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## **The Italian Online Gaming System: an Emerging Lucrative Market**

Until 2002, the Italian gambling legislation handed over to the State responsibility for the management and operation of all gambling activities. The approach of the Italian legislator was extremely restrictive towards granting new gambling opportunities, thus limiting the offer to the games that already formed part of the society habits.

This peculiar framework gave rise to many disputes before National and European Courts promoted by foreign remote gambling operators and to several European Commission's infringement procedures, arguing the Italian system was not in accordance with the principles of the EC Treaty with particular reference to freedom of establishment and freedom to provide services within the internal market as referred to in articles 43 and 49 of the aforesaid treaty.

Moreover, the growing demand of Italian gamblers always more oriented to illegal forms of gambling has led the Italian legislator to grant all State-run gambling activities (with the exception of the four land based casinos) to a unique regulatory authority, *l'Amministrazione autonoma dei monopoli di Stato - AAMS* part of the Ministry of Economy and Finance, and to start a progressive and regulated process of opening the gambling market, offering new games through innovative protected channels.

In 2006, AAMS published two calls for tender to grant new concessions for horse and sports betting to Italian or foreign operators, which were suitably qualified and able to comply with a series of requirements to manage and offer off-line and on-line gaming activities in Italy, including remote skill games.

In 2010, a new tender procedure for remote gaming activities in accordance with the Italian Community Law for 2008 will be launched as well.

## **How the System Works: the Concession Model**

Gambling operations are allowed to private licensed entities, having the relevant permits and licences (concessions) that give them the right to run these activities on behalf of the State.

To operate regulated games offered over the Internet, interactive TV and fixed and mobile phones, Italian or foreign gambling operators which comply with the requirements set shall apply for the (single) remote gaming license (concession). Currently, about 60 companies have this license, including over 20 of the most important foreign gaming operators.

According to the new tender procedure, the application process will be opened to gambling company and/or other entities having the economic/financial and technical/organisational abilities required, with headquarters and technical infrastructure located in the EU/EEA connected to the central system of the AAMS.

In fact, for each operator, the gambling platform accessible to players has to be previously certified by a certification entity accredited by the AAMS and interconnected to its data processing centralized system for control, validation, registration and payment of the relevant tax.

Once licensed, the proposed decree make it compulsory for the operators to promote responsible behaviour to protect players who must receive full information about the games being offered and their rules, and players must be assured of the safety, transparency and honesty of the games. The commitments to responsible gaming specifically include, among others, a mandatory self-limitation, a maximum time for winnings / withdrawals, dedicated bank account for players' deposits.

Such recent regulatory framework has successfully superseded the notification process before the European Commission and other State members.

## **Which Games Can Be Currently Played Remotely?**

The list of games that can be legally offered on-line by the licensed operators is already attractive as it includes: fixed odds sports betting, betting on horse races, scratch cards ("Gratta e vinci"), ippica nazionale e internazionale", pool betting, bingo, "superenalotto" and "superstar" and games of skill with cash prizes as poker tournaments.

Remote fixed-odds games of chance, card games and casino games, betting exchange have been recently regulated and will be introduced as well before this Summer.

## **Online Gambling Taxation**

The applicable tax rate depends of the type of game that is offered.

For remote skill games is of three per cent of the revenue, as charged each day by the centralised system. For remote fixed-odds games of chance and card games not organised in tournament form, as well as for remote betting exchange and virtual betting, it is equal to twenty per cent of the sum that, based on the rules of the game, is not returned to the player (i.e. GPT).

## Share of the Concessionaire

The share of the concessionaire consists of that which remains of the revenue, net of the applicable tax and prize money paid out to players.

## Internet Blocking

Recent regulations made it compulsory for Internet and other network service providers and managers to block remote access to operators, without a permit and concession, offering remotely or by telephone games, lotteries, betting or pools with cash prizes to the Italian public. This is operated through a black-listing by the AAMS to service providers of those operators, without a permit or concession, offering on-line gambling and a subsequent readdressing to AAMS notice webpage.

The new tender procedure of this year prohibits explicitly .com operations towards Italian residents.

**The important market results of the legal suppliers show the blocking procedure is successful. In year 2009**, the total turnover amounted to 54.4 billions Euros, +14,4% in respect of 2008. The online turnover amounted to 3.7 billions Euros, +153,7% in respect of 2008.

And still, the high potentialities of the Italian gaming market must be considered in connection with the introduction of new remote games and the entry of new gambling operators.

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