

ONLINE GAMBLING IN FRANCE

- FROM LEGALIZATION TO MATURATION -



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Thibault VERBIEST
Attorney at law
Brussels and Paris Bars
www.ulyes.net

LEGALIZATION OF FRENCH ONLINE GAMBLING

LEGAL OFFER:

Regulatory Authority: ARJEL

Licensing regime pursuant to Act of May 12, 2010 :

- Sports betting (mutual or fixed-odds betting)
- Horse betting (mutual betting)
- Shared games which depend on skill (mainly online poker)

No legalization for slots or casino games of chance (roulette, blackjack, etc.)

Online lottery (scratch cards, draw games, etc.): prohibited and under the monopoly of La Française des Jeux (FDJ).

SANCTIONS:

- 3 to 7 years of imprisonment (criminal)
- €90K to €200K of penalty (criminal and civil)
- Other administrative or civil penalties such as blocking access to websites, forbidding any license application for a five year period, closing institutions, etc. (section 56 of the Law and Decree of May 14, 2010 regarding the sanction procedures applicable to operators)



OBLIGATIONS OF FRENCH ONLINE GAMBLING OPERATORS

■ THE LICENSE APPLICANT SHOULD:

- Have its headquarter in the EU or in the EEA.
- Provide strong guarantees regarding its financial situation and the integrity of its management team
- Comply with a "Cahier Des Charges" (CDG) (i.e. a list of requirements drafted by the ARJEL) & pay a specific fee.



Examples of technical requirements:

- Storage of gambling operations has to be done in real time on a **server located in France** ("frontal"). All data processed between players and operators have to be stored within this server
- A top-level domain name .fr has to be used. All internet connections made from the French territory, or after identification of the player as living in France, have to be redirected by the operator to the .fr website.

■ Comply with regulations pertaining to the fight against fraud:

For example:

- certify the identity of each new player including age, address and identification of the bank account on which assets are transferred (this account must be established in the EU).
- Prevent the registration of web bots, by requiring code typing at any sale of game
- Create a temporary account for players

CASES OF INFRINGEMENT: ARJEL vs. ...

■ ACCESS BLOCKING & FILTERING:

■ ARJEL vs. ISPs

E.g.: ARJEL asked ISPs to block Maltese scratch2cash.com website and a set of other websites such as aeroplayer.com, casino-broceliande.com, Cypriot websites slotsjungle.com and winpalace.com. (last Sept.)



■ French Decree boosting ISPs to block illegal websites (January 2012)

Decree No. 2011-2122 was adopted and published on January 1 and provides instructions on blocking measures and mandates that ARJEL should foot the cost of any extra costs that ISPs incur as a result of blocking illegal sites.

■ LICENSE SUSPENSION:

■ ARJEL's first regulatory sanction of a Licensee

In February 2011, the ARJEL asked Pokerstars to suspend its Home Games, which the online gambling site agreed to do. The games were to be suspended indefinitely, until the regulator examined whether or not this new game is compatible with current legislation and the ARJEL's regulatory goals.



REVIEWING FRENCH ONLINE GAMBLING: THE TAX DEBATE

CURRENT TAX REGIME:

Tax base	%	Current tax regime
Total bets	9.3%	Sports betting
Total bets	14.4%	Horse betting
Total bets	2%	Poker

MPs LAMOUR, TRUCY & FILIPPETTI, ARJEL's PRESIDENT: all parties' consensus in favor of a tax regime based on **gross gambling revenues (GGR)**

- **Lamour:** On October 14, MP Jean-Francois Lamour proposed an amendment to move to a new tax regime based on gross gaming revenue (GGR).
- **Trucy:** In his report of October 12, Senator Trucy recommended a change of the tax regime based on GGR and the opening of online poker liquidity to players from other regulated countries
- **Vilotte:** ARJEL's President Jean-François Vilotte called for a change in the tax regime imposed on French licensed online gambling operators that is a tax based on gross gaming revenues
- **Filippetti:** in November, Philippetti introduced an amendment in order to tax players (rejected on November, 29)

“REVOYURE” CLAUSE, GOVERNMENT PROPOSALS (as of October, 2011):

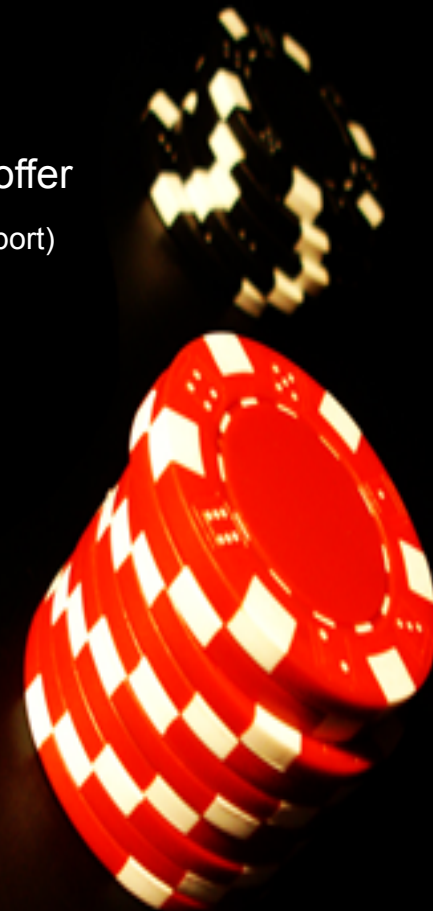
- 21. Maintain the level and terms of current taxes.
- 22. Renew the current regime of VAT on online gambling.
- 23. Divide the levy on horse betting allocated to municipalities in proportion to their respective efforts to fundraise racetracks in the case of fundraising by several municipalities.
- 24. Maintain the tax regime based on bets including on betting amounts before the flop (i.e. rake).

SHOULD WE GAMBLE ON FRENCH ONLINE GAMBLING?

- **46** licenses granted to **34** operators
(as of January 17, 2012)
- **80%** of French gambling market concerns legal offer
(according to Gov. evaluation report)
- Active accounts of players (Q4 2010 to Q3 2011)

Q3 2011	Q2 2011	Q1 2011	Q4 2010	
302,000	302,000	348,000	406,000	Sports Betting
297,000	296,000	291,000	285,000	Horse Betting
737,000	778,000	797,000	727,000	Poker

- Lessons learnt from operators:



COMPARATIVE ANALYSIS WITH BELGIUM

■ BROAD LEGAL OFFER:

- Casinos (A+ license), Gaming halls (B+ license), Betting shops (F+ license)

■ LICENSING REGIME

- Act of May, 7, 1999 revised by Act of January, 10, 2010
- Requirements for a supplementary (+) license:
 - Holding equivalent land based license in Belgium
 - Strategic server location on the Belgian territory
- Restrictions:
 - Land based licenses only available to already existing offline operators
 - *Numerus clausus* principle

■ CONCRETE SOLUTIONS

- Partnerships between online and offline operators
- Requirement of E class license by services provider



Thank you!

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☐ France
33 rue Galilée
75116 Paris
Phone:+ 33 (0)1 40 70 90 11

☐ Belgium
224 avenue de la Couronne
1050 Bruxelles
Phone:+ 32 (0)2 340 88 10

☐ Israel
Vered Tower, Derech Hashalom, 53
Tel Aviv
Phone:+ 972 (0)3 770 70 20



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