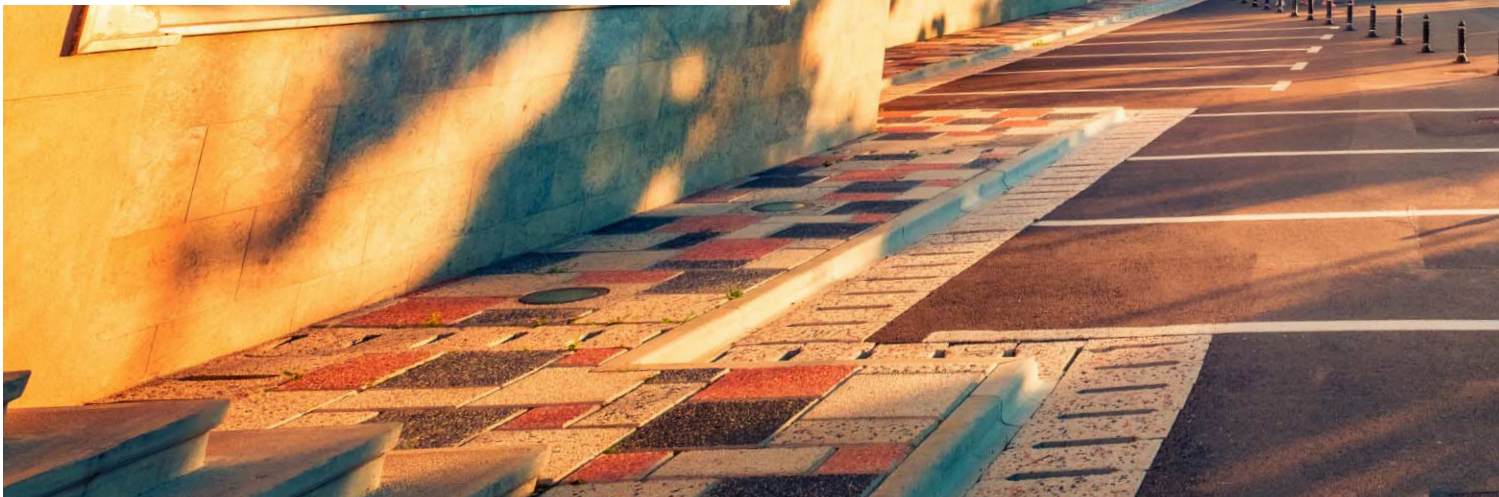

Reports

MOLDOVA - MARKET REPORT



As the country stumbles along, with poverty comes corruption, and Moldova was the winner of the “Theft of the Century” award a few years ago when a group of politicians managed to siphon an estimated \$1bn out of the country into offshore accounts. Entitled the ‘Billion Case’ the banking scheme stole 12 per cent of Moldova’s GDP.



Playing Monopoly

Moldova

Moldova may be a small and unassuming nation, however, it has a legendary gambling industry worthy of a Netflix screenplay consisting of a questionable monopoly rife with an undercurrent of fraud, corruption and political intrigue.

Once dubbed the world's 'least happy place' Moldova is often viewed as the forgotten impoverished land wedged between Romania and Ukraine.

In reality it is a charming little nation which suffers from a slight identity crisis as it sways between its Romanian roots and Soviet control. However, it is still known as one of the poorest countries in Europe relying heavily on agriculture and wineries, whilst almost a third of the workforce leave the country to seek work abroad and the money they send home accounts for around 16 per cent of the total GDP.

The country has struggled to build a solid economy since the collapse of the Soviet Union in 1991. It is the least visited country in Europe despite the lure of an established and successful wine industry.

Wine is exported in gallons to neighbouring Russia, Romania, and Poland mostly whilst visitors are drawn to the vast number of wineries and vineyards.

Moldova was just beginning to cash in on its wine tours to tourists, but the pandemic has seen this sector crumble with sales of Moldovan wine falling by 10 to 30 per cent whilst some wine resorts are saying they have lost 70 per cent of their visitors at the moment. The country has 110,000 hectares of vineyards and is said to be the 20th largest wine producer in the world.

Back in 2018 there were a total of 364,000 tourists arriving in Moldova of which 160,000 were foreign tourists. This dropped to just over 90,000 in the year 2020 (28,700 foreign visitors) and by the first quarter of 2021 the number of tourists reached just 22,000 (7,000 foreign visitors).

As the country stumbles along, with poverty comes corruption, and Moldova was the winner of the 'Theft of the Century' award a few years ago when a group of politicians managed to siphon an estimated \$1bn out of the country into offshore accounts. Entitled the 'Billion Case' the banking scheme stole 12 per cent of Moldova's GDP.

Current Prime Minister Maia Sandu has been determined to bring the fraudsters to justice and see the money returned – however this has proved easier said than done.

Three banks and 77 Shor Group companies, all linked to businessman Ilan Shor, were involved in the heist which involved massive fraudulent loans made to entities within the Shor Group. Former Democratic Party leader Vladimir Plahotniuc was reportedly also involved alongside former PM Vlad Filat.

Although Shor was the only official person implicated and was sentenced in 2017 to seven and a half years in prison, he remains free pending the result of an appeal against the verdict. He is currently thought to be hiding in Israel and recently announced he would help the government by returning the stolen 'billion' if all charges against him were dropped.

The theft left the country with huge financial



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MOLDOVA - MARKET REPORT

The government has pushed to restore stability and improve banking and fiscal competence and it has made moves towards energy independence from Russia. A new gas pipeline running over 120km from Iasi in Romania to Chisinau will link Moldova to the EU energy system and reduce its dependency on Russia. Previously, the country imported almost all its energy supplies from Russia, or the Ukraine and gas delivered by Russian giant Gazprom was responsible for 99 per cent of the gas used in the country.

problems which the government later converted into public debt to be paid for over the next 25 years.

Meanwhile the negative effect of the pandemic and turbulent politics has also had a big impact on this little country and could see further migration as people flee to find work.

Moldova's economy shrank by seven per cent in 2020 due to the Coronavirus crisis, although predictions show the country is expecting to emerge from its recession with a growth rate of six per cent this year

Once a province of the Russian empire, Moldova gained independence in 1991. Growth, however, is still today hampered by corruption, political uncertainty, and a weak administration. There is little to attract foreign investment and migration is leading to a drop in the young population.

The government has pushed to restore stability and improve banking and fiscal competence and it has made moves towards energy independence from Russia. A new gas pipeline running over 120km from Iasi in Romania to Chisinau will link Moldova to the EU energy system and reduce its dependency on Russia. Previously the country imported almost all its energy supplies from Russia or the Ukraine and gas delivered by Russian giant Gazprom was responsible for 99 per cent of the gas used in the country. Gas delivery played an important role in political decisions.

Moldova instigated early parliamentary elections during the summer after President Maia Sandu dissolved parliament in April after the Constitutional Court ruled the state of emergency voted by parliament was unconstitutional.

After years of communist rule there was a return to parliamentary elections in 2009 and since this time the country has been run by a series of pro-European ruling coalitions.



Former PM Maia Sandu beat pro-Russian President Igor Dodon's attempt to win a re-election in November last year, whilst Foreign Minister Aureliu Ciocoi took over as Acting Prime Minister in January 2021 when Prime Minister Ion Chicu resigned after the election of Sandu.

She became Moldova's first woman President and ran her campaign focused on addressing

corruption and strengthening ties with Europe, gaining the votes of 93 per cent of Moldovans who are living abroad.

Moldova is made up of 32 raions and three municipalities (Balti, Bender, Chisinau), one autonomous territorial unit (Gagauzia) and one territorial unit (Transnistria).

Transnistria broke away from Moldova over 30



years ago, preferring independence from Moldova and unification with Russia. Russia has pumped money into the region providing free gas since 2005 and topping up pensions and salaries to keep the economy afloat.

THE GAMBLING MARKET

The gambling sector in Moldova developed back in 1918 when the first clubs began to open in the main cities. Under Soviet control, however, gambling was prohibited, and this lasted until independence in 1991 when it began to re-emerge.

By the late 90s the government took the initiative to develop the gambling industry and introduced the Law on Gambling and Licensing of Gambling Businesses (Law No. 285/1999) which outlined the main legal framework for operating gambling establishments and distinguished between games of chance, bets, and skill games.

Any operator, incorporated in a limited liability company or joint stock company, with a statutory amount of capital, could apply for a licence. Only the National Lottery was under a state monopoly.

It provided for an open market and the sector mushroomed with an estimated 100 plus

In 2016, there was a political campaign to drastically increase the regulation on gambling activities. Politician Vlad Plahotniuc 'declared war' on illegal gambling in casinos and targeted underage gambling issues. In November 2016 a police campaign shut down the four casinos and 160 slots halls in one night.

gambling halls and over 2,000 slots in Chisinau alone.

Talks about introducing a monopoly began as early as 2010. At one time there were up to nine companies operating lotteries and the idea was to grant the Loteria Moldovei (National Lottery of Moldova) the monopoly on lotteries, VLTs, sports betting and online gaming.

In 2016, there was a political campaign to drastically increase the regulation on gambling activities. Politician Vlad Plahotniuc 'declared war' on illegal gambling in casinos and targeted underage gambling issues. In November 2016 a police campaign shut down the four casinos and 160 other slots halls in one night, mostly

operated by investors from Romania, Hungary, Russia and Ukraine.

The aim was to clean up the nation of illegal gambling. It also led to the arrest of several Licensing Chamber employees with a big investigation into licensing irregularities and fraud. The Licensing Chamber suspended the licences of 65 gambling operators due to tax evasion or financial violations.

During this period there were four casino licences, 72 slot licence holders, 13 sports betting companies and the lottery. Moldovans spent around LEU350m (€16.6m) on gambling that year according to the Licensing Chamber, whilst in 2016 gambling generated around LEU52m (€2.5m) for the state in taxes.

However, the government later changed their minds on a complete ban on gambling and a month or so later a draft legislation was rushed through calling for tighter control of the sector and in December 2016 Law No: 291 was introduced which basically divided the gambling market into two segments – high risk (casinos and slot machines) and low risk (lotteries and sports betting). The law stated that except for the operation of casinos, all other gambling sector constituted as a state monopoly. The casinos re-opened three to four months after their suspension.



- Availability of at least 5,000 slots in operation in Europe.
- Manufacturer of slot machines.

The Law 291/16 legalised casinos, lotteries, gambling halls with slots, betting and gambling online. The National Lottery of Moldova (NLM) is a joint stock company which was set up in 1994 and was created by the government of Moldova. This company became responsible for the operation of the conduct of lotteries, slot halls, sports betting and online gaming. Only the casino industry is now privately licensed.

Owned by the Public Property Agency, the idea was to create the monopoly to not only combat fraud, money laundering and illegal operations, but to bring in revenue for various sport and charitable organisations.

Two years later under a reform of the gambling sector, a government decision in April 2017, decided that the Public Property Agency should instead hand over control of the gaming and lotteries sectors to two European companies under a public-private partnership project.

The eligibility criteria included:

- Companies had to hold valid licences in the field concerned.
- Turnover of the company must be €500m for the last three cumulative years.
- Development of distribution network with lottery ticket outlets with at least one PoS per 500 people.
- A valid contract for last three years with TV station with national coverage.

Tenders were invited and seven companies submitted their requests and by April 2019 two companies were chosen.

The first contract was awarded to Novo Investment (part of Novomatic). They were contracted as the technological partner of the NLM for the operation of VLTs for a period of 15 years. According to the contract the contribution of the public partner consists of – the operating licence, locations and personnel whilst the contribution of the private partner consists of – the machines, system, service and maintenance including spare parts, servers and helpdesk.

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Novo Investment MLD is managed by Valentin-Adrian Georgescu and Vytautas Janulynas.

By the year 2010 there were around 320 slot halls throughout Moldova operating a total of 4,382 slots. The majority were small to medium locations operating between 10 and 15 slots.

Currently the National Lottery of Moldova is operating approximately 1,000 VLTs in 16 locations.

Under this public-private partnership some 51 per cent of GGR from slot machines was to be returned to the NLM.

LOTTERY CONTRACT

The second contract was awarded to Chisinau based NGM SPC Ltd (part of NGM SPC Ltd based in UAE plus Bulgarian companies New Games and National Lottery AD which manages the Bulgarian national lottery and other gambling activities) for a period of 15 years for lottery and sports betting.

Under this public-private partnership project 75 per cent of the revenue from the lottery sector is returned to the NLM leaving 25 per cent for the investors and from sports betting 90 per cent is returned to the NLM.

NGM SPC Ltd planned to develop the Moldovan lottery into a network of 1,500 PoS for lottery tickets and 120 PoS for lotto games. It aimed to invest €6m into the project for the first stage with the perspective of registering a turnover of €40m during the fifth year of the contract.

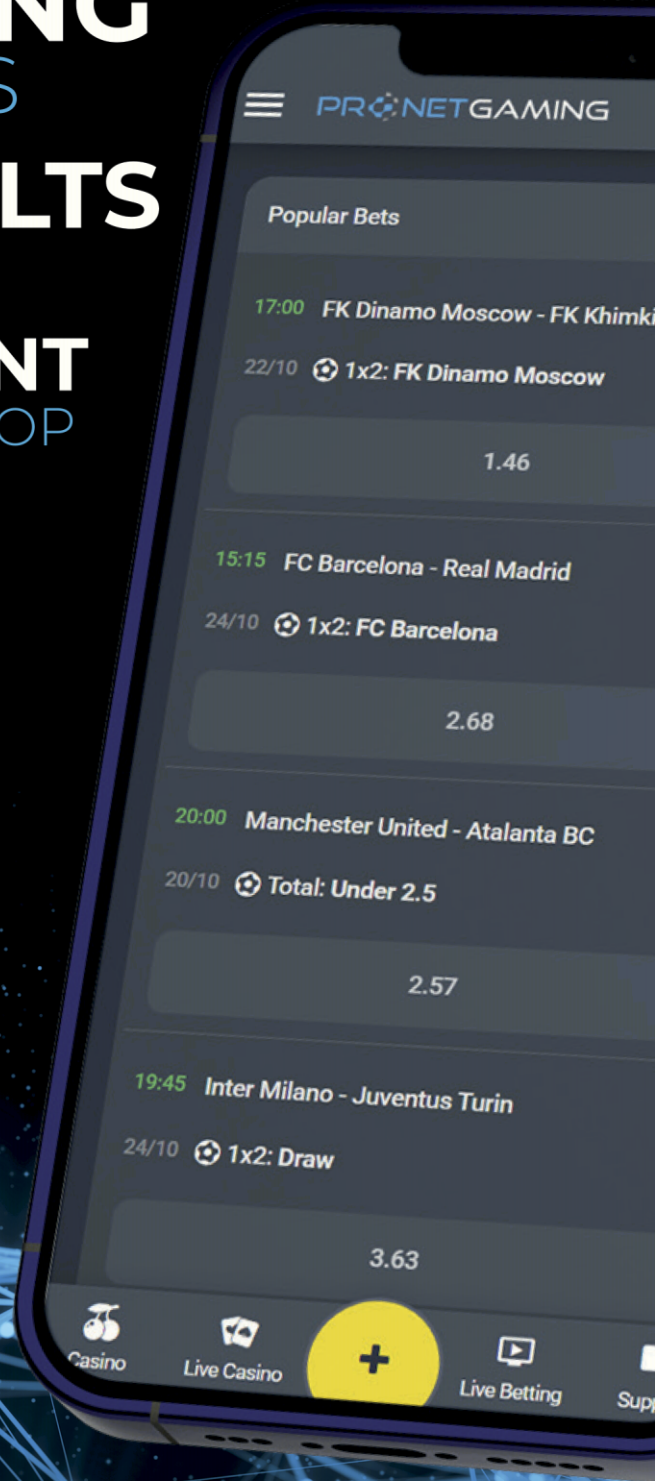
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The lottery launched six types of lottery tickets and sells around 1.5 to two million tickets per month.

NGM SPC is owned by Bulgarian gaming czar Vasil Bozhkov, a controversial businessman nicknamed the 'Skull' who has dominated Bulgaria's gaming business since the early 1990s. He led the lottery with fellow Bulgarian, Plamen Stefanov Milanov.

Bozhkov was arrested in Dubai last year following allegations of money laundering, fraud and organised crime links and since January 2020 has not had any links with the NLM.

Meanwhile at the end of last year the General Prosecutor's Office initiated a criminal case investigation into the 'privileged business' of the National Lottery of Moldova after it was alleged that the lottery pumped millions of rubles into politician Vlad Plahotniuc's affiliated television channels under the guise of 'advertising'. Lottery products were promoted via 13 TV stations and seven radio stations.

The NLM TV show was launched on Prime TV by General Media Group Corp which was founded by Plahotniuc. This company also owns other TV

Highly influential politician Plahotniuc has often been cited as the 'real ruler' of Moldova. He was Chairman of the Democratic Party at the time whilst the lottery show was hosted every Sunday via his TV channel. He fled Moldova in 2019 when he was pushed out of parliament during a government shake up and sought political asylum in the US.

channels which promoted the sale of lottery tickets sold in gas stations, post offices, kiosks and bookstores.

It was alleged that Prime TV received around €350,000 from NLM for six months TV advertising.

It was said that between 2017 and 2019 around LEU400m (€20m) was missing from what should have been the state's funding from the lottery.

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Meanwhile, under the partnership agreement



the NLM should receive 75 per cent of the revenues and the private partner 25 per cent. It is understood that in reality the split of profit was around 11 per cent to the state and 89 per cent to the private partner.

Between October 2018 and May 2019 lottery tickets worth LEU325.98m were sold in Moldova. Of this amount LEU39.5m went to the NLM and LEU81.5m to the private partner.

The prosecutor has estimated that the public budget has missed out on revenues amounting to around LEU400m. In May this year the Public Property Agency (APP) announced the opening of the position of General Manager of the NLM.

According to a report by infomarket.md the amount of lottery tickets sold in 12 months between the end of 2018 and 2019 amounted to LEU537m (\$30.7m).



Although sports betting is a monopoly in Moldova the country is flooded with many illegal portals and has a turnover of billions of LEU per year. Advertising is done via the internet, on public transport and street advertising whilst there is little regulation for payment providers.

sector giving the Agentia Servicii Publice (ASP) the authority to develop specific requirements for the conduct of online gaming. At the moment the NLM is the only online gambling operator with a licence.

Although sports betting is a monopoly in Moldova the country is flooded with many illegal portals and has a turnover of billions of LEU per year. Advertising is done via the internet, on public transport and street advertising whilst there is little regulation for payment providers.

The only authorised operator is 7777.md via the National Lottery of Moldova where players can bet on various sporting events. Initially bets were offered through a partnership with National Lottery JSC and KAMBI.

KAMBI, the online sports betting platform

provider, extended its initial contract in 2019 to provide its multi channel Sportsbook and managed services to the Bulgaria National Lottery JSC's 7777 brand in both Bulgaria and Moldova.

KAMBI Sports Solutions was set up by Unibet (now Kindred Group) in 2010 as a provider of premium sports betting services to licensed B2C operators and other customers, including 888 Holdings, Greenwood Gaming and

SPORTS BETTING

Online gambling in Moldova exists in a semi legal way. Online gambling is legalised but not regulated. The only operator legally permitted to operate in Moldova is the National Lottery as other bookmakers cannot apply for licences as there is no supervisory authority or framework which exists to regulate the market.

Laws introduced via the Law 291/16 legalised the

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The online sports betting market in Moldova is not very large, mainly because of the small population and unregulated framework, and there are only a few internationally recognised brands here. However, several international bookmakers accept players from Moldova and even offer the possibility to play in the Moldovan currency.

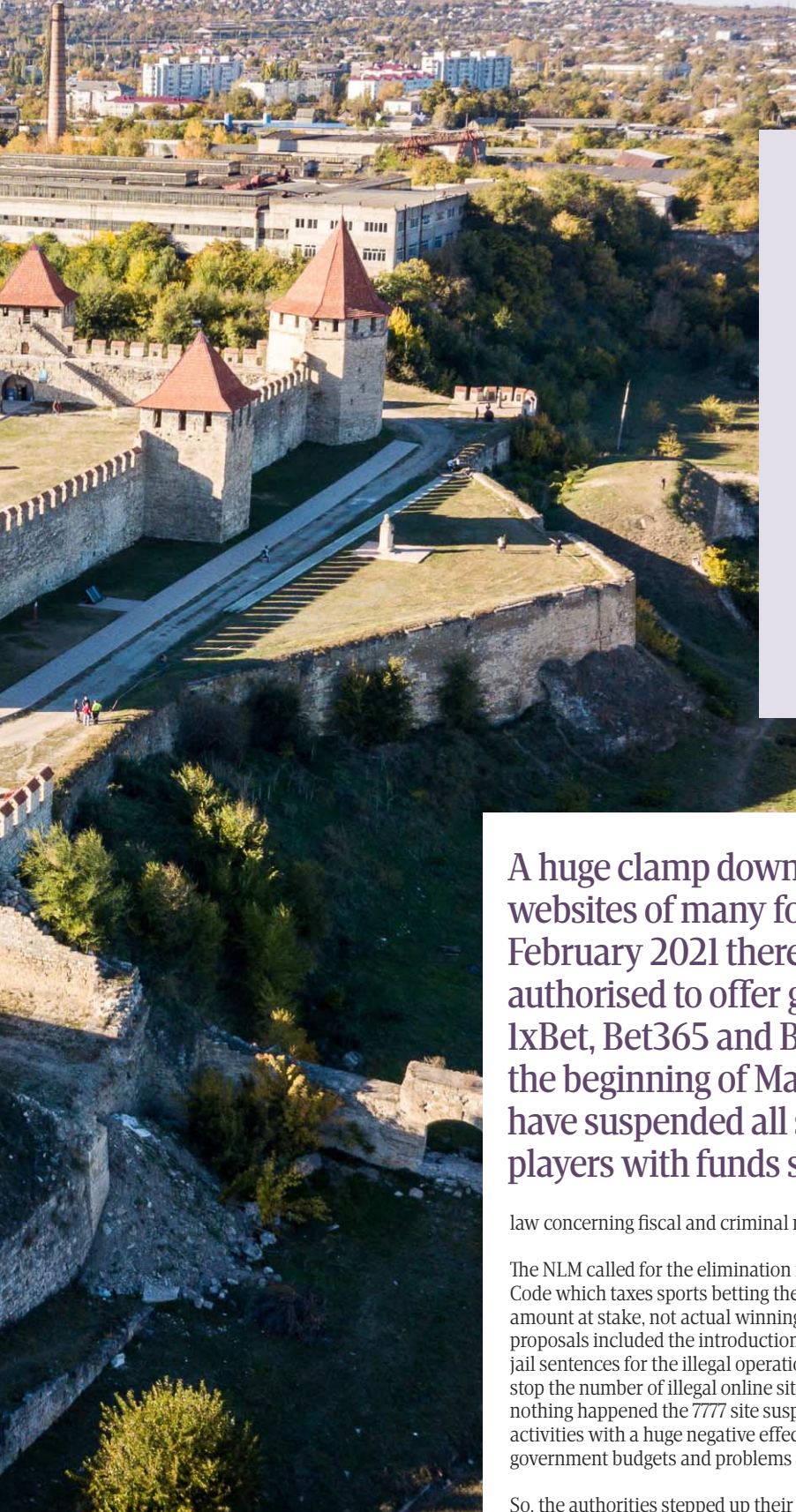
Entertainment, Kindred Group and Mohegan Gaming.

The partnership between KAMBI and the NLM ended in March 2020 however after KAMBI temporarily suspended its contract with the Bulgarian National Lottery after the Bulgarian lottery handed back its operating licence to the Bulgarian State Gambling Commission, following the scandal involving Vasil Bozhkov. The 7777.bg site has since ceased activities.

The online sports betting market in Moldova is not very large, mainly because of the small population and unregulated framework, and there are only a few internationally recognised brands. However, several international bookmakers accept players from Moldova and even offer the possibility to play in the Moldovan currency. Brands such as 22Bet, Bet 365, Betfair, 1Xbet and Betwinner were all active. Apart from the international brands other operators are mostly local companies such as

Toto Fiesta, PariTopSport and Pariuri.md, which is the first sport prediction site in Moldova launched in 2011 and offers a wide range of sporting events.

Football is a popular sport alongside golf and e-sports, although the national sport is wrestling. The minimum age limit for betting is 21 years and since last year players are taxed on their winnings at a rate of 12 per cent on anything over LEU240.



Essential information and facts about Moldova:

Capital	Chisinau
Total Area	33,851sq.km
Population	3.32 million
Median age	37.7 years
Religion	Orthodox (48%), Catholic (7%), other.
Ethnic Groups	Moldovan (75%), Romania, Ukraine, Gagauz, Russian.
Languages	Moldovan/Romanian (80%), Russian (9.7%), Gagauz (4.2%)
Currency	Leu
Government type	Parliamentary Republic
Chief of State	President Maia Sandu (since December 2020)
Head of Government	Acting Prime Minister Aureliu Ciocoi (since January 2021)
Elections	President elected for a four-year term. Next due 2024. Prime Minister designated by the President after consultation with Parliament.
Unemployment	4.3% (March 2021)
Tourism	174,000 foreign tourists (2019)

A huge clamp down began with the blocking of websites of many foreign sports betting sites and as of February 2021 there is a blacklist of 230 websites not authorised to offer gambling online. Many sites such as IxBet, Bet365 and Bwin have been blocked and since the beginning of March many online payment services have suspended all services abroad leaving many players with funds stuck in the bookmaker accounts.

law concerning fiscal and criminal measures.

The NLM called for the elimination in the Fiscal Code which taxes sports betting the entire amount at stake, not actual winnings. Other proposals included the introduction of fines and jail sentences for the illegal operations to help stop the number of illegal online sites. But when nothing happened the 7777 site suspended activities with a huge negative effect on government budgets and problems for players.

So, the authorities stepped up their game. On January 1 2021 the Law No: 257 of December 16 2020 came into force which saw amendments to Law No: 291/16 on the organisation and conduct of gambling.

This included giving the ASP additional powers and the responsibility of highlighting unauthorised gambling websites via a blacklist which was then sent to the National Agency for Regulation in Electronic Communications and Information Technology (ANRCETI) to be blocked.

A huge clamp down began with the blocking of websites of many foreign sports betting sites and as of February 2021 there is a blacklist of around 230 websites not authorised to offer gambling online. Many sites such as IxBet, Bet365 and Bwin have been blocked and since the beginning of March many online payment services have suspended all services abroad leaving many players with funds stuck in the bookmaker accounts. There are big fines for individuals of between LEU100,000 and LEU200,000 for violating the legislation and up to LEU300,000 and LEU400,000 for companies.

And so as the ASP began to target illegal operations the 7777 sports betting platform was re-launched earlier this year.

Between January 1 and March 10 2021 NLM saw LEU1.8m revenues from sports betting with LEU600,000 going to the state budget in the form of taxes. By the end of March, it was estimated that the total profit for the NLM from sports betting would be LIE3m.

According to the State Tax Service, in January 2021 the total amount of winnings for lotteries and sports bets amounted to almost LEU19m with income tax withheld at around LEU2.2m.

Last year the National Lottery of Moldova agreed to expand its services in Moldova if the authorities clamped down on black market sports betting sites. The company submitted a set of proposals to the government to bring the sports betting sector under the control of the

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The NLM believes that it could earn over LEU100m from sports betting alone each year without competition from other operators.

It is estimated that around LEU200m is spent on foreign sports betting and online casinos bets each month with around 60,000 active players in the country. The legal lottery has around 4,000 players registered. The tax on winnings is expected to have a big detrimental effect with many players choosing to instead access foreign sites to avoid the tax.

According to a report undertaken by Ziarul National the total turnover the Moldovan sports betting industry is worth around LEU2bn per year.

Plamen Milanov, Director of NGM, was quoted earlier this year as saying: "Given the efforts to combat illegal betting as we see during March, we are convinced we will be able to provide the state with amounts reaching LEU5m per month for each of the remaining months of the year totalling around LEU50m in 2021.

"We have data on the size of the illegal market in

"We have data on the size of the illegal market in Moldova. These are amounts that are three times higher than the turnover achieved through the state sports betting platform 7777.md. Respectively we could reach the amount of LEU180m per year, money that can be insured to the state budget."

Plamen Milanov, Director of NGM

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CASINOS AND SLOT HALLS

Following the 291/16 law a new casino law was introduced to regulate the sector and a year later the HG820/17 introduced the set up of an electronic monitoring system to collate all transactions and data. Other rules for casinos include:

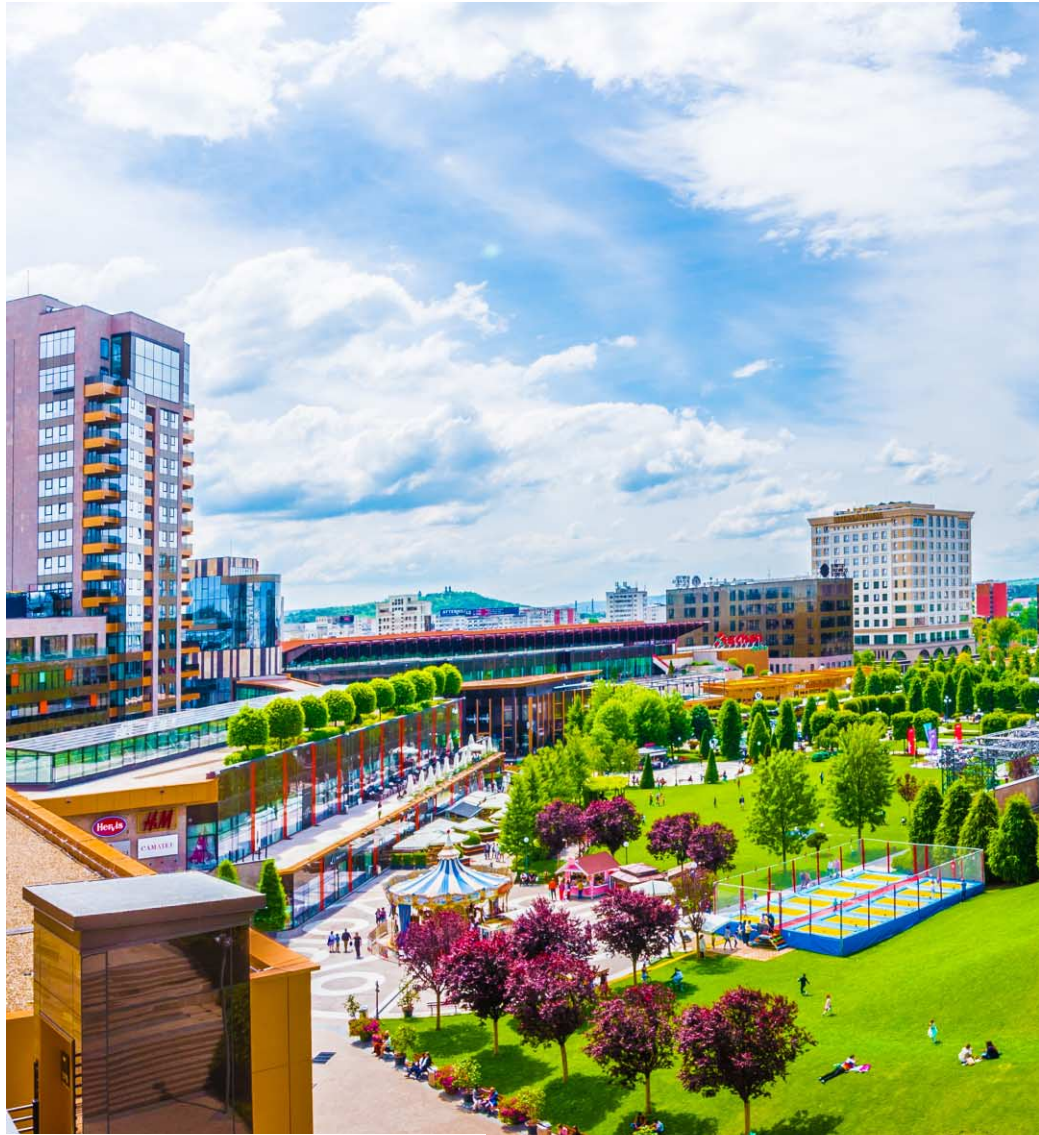
- Gambling operators (other than via state monopoly) must have a share capital of

LEU5m with at least 70 per cent of this in available funds.

- Must have at least five years experience in operating games of chance in Moldova or the EU.
- Must have a guarantee of an amount not less than the share capital.
- Gaming operations cannot be located near education or religious buildings etc.
- Minimum age limit for gambling in casinos and slot halls is set at 21.
- Casinos must be in separate rooms with street access and only four-star hotels or above can

host a casino in their premises.

- Casinos in rural areas must have at least 10 slots and five tables including at least one roulette. Urban casinos must have at least 20 slots and six tables (including one roulette minimum).
- The licensing fee for each gaming table is LEU600,000 and LEU130,000 per roulette table.





There are only two casinos currently open in Moldova and these are both found in the capital city Chisinau, which is found in the heart of the country, resting on the banks of the River Bâcu, a tributary of the Dniester River. It is the main industrial and commercial centre and is known for its light engineering and manufacture of products and measuring equipment. It has a population of around 500,000 within the city.

- Slot hall operations come under the National Lottery of Moldova and can be located in Slot Machine Rooms or inside casinos. All machines must be connected to the state online monitoring system. There must be a minimum of 20 slots in urban areas and 10 slots in rural areas.

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country, resting on the banks of the River Bâcu, a tributary of the Dniester River. It is the main industrial and commercial centre and is known for its light engineering and manufacture of products and measuring equipment. It has a population of around 500,000 within the city.

Nuovo Casino is located at the Radisson Blu Leograd hotel and is the largest elite casino in Moldova. It opened in 2016 and operates 13 table games only.

Casino Europa is located near to the airport and offers gaming across two floors. There are 12 gaming tables of which three are American Roulette.

Nuovo Casino is managed by the NGM group. NGM group was founded in December 2015 by SM Casino National Group between Serghii Muntean, Lilia Roznerita and Mihail Zabudschii, the latter is also the founder of the company which manages the Napoleon Palace casino which is now closed.

Zabudschii was replaced at NGM Group in February 2017 by Andrei Soroca, director of founding company Casino National Group, which is turn has as its founders the SF Invest group and Anton Korovin, also director of the Palace Casino which owned the Napoleon Palace. Meanwhile, Europa Casino is managed by Saleras Star SRL.