Nirevia Holdings in Cyprus. Sergeev had been quoted as saying Bwin ran with little or no marketing investments, which is why the site languished.



Another operator, Vulcanbet, also announced its withdrawal from the market at the beginning of this year citing the new gambling regulation as the cause and saying it wanted to focus on markets with “more loyal conditions for the betting business,” whilst 23bt.ru voluntarily surrendered its licence in early 2021. Vulcanbet began to accept bets in Russia in June 2019.



Dmitry said: “We collated the cost of operations in Russia to estimate the costs to operate in the legal online market. The spend is around €3m a year. This is one of the biggest taxes in Europe. In Greece we have €1.25m, in Russia we have €3m. This is taxes, contributions and warranties. You are spending €3m a year and it means all of the small players are closing down. So the minimum GGR is around €1m per month to at least break even without the big marketing expense.

“I think less than 10 companies make that right now, because the price for advertising is also very high in Russia and because of some regulations you cannot advertise everywhere, not on TV for example. There are a lot of restrictions, which means that we can't use the networks at all because of the regulation and there are restrictions on the players on the market.”

Advertising is permitted to licensed operators, but there are a range of restrictions to protect minors. TV advertising is allowed from 10pm until 7am, in gaming establishments or via designated print media. Sports betting advertising is allowed during sports broadcasts if it constitutes no more than 20 per cent of all advertising during a broadcast. Some online advertising is permitted across online sports media sites.

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Not everyone is deserting the sinking ship. Bet365 recently started operations in Russia with an office managed by Golden Bet LLC, which is part of the SRO BK association. Golden Bet was registered and licensed for bookmaking in Russia in 2018 and is owned by Onyxion BV (Curacao) and Bet365.ru launched in mid-March. The founders of Golden Bet are also the founders of Star Bet LLC which owns the BingoBoom trademark.

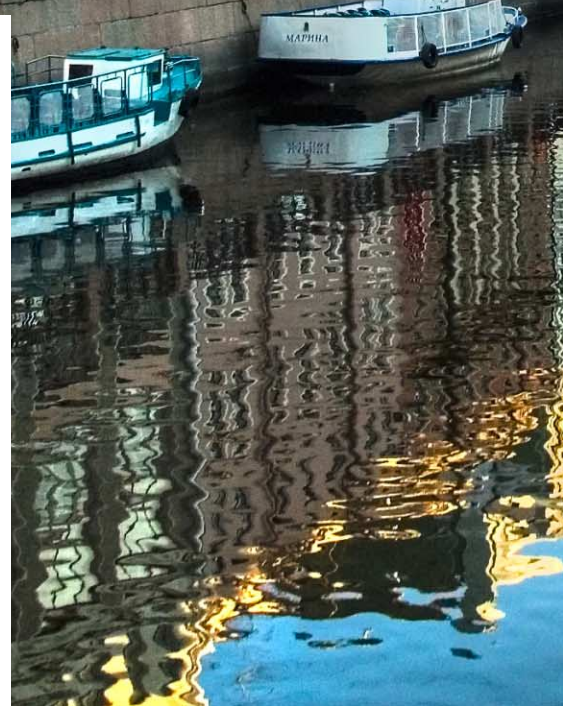
The company was ready to launch in Russia back in 2019 but this was delayed until 2020 when the pandemic railroad any new company launches at that time.

EveryMatrix also entered the Russian market in January with 888.ru. EveryMatrix will supply the bookmaker with a turnkey platform and full suite of products adapted to comply with Russian legislation. More than 100,000 users were migrated to the new platform as part of the launch.

Ebbe Groes, Group CEO of EveryMatrix, commented at the launch: “The 888.ru collaboration is the first major deal for this new version of our sportsbook and we will be investing heavily into making 888.ru a leading brand in the promising regulated Russian market. We see many more business opportunities for our partnership in the future.”

A survey conducted by SimilarWeb analytics in the US named the most visited bookmaker sites in Russia as FlashScore (15.13 million users in February 2021), followed by Fonbet (7.31 million users) and BC Winline with just over four million users that same month.

In January 2021, the top three bookmakers were



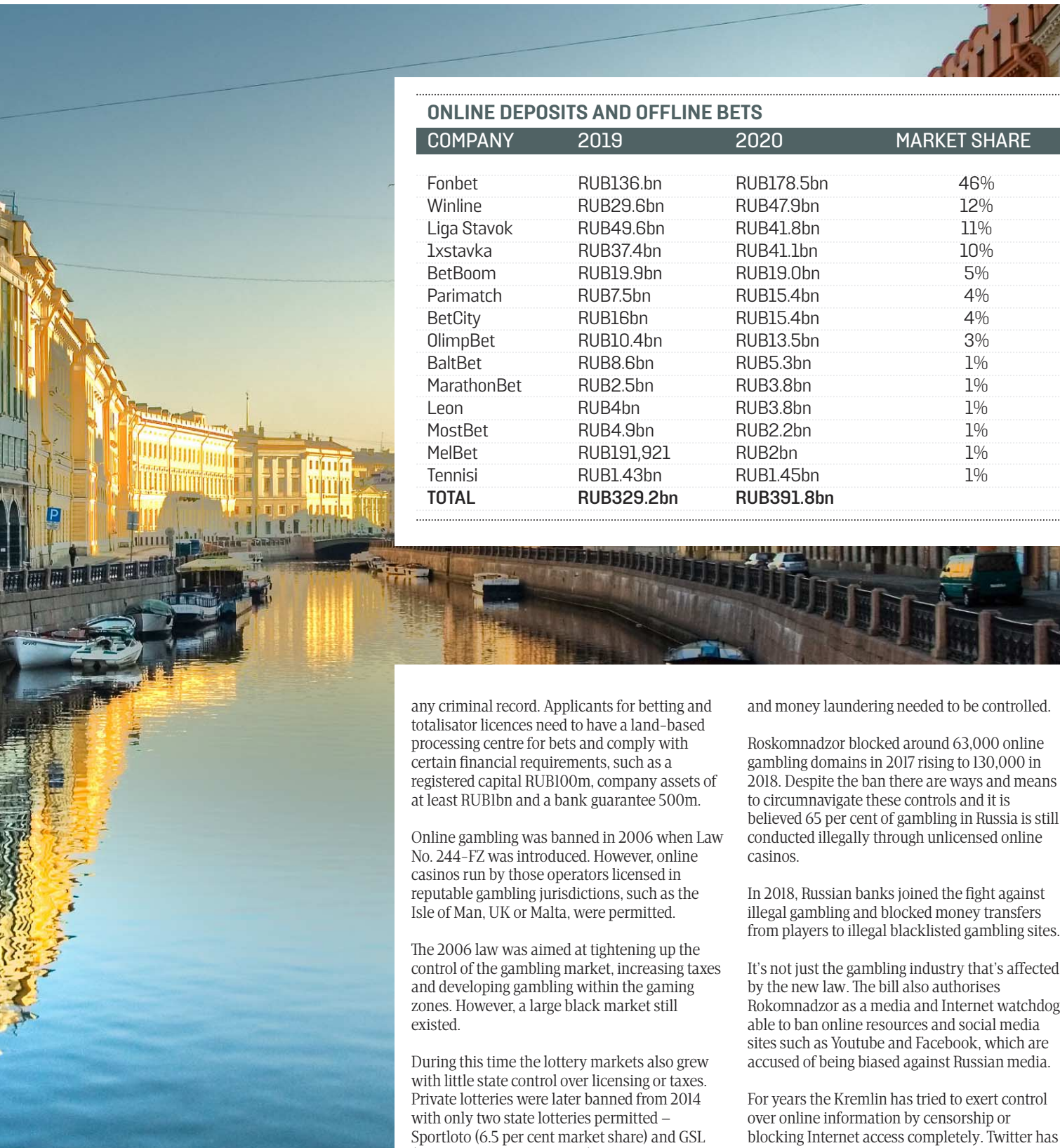
Fonbet, Winline and Betcity, whilst traffic to legal bookmaking sites saw a total of 31.02 million visitors in January 2021.

Fonbet was founded in 1994 and launched the site for online betting in 1998. In 2009, it received its licence in Russia.

A study by bookmaker-ratings.ru indicated 7.9 million people made at least one bet on sports in the year 2019 and 3.4 million made bets regularly (at least once a week).

A chart compiled by Dmitry Sergeev at Parimatch shows the online deposits and offline bets of the





## ONLINE DEPOSITS AND OFFLINE BETS

COMPANY	2019	2020	MARKET SHARE
Fonbet	RUB136.bn	RUB178.5bn	46%
Winline	RUB29.6bn	RUB47.9bn	12%
Liga Stavok	RUB49.6bn	RUB41.8bn	11%
1xstavka	RUB37.4bn	RUB41.1bn	10%
BetBoom	RUB19.9bn	RUB19.0bn	5%
Parimatch	RUB7.5bn	RUB15.4bn	4%
BetCity	RUB16bn	RUB15.4bn	4%
OlimpBet	RUB10.4bn	RUB13.5bn	3%
BaltBet	RUB8.6bn	RUB5.3bn	1%
MarathonBet	RUB2.5bn	RUB3.8bn	1%
Leon	RUB4bn	RUB3.8bn	1%
MostBet	RUB4.9bn	RUB2.2bn	1%
MelBet	RUB191,921	RUB2bn	1%
Tennis1	RUB1.43bn	RUB1.45bn	1%
<b>TOTAL</b>	<b>RUB329.2bn</b>	<b>RUB391.8bn</b>	

leading betting companies (those with over RUB1bn income – see table above).

### ONLINE GAMBLING

Russia's relationship with online gambling has notoriously been an 'on and off' affair for years.

There are three main gambling sectors which exist in Russia – state lotteries, casinos and EGM operations in specific gambling zones and bookmakers (online and offline). There are two basic requirements for all licence applicants – only a Russian legal entity may apply for a licence or permit and shareholders must not have

any criminal record. Applicants for betting and totalisator licences need to have a land-based processing centre for bets and comply with certain financial requirements, such as a registered capital RUB100m, company assets of at least RUB1bn and a bank guarantee 500m.

Online gambling was banned in 2006 when Law No. 244-FZ was introduced. However, online casinos run by those operators licensed in reputable gambling jurisdictions, such as the Isle of Man, UK or Malta, were permitted.

The 2006 law was aimed at tightening up the control of the gambling market, increasing taxes and developing gambling within the gaming zones. However, a large black market still existed.

During this time the lottery markets also grew with little state control over licensing or taxes. Private lotteries were later banned from 2014 with only two state lotteries permitted – Sportloto (6.5 per cent market share) and GSL (93.5 per cent market share). The lottery is distributed by Stoloto online and via more than 60,000 points of sale.

The law set up a regulatory body called The Federal Service for Supervision of Communications, Information Technology and Mass Media (Roskomnadzor) to create a blacklist of unauthorised online gambling sites.

By 2012 the Supreme Court of Russia backtracked and decided to also block overseas online gambling sites to prevent Russian players accessing them. Basically, Russia wanted to protect its land-based casino market, protect vulnerable gamblers and stop underage gambling and addiction problems, whilst fraud

and money laundering needed to be controlled.

Roskomnadzor blocked around 63,000 online gambling domains in 2017 rising to 130,000 in 2018. Despite the ban there are ways and means to circumnavigate these controls and it is believed 65 per cent of gambling in Russia is still conducted illegally through unlicensed online casinos.

In 2018, Russian banks joined the fight against illegal gambling and blocked money transfers from players to illegal blacklisted gambling sites.

It's not just the gambling industry that's affected by the new law. The bill also authorises Roskomnadzor as a media and Internet watchdog able to ban online resources and social media sites such as Youtube and Facebook, which are accused of being biased against Russian media.

For years the Kremlin has tried to exert control over online information by censorship or blocking Internet access completely. Twitter has seen its loading speeds slowed dramatically after Russia accused the social media company of failing to remove some 3,000 posts relating to suicide, drugs or pornography. Twitter is widely used by opponents to the Kremlin, including Alexei Navalny who was jailed in January after returning to Russia after a poisoning attack in Siberia. Twitter is the sixth biggest social media site in Russia.

The Russia government is also utilising laws signed in 2019 that gave Roskomnadzor the power to restrict access to social media sites. It's the first time Russia has enacted such a law and the watchdog warned Twitter if it failed to delete posts with 'illegal' material it could block the social media company entirely.



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From April 1, Rokomnadzor also now requires technology companies who sell smartphones to prompt users to download government approved apps for search engines, maps and payment systems. The state has been actively developing systems for content filtering with black lists, fines or even jail sentences for offending content posted online.

There has been huge controversy and protests over the media blackout. Twitter now has 700,000 monthly active users in Russia, just a fraction of the 68.7 million in the US, for example.

amendments that extended his own personal term limits until 2036 (when he'll be 84). Vladimir Putin was re-elected in 2018 with 77.5 per cent of the votes.

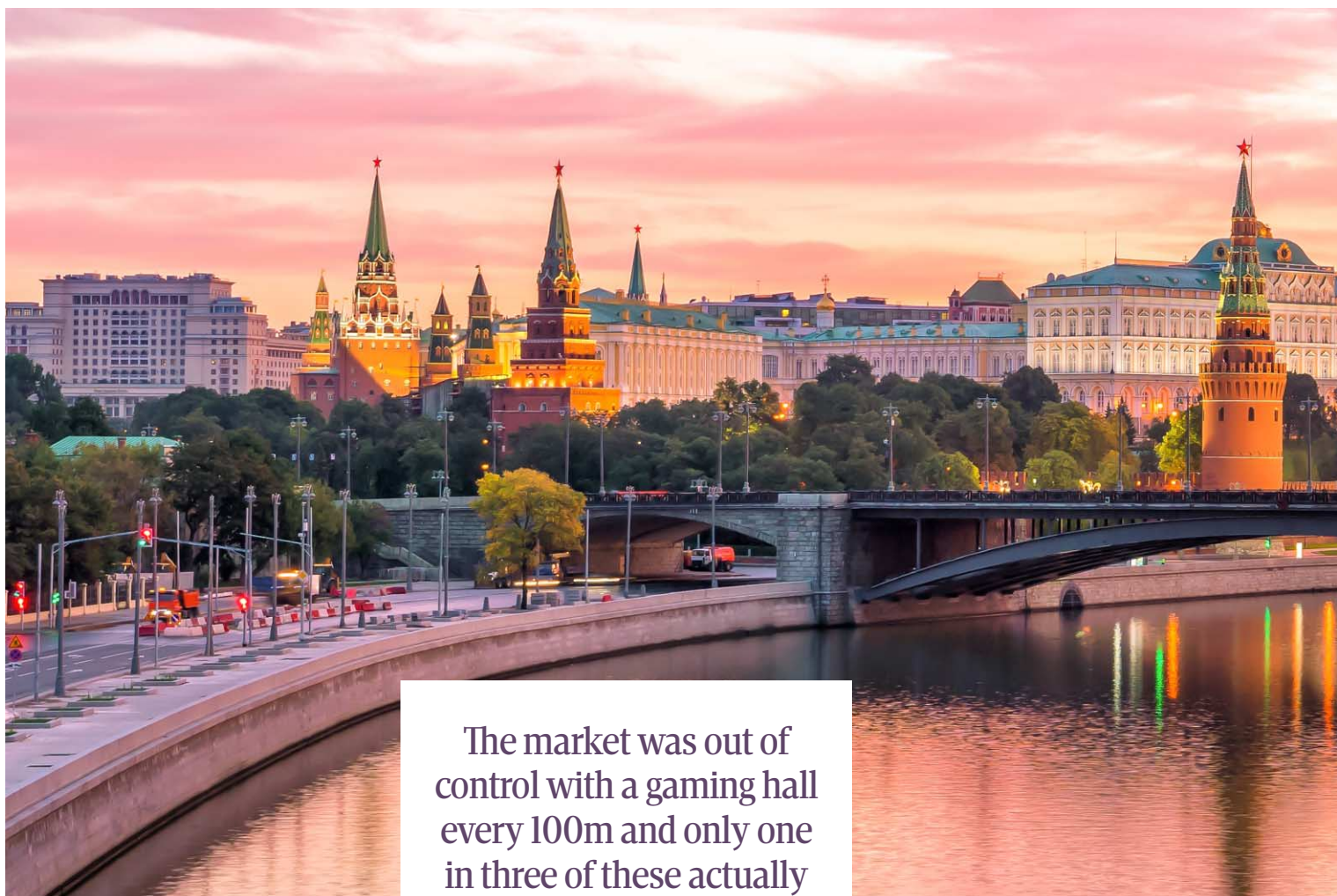
### CASINO MARKET

During the communist era, gambling was almost entirely illegal. In the late 1980s the laws were relaxed and slots and casinos began to emerge. Gambling was legalised in 1989 and EGMs arrived in tourist hotels whilst the first Soviet casinos opened in Tallinn and Moscow.

In the 1990s, after the dissolution of the Soviet

Union, the sector mushroomed. By 2006 it is said there were over 6,300 licensed operations, the majority of which located in the two federal cities – Moscow and Saint Petersburg. By the mid-2000s there were 70,000 plus slots, 58 casinos and 2,000 gaming halls in Moscow alone.

The market was out of control with a gaming hall every 100m and only one in three of these actually legal, whilst corruption and organised crime was rampant. Underage gambling was an issue and it was stated that up to 1.5 million people were gambling in Moscow every day.



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And with elections due later this year, there is little respite expected. The next Duma elections must be held by September this year after a rocky 12 months in politics. In January this year ex-President Dmitry Medvedev resigned as Prime Minister, a position he had held for eight years, and was replaced by Mikhail Mushustin. Medvedev was a key member of Putin's inner circle and tarnished by allegations of corruption and scandal.

The resignation led to rumours that President Putin might also resign, however, instead he announced a series of constitutional

To arrest the situation a federal law was introduced in 2006 (and into full effect in 2009), which banned practically everything. Law No. 244-FZ 'On state regulation of activities for the organisation and conduct of gambling activities and on Amendments to some Legislative Acts in the Russian Federation,' prohibited EGMs and casinos throughout the territory except for four special gambling zones.

Rules for casinos include a minimum of 90 per cent payout for slots, whilst the number of slots in a gaming hall cannot be less than 50 in an area of at least 100sq.m. A casino must have at



least 10 gaming tables in an area of at least 800sq.m. Twelve years later the special gambling zones include:

'Primorye' (Primorsky region) was the first and largest gambling zone which opened up in 2015 and today is the only zone which has attracted international investment. It is about 70km from Vladivostok and geographically is located near to Asia via a two hour flight. The area currently boasts the entertainment complex Tigre de Cristal which holds 300 slots and 40 plus table games.

Tigre de Cristal was opened by Summit Ascent

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Cooperation and Tourism Development of the Primorye Region.

'Krasnaya Polyana' (Sochi) is a gambling zone which holds the Sochi Casino & Resort opened in January 2017 at the ski resort Gorky Gorod. The casino holds 46 gaming tables, 442 slots, two restaurants, cabaret, bar, business events hall and retail outlets. The operator is LLC Domain headed by Mikhail Danilov and the company is owned by Silverron International in Singapore.

At the end of 2017 the Bonus Slots hall opened in Gorky Gorod with over 170 slots which was set



Holdings (a subsidiary of Suncity Group Holdings).

Tigre saw big losses for the first half of last year after closures during the pandemic. However 2H 2020 saw a profit of US\$1.3m reversing a loss of US\$6.1m for 1H 2020.

The second complex which opened in the region, in October 2020, was the Shambala Casino (owned by the same Shambala operators in Azov City).

Meanwhile in 2016 Naga Corp began the

construction of a second complex in the region with casino and aqua park.

The Naga Vladivostok project will include a four star 11 storey hotel with 279 rooms, gaming halls and concert hall and costing around \$350m. It's seen several delays particularly being unable to bring in Chinese workers due to the pandemic restrictions and is not expected to open until end of this year for the first phase of opening.

There are plans to open 12 hotel complexes with casinos in this region. The gambling zone is regulated by the Department of International

up as an affordable alternative to the more high end Sochi Casino. This was followed by the Boomerang Casino which opened in January 2019 in the ski resort of Rosa Khutor by the same owners as Sochi Casino. Boomerang casino has 200 slots and 20 table games.

Since the first casino opened in 2017 the gaming zone has seen over one million people from 155 countries visit.

The gambling zone was previously allocated 650km away in Azov City (in the Krasnodar region) which since 2010 had been operating



three casinos – Oracle, Shambala and Nirvana. But due to a government decree to move the gambling zone to another location, businesses within Azov City had to be liquidated by the end of 2018 as the gambling facilities were shifted to a newly created gambling zone which promised to be more successful and located in the former Winter Olympics host city of Sochi. Shambala and Royal Time Group (Oracle) had invested around RUB6bn in the Azov City zone and there was huge uproar due to investment and job losses. The gambling zone is regulated by the Department of Property Relations of the Krasnodar Region.

‘Yantarnaya’ (Kaliningrad region) is located on the Baltic coast and was initially expected to host up to 15 gaming facilities and 20+ hotels including sporting facilities and retail outlets. But today the region only has two venues – Magic Cristal which opened in April 2016 with two gaming halls and 150 slots and a bar. The second, Sobranie Casino was opened a year later in 2017 and is said to be one of the largest in Europe with a gaming hall with 350 slots and 14 tables, restaurants and bar and cost around RUB3.5bn in total, whilst the operation was taken over by Uni Gaming Company.

This area has struggled. When it began, large sums of money (around RUB14bn) were quoted for investments with returns of up to RUB45bn promised by 2024. In reality, only RUB3bn was invested into projects. The zone is regulated by the Ministry of Regional Control of the Kaliningrad region.

‘Siberian Coin’ (Altai region) has only one casino in this gambling zone. The Altai Palace opened in 2014 and is owned by RTG Baltic and includes a casino, four star hotel, restaurant, nightclub, bar and other facilities. There are 16 gaming tables, four poker tables, two electronic roulette and 133 slots. Altai Palace’s revenue for 2019 was RUB287m whilst it is reported some 140,000 people visited the gambling zone in 2019.

In 2019, a second casino resort was announced for development that would open in 2024 with an investment of RUB3.6bn. It would include a gaming hall with 300 slots and 10 tables, hotel complex, restaurant, gym and conference hall. The investment company is Golden Swallow 8 and construction began in June last year. The region is regulated by the Department of Tourism and Resorts Development of Altai region.

The decision to create a fifth zone called Gold Coast (Crimea) dates back to 2014 although the official decree to set up the gambling zone wasn’t signed until 2019. The development area is located on the southern coast of the disputed region of Crimea and will be made up of a total of 146,851sq.m in the village of Katsiveli, in the Yalta Municipality. It is regulated by the Ministry of Finance of the Republic of Crimea.

‘Yantarnaya’ is located on the Baltic coast and was initially expected to host up to 15 gaming facilities and 20+ hotels including sporting facilities and retail outlets. But today the region only has two venues – Magic Cristal which opened in April 2016 and Sobranie Casino which opened in 2017.

Plans to build at the former health centre resort site called Fortune has begun with an opening date of 2024 cited. The 15 hectare plans include a casino, five star hotel with RUB3bn investment rumoured.

Yalta’s Gold Coast (Zolotoy Bereg) is a popular, and yet undeveloped area, alongside the popular Black Sea coast line.

It is rumoured this development could rake in around RUB400m within five years for state budgets.

Prior to the invasion, the Crimean resorts saw around six million tourists per year, the majority of these were from the Ukraine. In 2018, the Gold Coast only saw around half a million tourists. Under Russian control there is some concern about who the target market of the Crimean casino will be?

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## Bill could present a stark choice for online operators in Russia



**Ilya Machavariani,**  
Senior Partner  
4H Agency

4H Agency is a boutique consulting firm working across from offices in Cyprus, Ukraine and Russia providing various services from legal, banking, consulting and marketing providing a 'one top shop' for international gambling operators entering certain jurisdictions.

4H Agency is fully dedicated to serving members of the gambling business ecosystem in their quest to open up new opportunities, be it a new market, vertical, or new product.

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**Ilya Machavariani is a Senior Partner and CEO of the 4H Agency, discusses the issues facing operators accepting Russian players without a Russian licence as the government seeks to make this a 'black' or 'white' issue.**

On April 22, 2021, in the First Reading, members of the Russian State Duma adopted the bill (No. 1133991-7) amending a number of Federal laws in order to improve the measures of combating illegal gambling operators. Now the bill has to undergo a number of amendments before it moves on to the subsequent readings withing the government halls.

Central to this initiative would be the introduction of the criteria to determine whether the gambling operations are being conducted within the territory of the Russian Federation or elsewhere. These criteria are:

- Player location;
- Bank or EMI location;
- IP address of the player;
- Phone code of the player.

If one of the above criteria is linked to Russia (i.e. the player is living in Russia) then it will be considered that gambling is happening in Russia for the purposes of Russian legislation and existing overarching restriction for online gambling.

This bill changes the risk profile for operators in accepting Russian players without a Russian licence, as it removes the potential for doubt in determining whether that firm is offshore. Essentially it might be fair to say that if this bill passes then the "point-of-consumption" regime would be fully installed in Russia.

If the bill passes all three readings in the State Duma, then offshore payment institutions once caught transferring funds to a 'blacklisted' gambling operator (said blacklist was introduced in 2018) will be included in a separate list of payment institutions working with illegal offshore gambling companies. This means that all payments from Russian players to the blacklisted payment institution would be blocked

within the Russian perimeter akin to the existing payments blockings mechanism.

In contrast to the blacklist mentioned above, the bill also introduces a concept of a "white list" where each and every regulated gambling operator in Russia would be listed (both landbased - including casino operators in the gambling zone - and online). The idea of this list is that Russian financial institutions are forbidden from entering into any contracts with entities that are not in this list.

Having analysed the supporting documentation to the bill, we'd like to draw your attention to the fact that the Russian authorities are going to install administrative liability for payment institutions violating the requirement not to transfer any payments to offshore gambling operators in the blacklist and outside whitelist. Additionally, the Russian regulator is granted with the right to block websites of not only offshore operators but payment institutions.

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