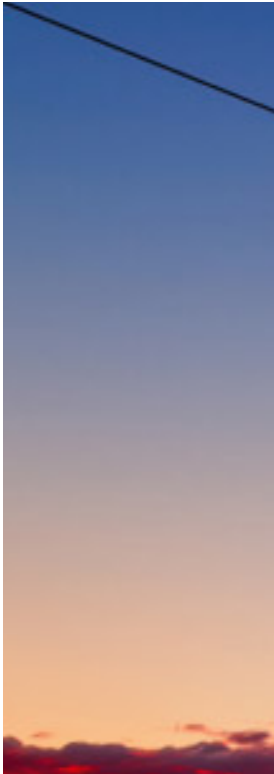


Midnight Train

GEORGIA

At the end of last year, the Georgian gambling industry saw several tough regulatory changes to help tighten up the laws in the market in a bid to curb fears over gambling addiction rates in the country.



A slither of land with aspirations to be part of the European gang, the Republic of Georgia teeters on the edge between Europe and Asia hankered by its main neighbours Turkey and Russia.

Geographically the country is part of the Caucasus region of Eurasia and has a 310km coastline with the Black Sea and a population of almost five million.

Currently 20 per cent of Georgia's land area is still Russian occupied via the two de facto autonomous republics – Abkhazia and South Ossetia. Elsewhere the country is divided into nine regions and one city. These are then divided into 67 districts and 12 self-governing cities.

The country has a temperamental political history involving tales of great rivalry, protests, tensions, fraud, confrontation, and resignations. Georgian Dream is the reigning political power and is a party which was formed by billionaire businessman, Bidzine Ivanishvili, in 2012 to challenge the UNM party.

The country gained independence from the Soviet Union in 1991 and has been recently upping its game in a bid to join the 27 other EU club members.

The country has a temperamental political history involving tales of great rivalry, protests, tensions, fraud, confrontation, and resignations.

Georgian Dream is the reigning political power and is a party which was formed by billionaire businessman Bidzine Ivanishvili in 2012 to challenge the UNM party. Rivalry and confrontation between the two founders of these parties is well documented. Ivanishvili became Prime Minister at the time and although he stepped down a year later, he is said to still 'pull





Georgia has been actively tidying up its reputation to help improve its chances for EU candidacy. The country has a successful development record and growth averaged four per cent annually between 2011 and 2021. The economy expanded by 10.4 per cent in 2021 after a 6.8 per cent contraction in 2020.

Essential information and facts about Georgia:

Capital	Tbilisi
Total Area	69,700sqkm
Population	4,935,500
Median age	38.6 years
Religion	Catholic (58%), Muslim, Orthodox, Christian
Ethnic Groups	Orthodox (official), Muslim, other
Languages	Georgian (87%), Azeri (6.3%), Armenian (4.5%), other
Currency	Laris (GEL)
Government type	Semi Presidential Republic
Chief of State	President Salome Zourabichvili (since 2018)
Head of Government	Prime Minister Irakli Garibashvili (since 2021)
Elections	President elected by popular vote for five-year term (eligible for second term). Next election October 2024. Prime Minister nominated by Parliament.
Unemployment	20.6%
Tourism	9.3m (2019)



the strings' of subsequent Prime Ministers.

For example, he selected his successor Irakli Garibashvili, who later resigned in 2015, and was followed by Giorgi Kvirikashvili who served until 2018 before a fall out with Ivanishvili. Kvirikashvili was replaced by Mamuka Bakhtadze until Irakli Garibashvili returned to the fold and was voted in as current Prime Minister in 2021.

Concerns over the Georgian Dreams led government came to a head in 2019 when Georgians took to the streets to protest, and this caused some top level resignations and electoral reforms for the next parliamentary elections

The party gained back some popularity during

2020 due to its swift action involving Covid. However further protests over elections that year emerged again after a court ordered the arrest of Nika Melia (UNM leader) for his participation in the 2019 protests.

When Bakhtadze stepped down, Interior Minister Giorgi Gakharia stepped in although he then resigned to stop his own officials from executing the decision he disagreed with, fearing an arrest would escalate tensions in the country and in February 2021 Irakli Garibashvili returned to serve as Prime Minister. Melia was arrested the next day.

Garibashvili has been active recently in calling for EU member candidacy for Georgia alongside Ukraine and Moldova who seek the same status.

Georgia has implemented various reforms including media freedom, rule of law and democracy consolidation and with the Ukraine invasion says integration in Europe is crucial.

The application was signed in March, however at the end of June EU leaders decided to defer Georgia's application for membership pending political reforms. Mass protests have gripped the nation since calling for the resignation of the government over its failure to formally secure candidacy for EU membership.

Georgia has been actively tidying up its reputation to help improve its chances for EU candidacy. The country has a successful development record and growth averaged four per cent annually between 2011 and 2021.



The economy expanded by 10.4 per cent in 2021 after a 6.8 per cent contraction in 2020. The Ukraine war has impacted the economy adversely however and oil and food prices have increased with disrupted supplies from Russia and Ukraine.

Natural gas is Georgia's main energy source and 99.5 per cent is imported. Georgia imports nearly all of its supplies of natural gas and oil and has faced chronic shortages in the past and supply interruptions. In 2006 Russia cut off gas and electricity supplies to Georgia as political tensions between the two sparked. Azerbaijan stepped in and state energy company SOCAR became the country's main supplier. In addition, the country is currently renovating and building new hydropower plants. The country is also

focusing on transportation projects, tourism, and agricultural reforms. It sorted its tax system out in 2004 after failing to collect tax properly and has cracked down on corruption.

Since 2012 the Georgian Dream led government has focused on low-regulation, low tax, and free market policies. In 2014 the country signed a Free Trade Agreement with the EU and in 2017 signed similar with China.

Meanwhile during the 2018 runoff presidential election Salome Zourabishvili, an independent candidate backed by the Georgian Dream, became the country's first female president and replaced Giorgi Margvelashvili who had served since 2013. The presidential role is largely ceremonial and was the last direct election of a

president as the country switched to a parliamentary system.

Zourabishvili was a former Foreign Minister in 2004 and had previously served as ambassador to France. Former president Mikheil Saakashvili was arrested in October last year on his return from exile. He led the country between 2004 and 2013 but was later convicted (in absentia) on corruption charges.

GAMBLING AND TOURISM

Georgia's gambling market plays a pivotal role in the country's economy. The Georgian market has been a hub for neighbouring countries with little or no gambling and it has been run as a lucrative business working hand in hand with



the tourism market whilst contributing on average GEL300m–400m in taxes for the state budget.

The gambling sector's turnover has increased by 430 per cent since 2017. In addition, gambling business fee revenues provide significant funding for cities and municipalities. The gambling sector employs more than 10,000 in the sector working in both land-based and the online sectors.

From being virtually unknown to the traveller a few decades ago, today Georgia is a relatively big pin on the tourism map as it has gained a reputation for being the place to go. It's the oldest wine producing nation in the world and with a rugged mountain terrain and vibrant energetic capital city it has much to offer.

At one time Georgia was a key holiday destination for the privileged elite of the Soviet Union however during the Soviet period tourism did not accumulate much revenue and it was confined to development by state enterprises.

After a wipe out in 2020 due to Covid (81 per cent drop in international tourism) visitors have slowly been returning and in 2021 international visitors reached 1.88 million in total and total expenditure was US\$1.24bn. The first four months of 2022 have seen 820,700 international visitors.

Civil unrest in the early 1990s then hampered tourism and figures dropped significantly. However, since independence tourism is an increasingly significant part of the Georgian economy.

In 2019 international tourists topped 9.3 million – a 7.8 per cent increase on the year before. Visitors from neighbouring countries such as Azerbaijan, Russia, Armenia, and Turkey make up the majority (77 per cent) with the remainder from other countries. Total expenditure was US\$3.2bn whilst tourism was responsible for around 8.4 per cent of GDP.

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cent drop in international tourism) visitors have slowly been returning and in 2021 international visitors reached 1.88 million in total and total expenditure was US\$1.24bn. The first four months of 2022 have seen 820,700 international visitors.

The Georgian Tourism Strategy was created in 2015 by the Georgian National Tourism Administration with a 10-year plan to boost tourism.

There are more than 3,130 accommodation units in Georgia offering a total of 115,469 beds. Of these 1,171 are hotels and 1,279 family hotels. Some 540 of the hotels are large scale offering more than 21 rooms whilst 48 new hotels were opened during the last couple of years.

Georgia is served by three international and two domestic airports. Tbilisi and Batumi are the main airports with an annual capacity of 6.1 million passengers and 600,000 respectively.

Gambling is run hand in hand with the country's



The in 2012 the central government offered a 10-year freeze on annual licensing fees to anyone who built a 100-room hotel in Batumi in a bid to attract more casinos. This also applied to Kobuleti and Khelvachauri municipalities, plus those operating a casino in a new hotel with at least 80 rooms in the towns of Anaklia and Ganmukhuri.



tourism sector. Gambling arrived in Georgia as early as 1921 when the first facility was opened. However, gambling was prohibited under Soviet rule but in 1989 the first illegal casino in Batumi opened. After 1990 gambling became legal and the first legal casino, Ori Juja opened in Tbilisi.

Slots began to arrive in the 1990s and casinos and slot halls mushroomed, many of which however were illegally run.

As gambling is banned or restricted in neighbouring countries, Georgia has often been considered an oasis of freedom for gamblers crossing the borders. With easy access by land, sea or air Georgia is an attractive gambling destination with an appealing legislation for investors.

CASINO MARKET

In the early part of the 2000s the Black Sea resorts in Georgia were just run of the mill holiday resorts.

The in 2012 the central government offered a 10-year freeze on annual licensing fees to anyone who built a 100-room hotel in Batumi in a bid to attract more casinos. This also applied to Kobuleti and Khelvachauri municipalities, plus those operating a casino in a new hotel with at least 80 rooms in the towns of Anaklia and Ganmukhuri.

They also kept annual fees for non-hotel casinos at a fraction of the Tbilisi rates so GEL5m per year for casinos generally in Georgia compared to GEL250,000 for Batumi and other regions. Some regions are exempt.

There are 18 branded large-scale casinos registered via the Revenue Service. Casino development has been fairly consistent, and this is mostly down to minimal restrictions and lack of gambling in the neighbouring countries. It has become an important part of the tourism industry with free accommodation offered in the hotels for high end casino clients.

The casinos struggled during the Covid pandemic due to closures and also border closures. In Adjara for example some 90 per cent of visitors to the casinos come from Turkey.

Adjara (Achara) is an autonomous region of Georgia located in the country's southwestern corner on the Black Sea bordering Turkey. It houses Georgia's second most populous city of Batumi as its capital.

Adjara covers around 2,880sq.km and has a population of around 350,000 whilst the region offers more than 480 accommodation units and 26,500 beds.

Tourism in this region has been developing rapidly. Some 30 per cent of the 9.3 million international tourists in 2019 visited Adjara, second only behind Tbilisi (with 54 per cent).

International traveller visits to Adjara during the first quarter of this year had recovered by more than 50 per cent compared to 2019. Up to 300 international flights are operated via Batumi

Reports

GEORGIA REPORT

airport by more than 20 airlines from 12 countries. Plus, more than 100 new accommodation or catering facilities have been recently added to the region.

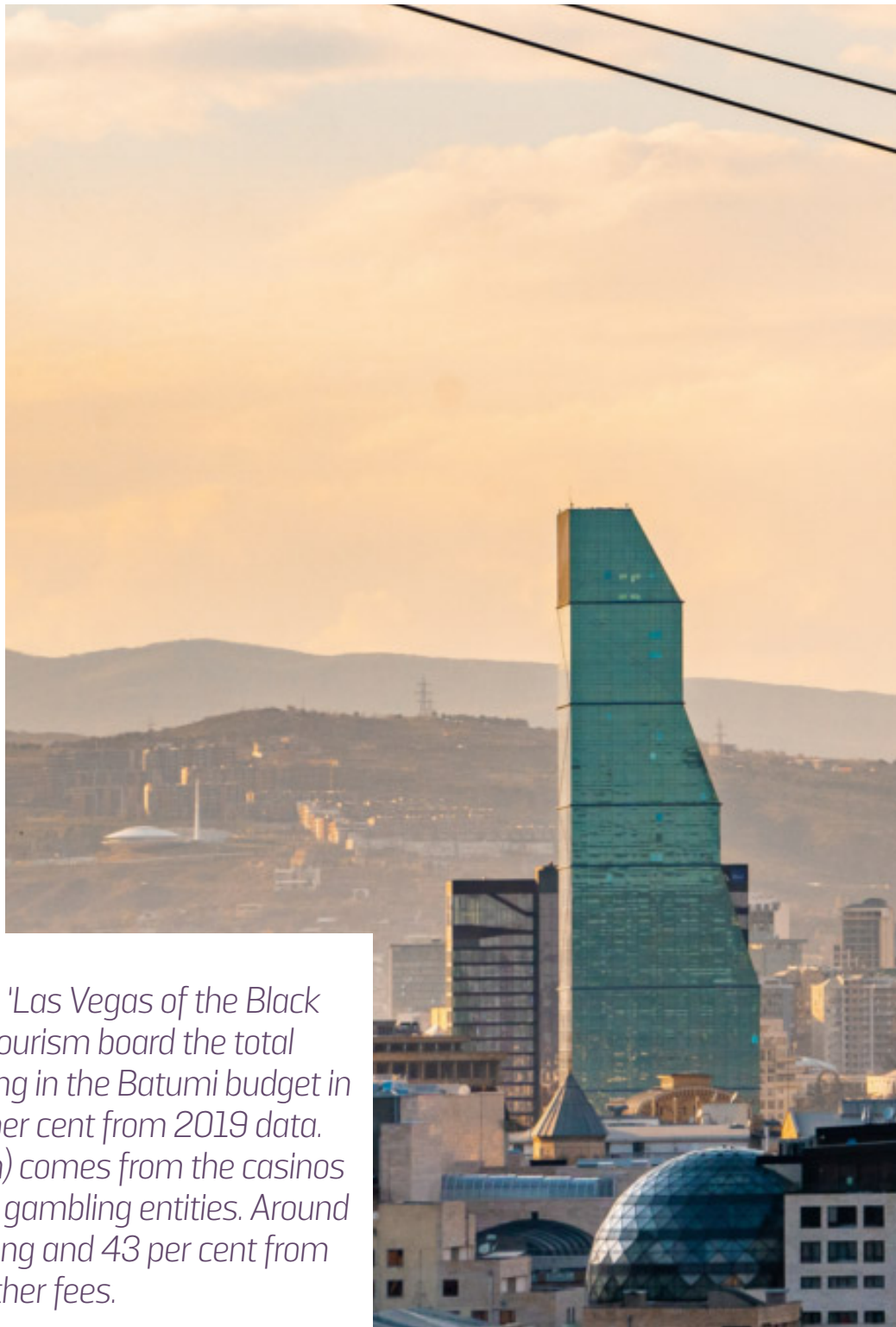
Today, Batumi is known as the 'Las Vegas of the Black Sea.' According to the Adjara Tourism board the total amount received from gambling in the Batumi budget in 2021 was GEL23.4m, up 27 per cent from 2019 data. Of this 82 per cent (GEL19.2m) comes from the casinos with the remaining from other gambling entities. Around 56 per cent is from table gaming and 43 per cent from slots with one per cent from other fees.

In 2021 there were a total of 125 gaming tables in the casinos in Adjara and 870 slots. This is a drop from 2019 data with 131 tables and 1,164 slots. The casinos in Adjara paid out GEL8.7m in taxes last year with around 470,000 visitors (82 per cent are non-resident).

The casinos in Batumi include:

- Casino Eclipse – the largest casino in Georgia located just on the beach on the New Boulevard with shopping mall and hotels in walking distance. There are 31 table games and 155 slots plus VIP and Poker rooms.
- Casino Welmond is located in the IRW

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- Welmond Hotel which opened in 2015. The casino covers almost 3,000sq.m in total.
- Casino International is operated by Casino International which opened in 2015 and is located on the second floor of the Hilton Hotel. There are 13 table games and 105 slots.
- Casino Iveria is located in the Radisson Blu Hotel in Batumi and has 19 tables and 116 slots. There is a sister casino in Tbilisi of the same name.
- Princess Casino is part of the Princess international chain and is located in the newly built Wyndham Hotel. It operates 14 table games and 196 slots across 1,000sq.m of gaming floor.

- Casino Peace is at the Sheraton Hotel.
 - Casino Empire is located in the Batumi Tower in Le Meridien.
 - Casino Royal at the Royal Hotel with 35 rooms. The casino has 36 slots and table games.
- The casinos in Tbilisi include:
- Iveria Casino located in the Radisson Blu hotel opened in 2009 offering 200 slots and 30 tables.
 - Shangri La Casino has been open for 25 years and part of the international chain and offers 130 slots and 20 tables.

- Casino Adjara is linked to the Holiday Inn hotel which can accommodate guests in 252 rooms. It opened in 1998 and today the casino has 250 slots and about 50 tables plus VIP Club area and poker club.
- Ambassadors Casino and Hotel is a luxury casino with 22 slots and 22 table games.
- Casino Jewel is the newest casino to open in the city with 50 slots and 25 table games.

GAMBLING LAW

In 2005 the Law for Organising Lotteries, Games of Chance and Other Prize Games was introduced and a strict legislative framework for the gambling industry was put into place.



GROWTH OF GAMBLING IN GEORGIA

YEAR	GAMBLING TURNOVER	GAMBLING REVENUES	FEES PAID	TAX (ON PROFIT)
Q1 2022	GEL11.7bn			
Q1 2021	GEL6.4bn			
Q1 2020	GEL6.7bn			
2021	GEL47.4bn			
2020	GEL32.09bn	GEL1.37bn	GEL19.9m	GEL131.1m
2019	GEL25.8bn	GEL1.59bn	GEL191m	GEL117.5m
2018	GEL13.8bn	GEL1.1bn	GEL199.7m	GEL99.5m
2017	GEL6bn	GEL1.01bn	GEL177.5m	GEL90m
2016	GEL5.3bn	GEL1.05bn	GEL123.6m	GEL60.1m

The gambling market is regulated by the Revenue Service which is responsible for issuing licences, taxation and control of the sector and the industry is run as a business to help expand the tourism sector and increase investment. Most forms of gambling are permitted such as land-based casinos, slots, gaming halls, bookmaking, bingo, lotteries, lotto, online casinos, and betting.

It is said around seven per cent of the country's GDP comes from gambling whilst, with other revenue associated with gambling, such as advertising and financial companies, this can reach around 16 per cent.

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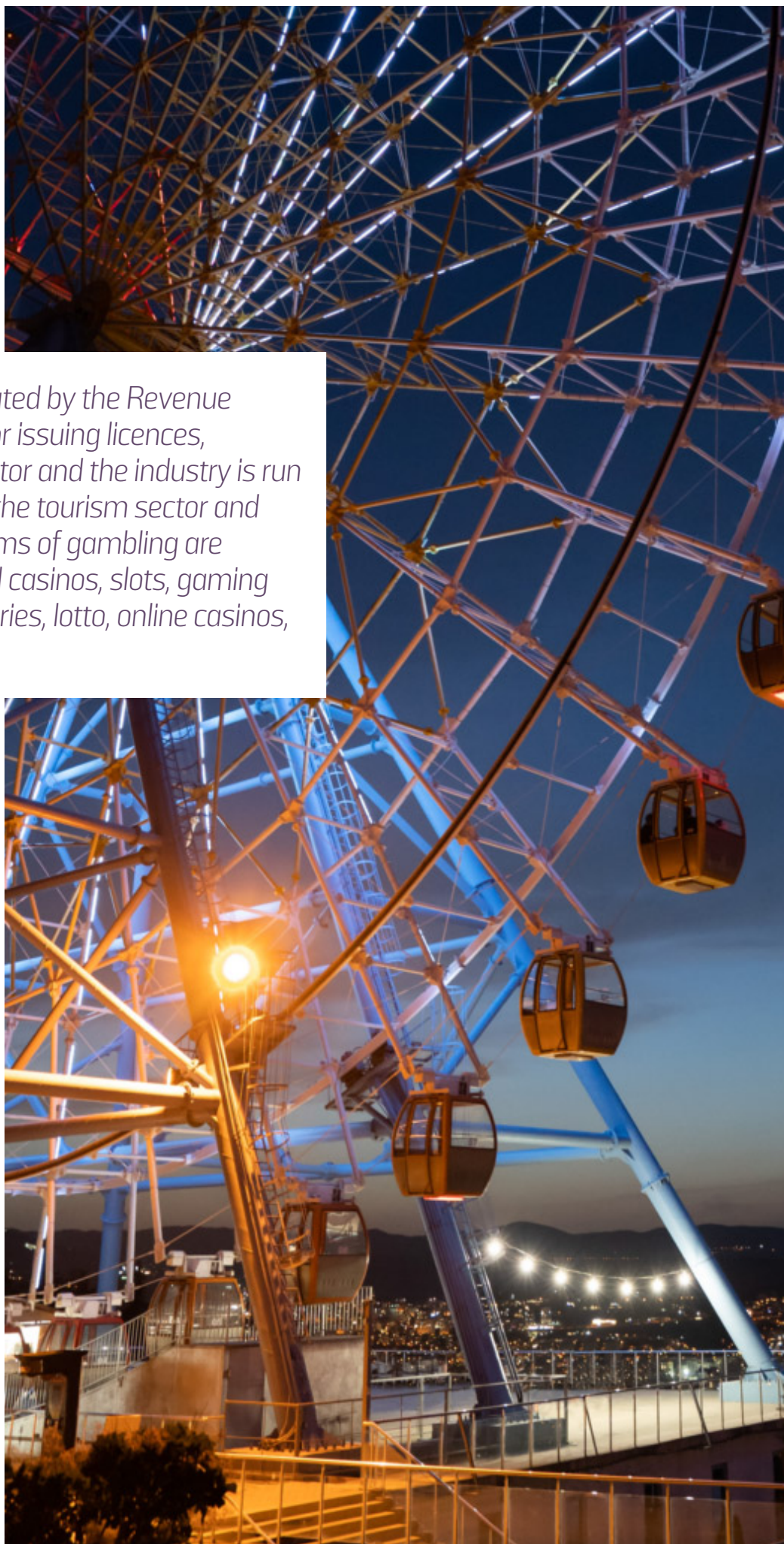
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The licensing procedure is relatively simple and straightforward and there are also 'quick turnaround' fees for those who wish to speed up the process. Only Georgian registered companies can apply for licences and these on average are valid for five years.

Online gaming licences are not required separately as any land-based casino licence covers online gambling too.

The annual fees for permits are as follows:

- Slot halls – annual permit fee between GEL50,000 and GEL1m depending on the region. Tbilisi for example is GEL1m and Batumi GEL200,000.
- Casino – annual permit of GEL5m over the entire territory and Tbilisi (other than certain areas including Batumi where fee is GEL250,000). Some regions (Batumi, Kobuleti, Khelvachauri, Anaklia and Ganmukhuri) are totally exempt from an annual fee on the condition that a 100 or 80





GEORGIA DATA	2019	2020	2021	Q1 2022
Gambling turnover	GEL25.9bn	GEL32.1bn	GEL47.4bn	GEL11.7bn
Gambling GGR	GEL1.59bn	GEL1.37bn		
No. of employees	19,000	17,800	12,600	12,600
Average monthly salary	GEL1,611	GEL1,297	GEL2,500	GEL2,468

BATUMI REGION	2018	2019	2020	2021
Gambling revenues	GEL36.2m	GEL32m	GEL1.7m	GEL23.4m
From the casinos	GEL27m	GEL24.2m	GEL0.4m	GEL19.2m
No. of casino slots	1,221	1,164	-	870
No. of table games	141	131	-	125



room newly built hotel with a casino is built. Gudauri, Khazbegi, Bakuriani, Sighnagi and Tskaltubo are totally exempt with no conditions.

- Gaming Club (table game club/poker club) – Tbilisi Casino permit holders can open three gaming clubs in any part of Georgia with no fee. Tbilisi slot machine permit holders can open one gaming club in any part of Georgia with no fee. After that each gaming club has a fee of GEL10,000–GEL50,000.
- Betting House (bookmakers) – annual permits range from GEL30,000 to GEL300,000 depending on the region. Tbilisi for example is GEL200,000 whilst Batumi is GEL80,000.
- Lottery – Annual permit fee is GEL15,000.
- Promotional draw games/Lotto/Bingo – annual fee is GEL15,000.
- Games of chance and prize games – since January 2021 – the permit fee is GEL100,000 annually.
- Online Gaming – a separate permit for online gaming is not issued and only issued to land-based permit holders. This can be offered for casino, slots, bookmaker, and promotional draw games.

There are also quarterly fees for gambling businesses which are as follows:

- Gaming machines pay GEL2,000 up to GEL4,000.
- Casino tables pay GEL20,000 up to GEL40,000.
- Gaming club tables pay GEL4,000 up to GEL14,000.

- Online games pay GEL250,000 up to GEL300,000.
- Games outside a facility (under permit for games of chance/prize games) pay GEL1,500 to GEL20,000.
- Lotto, bingo and bookmakers (land-based operations) are exempt from quarterly fees.
- Promotional games pay 10 per cent of prize money for each game.

GAMBLING LEGISLATION CHANGES

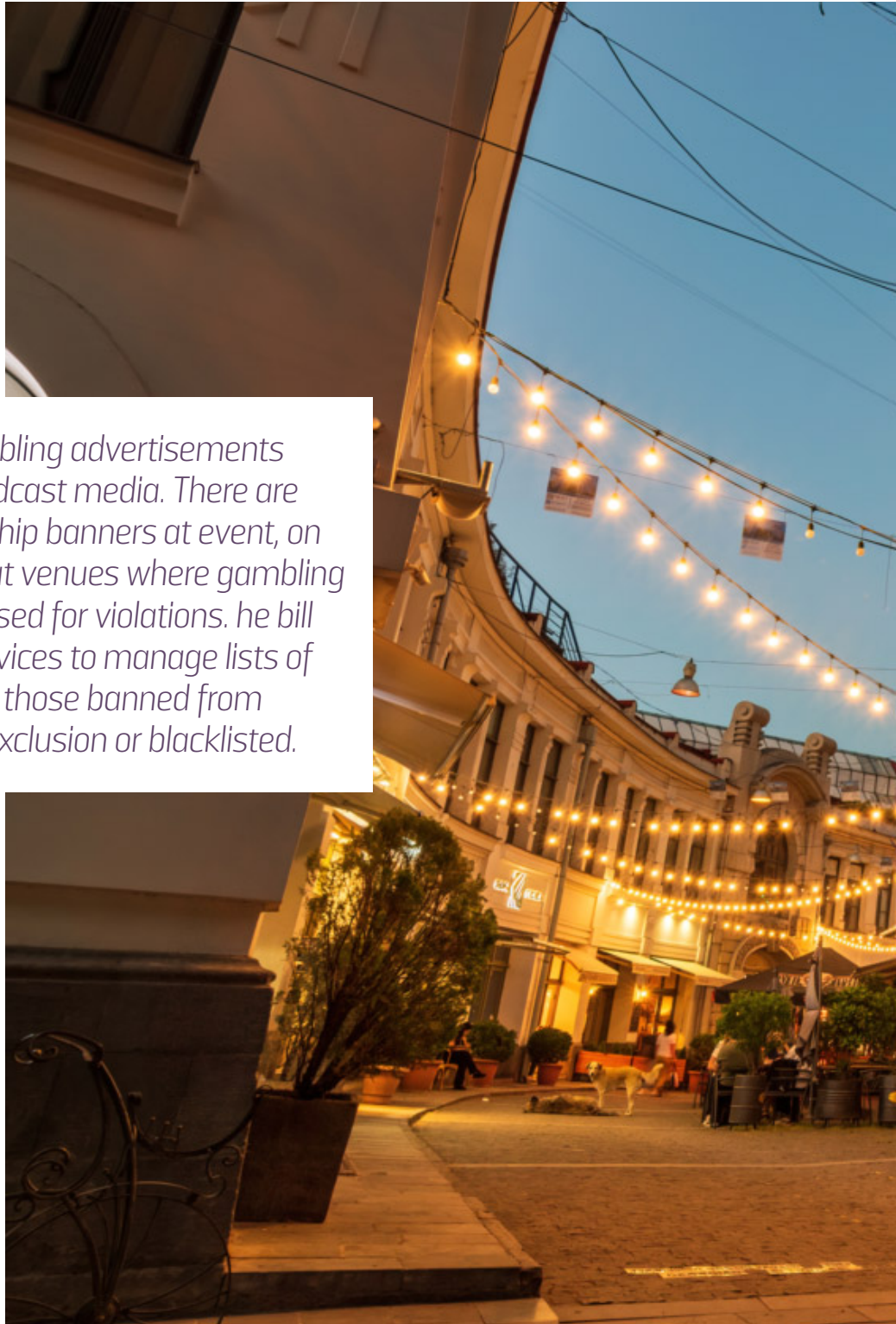
At the end of last year Georgia's parliament passed a bill to reform the industry and introduced several contentious changes.

These include raising the age limit for gambling from 18 (online) and 21 (land-based casinos) to 25 years whilst also banning advertisements and increasing taxes.

It's been a long time coming for those who have campaigned to install tougher provisions for the gambling market highlighting an increase in gambling addiction issues, debt and suicides linked to gambling problems.

There are growing concerns over gambling addiction in Georgia. The industry began to boom in the 2000s when liberalising economic reforms and the ease in regulations and made licensing easier. Casinos sprung up especially around the Black Sea coastal area although the real boom began with the advent of online gambling.

Several campaign groups such as Mothers Against Gambling and Georgian Gambling Research have been calling for a change in the law saying gambling is encouraging players to take loans and causing serious financial problems.



There is a blanket ban on gambling advertisements both physical, online and broadcast media. There are some exceptions for sponsorship banners at event, on licensed operators' websites, at venues where gambling is operated. Fines will be imposed for violations. The bill also requires the Revenue Services to manage lists of those with gambling issues or those banned from gambling either via personal exclusion or blacklisted.

Apparently in 2018 a study revealed 87 per cent of Georgians who gamble at least once a month had sold something or borrowed money to fund their gambling.

In terms of the industry data, gambling turnover reached GEL47.4bn (US\$16.1bn) in 2021, an increase from GEL32bn (US\$10bn) in 2020, which despite the closures and restrictions caused by Covid was a 24 per cent increase on 2019 data. GGR for 2020 amounted to GEL1.37bn (\$465m).

In 2019 gambling turnover was GEL25.8bn (\$8.7bn) with revenues of GEL1.59bn (\$540m). As a comparison and to show the annual growth in 2018 turnover was GEL13.8bn (\$4.68bn) and revenues of GEL1.20bn (\$409m).

In terms of taxes paid to the state this reached almost GEL350m in 2020 (\$118m). This was a slight decrease from the GEL415m in 2019. In Q1 2021 turnover reached GEL6.4bn compared to GEL6.7bn in Q1 2020.

The amendment to the gambling law came into force on March 1 and includes the following:

- 10 per cent tax on GGR as opposed to seven per cent tax on turnover previously. Plus, there is also a two per cent tax on winnings now in place.
- The minimum gambling age for Georgian residents has been increased to 25. According to data there are around 280,000 18-24 years olds in Georgia now unable to gamble.
- There is also a ban on Georgian bank issued cards from being used for gambling services registered outside the country in a bid to

prevent players from simply accessing offshore accounts.

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- The bill also requires the Revenue Services to manage lists of those with gambling issues or those banned from gambling either via personal exclusion or blacklisted. The list of those banned from gambling will include civil servants and socially vulnerable people and

could apply to almost one million citizens.

It is said that around GEL1.5bn is spent on online casinos annually and the government is eager to protect the vulnerable. There are currently 83 operators in Georgia in total of which six are online operators.

The anti-gambling groups are urging politicians to direct the 10 per cent tax revenue from the gambling industry to finance gambling addiction programmes.

The changes however have angered the gambling industry. For one they are in contradiction to the Prime Minister's backing of a plan to support hotel and casino development



to help boost the Georgian economy and the country's tourism sector.

George Mamulaishvili of the Georgian Gambling Association said: "In Georgia, the gambling business is very well developed, but based on recent political actions the government decided to increase taxes. We had an income tax, and this is replaced with GGR. Plus, the introduction of banned lists. Now people who work in government agencies, who receive benefits and social assistance are forbidden to play. Added to this people under the age of 25 are forbidden to play with Georgian operators. Plus, advertising is banned.

"This has greatly changed the position of

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George Mamulaishvili of the Georgian Gambling Association

Georgia. Because in Georgia there was a very good ground for working in the gambling business. We have a total of six online operators and of the six online operators, these include three of the largest operators in the world – Entain, Paddy Power and Betsson Group."

To date the association GGA estimates that the industry has lost about 18 per cent of gross income to date (May 2022) whilst illegal operators are a growing issue as these are happy to cater for the estimated 900,000 Georgians who now cannot play on legal online sites in Georgia.

The fear is many more players will simply access the offshore sites taking valuable business away



from the Georgian operators. Already it is estimated that GEL120m is spent on illegal gambling at the moment, whilst under the new legislation this is expected to rise to between GEL1.5 – 2bn annually.

The concern is the under 25-year-old players, who will access illegal sites, will later not return to play on Georgian licensed sites once they are able due to higher bonuses offered offshore and less strict verification standards.

Already in May this year some 100 unlicensed online casinos have appeared in the country and unlike Georgian operators there are no restrictions for advertising for foreign gambling companies.

George added: "The problem is that in the long run, the business can suffer very badly.

For example, let's take an 18-year-old teenager who finished school and started working, because now all young people try to work when they finish school. He has his own income so he tries to somehow enjoy entertainment and wants to play. Naturally, if he is forbidden to



play in the local market, he finds another market.

"So far, no country has been able to close access to illegal sites. For me, illegal sites are sites that do not have a Georgian licence. There is one with a Curacao license, but they also do not have the right to work in Georgia, because according to our legislation, you must obtain a local licence. There are also sites that do not have any licence at all. We know this very well: 1xBet, Marsbet and many others.

Based on this, the user tries to register and play on an illegal site. Of course, he has no control there. When he has already got used to the bonus system and the pluses that he receives there for seven years, he is unlikely to return to the legal market.

"Why do our users not go abroad? Because the payment system is very well built in Georgia. A user who wants to deposit or withdraw the money won can do it in a couple of seconds. On foreign sites, you will have to wait half an hour, 40 minutes. When he has no other choice, he will naturally wait half an hour. And he will get used to just waiting for these half an hour.

"Players have a slightly different mentality. They want to get the money they win right away, although they can return it later.

"Therefore, our operators had a very big plus. Now the contingent that is forbidden to play in Georgia, of course, will all move to foreign markets. According to our calculations, this will be a loss of about GEL1.5-2 billion annually.

"On illegal sites, the margin is very high – somewhere around 40 per cent, and it will definitely remain somewhere abroad.

"Our operators had a very low margin, the player was actually always in the black. We had a margin of 8-10 per cent. Therefore, our players were always satisfied and tried to bet, especially on sports, with our local operators, because our conditions were much better and more attractive."

The association has now issued a lawsuit against the government claiming some of the changes are unconstitutional. In particular they are raising the issue of the tax rate increase making the sector uncompetitive compared to other businesses whilst the age limit of 25 is also being questioned.

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George Mamulaishvili of the Georgian Gambling Association

ADVERTISING BAN

The ban on advertising has been particularly criticised especially by the Media Advocacy Coalition group which unites 16 advocacy groups plus main TV stations.

The amendment added to the Law of Georgia on Advertising states it is now prohibited to distribute promotions on gambling for all types – bookmaking, lottery, bingo etc – and all gambling advertising is banned except:

- Via the website offering gambling or totalisator.
- Via the facility offering gambling, totalisator, lotto or bingo and it can only advertise that facility. Adverts cannot exceed 10sq.m.

Reports

GEORGIA REPORT

The Georgian Gambling Association has been campaigning to relax these new restrictions claiming Georgian sports received GEL20m from gambling in 2021. In addition, the media companies stand to also lose out on revenue from gambling ads.



- In exchange for sponsoring a sporting event or competition.
- On the territory of an airport open to international traffic.

The advocacy group were particularly frustrated the law was 'fast tracked' giving them little time to discuss the effect on the state budget and media sector. The law was originally due to come into place in January and was pushed back to March as a compromise.

The group said in a statement at the time: "No consultations were receiving during the preparation of the draft law from state, non-governmental and/or international organisation/institutions. The draft law is now accompanied by relevant conclusions and

evaluations of experts in the field, including the Communications Commission."

Proposals to limit TV adverts to daytime only and focus on gambling education and introduce temporary tax breaks for media groups were all rejected by the government at the time.

Advertising of gambling services has until now been extremely noticeable in Georgia via television, billboards and online.

"Mobile phone spam text messages are increasing whilst a study found 20 per cent of Georgian high school students are "excessive gamblers."

The Georgian Gambling Association has been campaigning to relax these new restrictions

claiming Georgian sports received GEL20m from gambling in 2021. In addition, the media companies stand to also lose out on revenue from gambling ads.

It's not the first changes to have rattled the Georgian gambling community. In June 2020 several changes were made which came into effect in January 2021. These looked at licensing and permit requirements for RNGs, jackpot platforms, gaming platforms, slots, and management control systems.

The changes were introduced following the pandemic and were a knee-jerk response to how the lock down situation had forced many players to shift their focus from land-based to online gambling. This meant officials had to re-look at the online gambling regulations to ensure it was



operating correctly. Apart from updating and increasing fees and payments one of the main changes was the requirement for software providers, like online casino operators, to have a legal presence in the country.

The online sector is tied to land-based enterprises and licensed land-based operators can offer online gambling services without having to obtain a separate licence.

As such offshore operators can't legally offer their services in Georgia.

The amendment to the law (No. 07-2/486/9) included:

- Solution providers have to be incorporated within Georgia and comply with regulations

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and rules and receive a permit to work in Georgia. If a foreign operator wants to operate legally, they therefore need to work with a provider that has gone through the process and can legally offer gaming services.

- Electronic control system to guarantee suppliers' and operators' compliance.
- Selected person – One of Georgia's new gambling regulations stated that an authorisation certification from the selected person is required to operate legally. Companies would act as enterprises responsible for the control of the industry known as 'selected person'. Their role means they would provide operators with an electronic control system and perform software inspections.

INSIGHT GEORGIAN MARKET

In December 2021, a number of draft laws that introduced amendments to the Georgian gambling regulations were adopted by the parliament. The amendments covered the following areas of the legislation: taxation, advertising, age limit, access restriction for particular social groups, transferring of funds, and administrative and criminal responsibility. In the following review we will focus on age limit and advertising restrictions.

Age limit

Restriction introduced by the new legislation is related to the age of potential gambling customers. According to Article 32(l) of the Gambling Law online and land-based casinos are prohibited for Georgian citizens under the age of 25. However, the restriction does not apply to foreigners. They can access casinos starting from the age of 18.

Besides the citizens under the age of 25, gambling will also be prohibited for public officials, socially unprotected groups who receive financial aid from the state, self-restricted persons, and those who are blacklisted by the court decision.

Advertising restrictions

Advertising is regulated by the Law on Broadcasting and the Law on Advertising. In accordance with Article 3(l) of the Law on Advertising advertising is defined as information about goods, services, and work natural and legal persons, ideas and initiatives disseminated by any means and form, intended for an indefinite circle of persons and serving the formation of interests and interests of individuals and legal entities, goods, ideas and initiatives maintenance, as well as promoting the sale of goods, ideas and initiatives.

Currently advertising of gambling is prohibited on the internet, on television, and outdoors with the following exceptions where advertising can be placed with certain restrictions related to the placement of advertising materials (e.g., size of the advertisement) inter alia:

- on licensed operators websites;
- during sports event in the inner perimeter of the sporting facility and/or via the inner banners and/or on the uniforms of the sport event participants according to the sponsorship contracts;
- at the venues where gambling is conducted;
- at the airports and/or at other border-customs checkpoints.

The violation of the advertising regulations shall be subject to fine in the amount of €3,200 for both an advertiser and an operator. Repeated violation will be subject to €6,400 fine.

The new regulations have already influenced the industry. According to the recent statistics published by the Georgian Revenue Service, the amount of taxes and fees paid by the operators



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significantly decreased. The Georgian Gambling Association (GGA) adds that the country does not attract many investors anymore. Currently there are six online operators, three of which are one of the biggest players in the industry – Entain, Betsson Group, and Paddy Power. Major operators launch the process of terminating advertising contracts with sports clubs and media. For example, Europebet decided not to prolong all contracts that terminated in the end of 2021.

The Head of GGA Giorgi Mamulaishvili has recently commented on the current situation. In his opinion, the market has already lost about 18 per cent of the total revenue. One of the most crucial problems, according to Mr. Mamulaishvili, that people keep registering on gambling websites, make deposits, and participate in gambling activities but they do it on offshore gambling websites. Operators that are not located in Georgia are not controlled by the Georgian authorities and do not bring any revenues to the market. Thus, the funds just go anywhere else but the Georgian state budget.



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