

## **ERRONEOUS INTERPRETATION OF THE GAMBLING ACT BY LOTERÍAS Y APUESTAS DEL ESTADO THE NEW REGULATIONS SHOULD BE POSTPONED**

- The CODERE Group has expressed its opposition to a hasty and inconsistent regulation of on-line gaming and the intended rush to enact the regulatory development.
- The on-line gaming licenses should not be granted in haste and without control, affecting the security of users and going against the public interest.
- There is no need to grant licenses to prosecute illegal gambling, because there is no impediment thereto under the current regulations.

**Madrid, 10 November 2011.** Following the public statements of the Chairman of Sociedad Estatal de Loterías y Apuestas del Estado (the State Lottery Authority), the CODERE Group, a Spanish multinational leader in the private gaming sector and publicly traded in Spain, wishes to highlight the need to postpone the approval of the regulations for Law 13/2011, the Gambling Act, expressed by some of the companies in the authorised gaming industry, which certainly does not include those who have been operating illegally in Spain for several years.

This illegality has been recognized once again by the Government in their responses to the consultation by the European Commission in connection with the recently published EC Green Paper on Online Gambling, noting that *several licensed on-line gambling operators domiciled in Gibraltar, Alderney and Malta, offer and promote their services in Spain. This illegal gambling is detrimental to the development of the domestic gaming market, illegal operators can compete unfairly with operators who respect the law and users are hurt because they lack the required safety and security*".

### **Hasty and inconsistent regulation of on-line gambling**

As Spain's Partido Popular urged the government during the gaming summit held in Madrid on 25 October and in the same vein in which other political representatives have spoken, the rush to begin the regulatory process that started with the enactment of the Act, in itself very hasty, and intended to privatise a portion of the state lottery must stop. CODERE has declared before, during and after the enactment of Law 13/2011 (including in our appearance before the president, Jose Antonio Martínez Sampedro, of the Economy and Finance Commission of the House of Representatives) that the regulation of on-line gambling and its subsequent development have been very hasty and inconsistent and benefits those who have been operating illegally in Spain.

The proposed regulation does not solve the problem of illegality in a balanced manner so that it is not used by the illegal operators to obtain licenses, goodwill, trademarks and other very clear competitive advantages to the detriment of operators who have faithfully respected the applicable laws in Spain and chose not to develop this activity until such time as the proper licenses are granted.

In practice, if on-line gambling licenses are not granted before 1 January 2012 there will be no significant penalty, no problems, and it would only change the applicable enforcement procedures. Unlike the claims of the president of the State Lottery Agency, the Gambling Regulation Act provides for civil penalties of smuggling, which could constitute a crime, until 1 January 2012, if no earlier license has been granted. Once this deadline is met, the behaviours in question will be sanctioned under the new administrative penalty regime provided for in the law itself.

We are not in a process of the "regularisation" of illegal operators, but rather, in any case, one of the failure to apply existing legal-penalty instruments, despite the government openly acknowledging the illegality of such conduct, even before the highest levels of the European Union.

### **Licensing, hasty and without control**

The CODERE Group was very surprised by the statements of the President of SELAE, given that the hasty licensing is clearly advantageous for those who have been acting illegally in the Spanish market and will not only impair the value of the SELAE but also other legal operators who will have to compete in the on-line gaming market with a severe disadvantage if the regulatory frenzy does not stop immediately, allowing for the process to be undertaken with the necessary calm and not during national elections.

Note that the consultative bodies of the Government and the industry itself only have 2 days or so to review the large body of regulations designed and the quality thereof will, therefore, naturally suffer. In addition, the National Gambling Commission, which should be the regulatory body that, with the criteria of such multi-member independent commissions, should have prepared the several draft decrees, orders and resolutions, has yet to be created and, therefore, there is no way that the licensing procedures can be undertaken or the dozens of complex cases be resolved with the proper safeguards for users and the public interest that the laws provide.

### **The Group CODERE**

CODERE is a Spanish multinational group and a key player in the private gaming sector in Europe and Latin America and is listed on the Spanish Stock Exchange. Overall the Group manages more than 54,600 AWP machines, 191 bingo halls, 813 sports betting shops, and participates in the management and operation of 3 horse racetracks in Argentina, Brazil, Colombia, Spain, Italy, Mexico, Panama and Uruguay, and provides on-line gaming in Italy where it holds the appropriate licences.

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