

# Report on illegal gambling



One of the Danish Gambling Authority's supervisory tasks is to monitor the illegal gambling market in Denmark. Thereby, we ensure protection of players and a well-regulated market for those operators, who provide licensed gambling activities in Denmark.

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# Purpose and introduction

This report is a follow-up on the report on illegal online gambling from 2018. The purpose is to continue to tell the public about the Danish Gambling Authority's work in relation to illegal gambling. The report provides a look back to the Danish Gambling Authority's work since the online gambling market was partially liberalised in 2012. Most focus is dedicated to the past couple of years.

One of the Danish Gambling Authority's supervisory tasks is to monitor the illegal gambling market in Denmark and thereby protect players and ensure a well-regulated market for those operators, who provide licensed gambling activities in Denmark. Thus, among other things, we focus on online providers that aim their gambling activities at Denmark and that do not have a Danish licence.

The first sections of the report will give an account of the rules in this area, as this is important to establish before moving on to the tasks that the Danish Gambling Authority have carried out in relation to illegal gambling.



# Summary

Since the partial liberalisation of the gambling market in 2012, the Danish Gambling Authority have seen a decreasing number of websites that aim their illegal gambling activities at Denmark. However, the Danish Gambling Authority still experience issues with websites with illegal mediation of gambling sites.

The Danish Gambling Authority assess that the decreasing number of websites with illegal provision of gambling activities indicates that the illegal gambling market in Denmark is limited.

This view is supported by numbers published by H2 Gambling Capital (see annex 2). From this it may be established that Denmark has experienced an increasing channelling rate since 2012 in the area of online gambling, and that Denmark is at the top compared to other European countries' channelling rates. The channelling rate expresses the share of the regulated market.

Other factors also indicate that the illegal gambling market in Denmark is limited. Among other things, the gross gaming revenue for the regulated gambling market is increasing in general (see annex 3). There is also a stabile number of licence holders in Denmark, among those are many of the big international operators. In addition, we regularly receive new applications for a licence to provide online gambling in Denmark.

Accordingly, the previous couple of years, the Danish Gambling Authority have spent resources on other types of illegal gambling such as skin betting, the blurred lines between gambling and video gaming, as well as raising awareness about illegal gambling.



# Background information about illegal gambling

The following sections shortly account for the rules that form the basis of the Danish Gambling Authority's work regarding illegal gambling.

## When are gambling activities offered illegally?

Provision of gambling activities are in violation of the Act on Gambling if:

- The game is provided without a required licence from the Danish Gambling Authority, and
- the gambling provider aims its provision of gambling at Danish players.

## What games require a licence?

The Danish Gambling Authority monitor the Danish gambling market to ensure that gambling activities are not offered against the rules of the Act on Gambling. A licence to offer gambling activities in Denmark is required if:

- the participant must pay a stake (money or similar of an economic value),
- the participant, through the stake, has a chance of winning a prize (all kinds of prizes of economic value), and
- the game involves an element of chance.

## When is the gambling activity aimed at Denmark?

The Danish Gambling Authority's definition of when an offer is aimed at Denmark takes as its legal basis the Danish Ministry of Taxation's response to the telecommunications industry in connection with the preparation of the Act on Gambling that entered into force in 2012. Consequently, an offer is aimed at Denmark if one or more of the following elements can be found on the website:

- Danish language is an option.
- Danish currency is an option.
- Payment methods, that only work in Denmark, can be chosen.
- Danish customer service.
- Steam as login.



- Gambling offers that are directly aimed at the Danish market due to their composition.

Although none of the above conditions are met, direct marketing to Danish players is also considered aimed at the Danish market.

Particularly regarding skin betting, on February 2018, the court ruled that websites that use Steam as login are considered aiming their gambling activities at Denmark. The ruling can be found on the Danish Gambling Authority's website.

## **Mediation and promotion of games without a required licence**

It is against the Act on Gambling to mediate or promote gambling providers without a licence. In this case, it is relevant if the mediation/promotion is aimed at the Danish market.

## **The Danish Gambling Authority's sanction options**

When the Danish Gambling Authority become aware of a website with illegal gambling activities or illegal mediation, we send a petition to the owners of the website in which we state the violation and order them to stop the illegal provision or the illegal mediation.

In many cases, the dialogue based on the petition is sufficient to end the violation.

In cases where the violation is not ended, we do not hear from the owners, or we can-not find the owners, we may have the website blocked at the Danish internet service providers via the district court.

In addition, we can report the owners behind the website to the police, after which the responsibility for the further process is passed to the police.

# The Danish Gambling Authority's work 2012-2018

The following sections look back at the Danish Gambling Authority's work in relation to illegal gambling.

## 2012

When the partially liberalised gambling market opened on 1 January 2012, the Danish Gambling Authority sent petitions to several websites that were found through search-engines and reports.

Most of the gambling providers that were contacted quickly complied with our petition, however, during 2012, it was necessary to take a bailiff's court action to have a total of 20 websites blocked.

## 2013

In 2013, the Danish Gambling Authority sent fewer petitions than in 2012. Most of the traditional gambling operators were aware of the new Danish gambling legislation and were compliant. On the other hand, there were several cases that required a more thorough assessment of whether the games required a licence, and if the gambling activities were aimed at the Danish market.

At the end of the year, the Danish Gambling Authority reviewed all websites from providers that had previously received a petition since the first petitions were sent in January 2012. During this examination, the Danish Gambling Authority found that several blocked websites were no longer aimed at the Danish market, consequently we initiated a process to lift the blocking of these. Unfortunately, there were also a few websites, that were previously compliant, which again in some ways were aimed at the Danish market.

## 2014

In 2014, the Danish Gambling Authority, in cooperation with the anti-fraud unit at the Danish Tax Agency, optimised our automatic search processes based on the experiences from the previous years, and we were thus able to search the Internet more thoroughly.

This meant that several of the websites found were not traditional gambling sites, but websites that mediated access to websites with illegal gambling activities, these are also called affiliate sites.

Consequently, the Danish Gambling Authority have contacted both the owners behind the websites in question and the owners of the websites with illegal gambling activities that are illegally promoted and referred to.



In addition, the Danish Gambling Authority completed a new round of blocking where five websites were blocked.

### **2015**

During 2015, the Danish Gambling Authority focused on websites that mediated access to illegal gambling websites. As with the previous years, a search for potentially illegal gambling websites was carried out.

The result of the search followed the tendency from earlier, which shows that we found fewer websites with illegal provision of gambling and more websites with illegal mediation.

In 2015, as done in 2013, the Danish Gambling Authority reviewed the websites on which a violation was previously found. The review showed that the websites the Danish Gambling Authority had previously contacted, e.g. through petitions, blockings, dialogue, had not changed their status, and therefore it was not necessary to take any further measures.

### **2016**

In March 2016, a search of potentially illegal websites was conducted in cooperation with the Danish Tax Agency's anti-fraud unit. In March 2016, the search resulted in only two websites which offered gambling activities aimed at Denmark without a licence. In addition, it found several websites which the Danish Gambling Authority assessed to be illegally mediating illegal gambling.

### **2017**

Similar to the previous years, a search for illegal websites was conducted in cooperation with the Danish Tax Agency's anti-fraud unit. The Danish Gambling Authority initiated a case on blocking which involved six skin betting sites. Furthermore, in 2017, many resources were dedicated to examining new issues such as skin betting and loot boxes.

### **2018**

In 2018, there was a great focus on skin betting. In February 2018, the court ruled in favour of the Danish Gambling Authority and stated that six skin betting sites must be blocked. The court took the view that the games required a licence, and that the web-sites' gambling offers were aimed at Denmark because they used Steam as login. In addition, 18 websites that offered illegal gambling were blocked.

The Danish Gambling Authority also established a cooperation with Facebook. There-by, the Danish Gambling Authority had a new opportunity to report illegal content on Facebook directly to the team at Facebook concerned with illegal gambling. In this way, we have had four Facebook groups offering illegal gambling closed in 2018.

In addition to this, the work on optimising the searching for illegal websites continued in cooperation with the Danish Tax Agency's anti-fraud unit.



# The Danish Gambling Authority's work in 2019

## Searches for potentially illegal websites

In 2019, the Danish Gambling Authority conducted three searches for potentially illegal websites in cooperation with the Danish Tax Agency's anti-fraud unit.

The search is still an important tool in the Danish Gambling Authority's work in relation to monitoring illegal gambling, as it gives unique opportunities for searching and is efficient in covering a large number of websites. In relation to skin betting websites, the Danish Gambling Authority have developed its own search system, as these websites on many parameters differ significantly from the websites that the traditional searches are aimed at.

The searches continually result in few websites with illegal gambling activities, and this is in accordance with the Danish Gambling Authority's picture of the illegal gambling market, which is that there are fewer websites that directly aim their gambling activities at Denmark, nevertheless, websites with illegal mediation continue to pose a challenge.

25 websites with an illegal provision of gambling were blocked in 2019. A new case concerning the blocking of websites has been sent to the court. The cases are expected to be completed in 2020.

## Presentations raising awareness about illegal gambling

In 2019, the Danish Gambling Authority have given external presentations on the blurred lines between gaming and gambling especially focusing on skin betting and loot boxes.

The purpose of the presentations was to inform children, young people and their parents as well as others interested on how video games can feature elements of gambling and can develop into traditional gambling thereby creating a risk of children and young people developing a gambling addiction. The presentations also include what to pay attention to when playing on sites not supervised by the Danish Gambling Authority, including that it is possible to report such pages to the Danish Gambling Authority. Finally, we have, with help from the counsellors at the Danish Gambling Authority's helpline StopSpillet, given advice on what to do, if one's gambling maybe out of control.

The target group of the presentations are mainly children and young people under the age of 18 and parents as well as others interested at primary and secondary schools, after school classes on Funen and e-sport associations in Denmark.



The Danish Gambling Authority have been met with a positive attitude at every presentation. Especially the younger audiences were engaged in the lines between legal and illegal gambling whereas the parents were interested in understanding what skin betting and loot boxes are.

## From video gaming to gambling

On a national level, video gaming and gambling have gained great political attention. In June 2018, a political majority of the Danish Parliament decided on an agreement on new initiatives against compulsive gambling. One of the initiatives the parties agreed on was a research project on young people's relation to and possible addiction to video gaming.

In this connection, the Danish Gambling Authority have initiated a research project to be conducted by a research organization. The Danish Gambling Authority will contribute with various inputs, and the research project is expected to be finished at the end of 2020.

## International cooperation

The Danish Gambling Authority have participated in an international cooperation that focuses on the blurred lines between video gaming and gambling. 19, primarily European, countries have signed a declaration of intent to look closer at the blurring of lines that arise when elements from gambling such as loot boxes or skin betting are incorporated in video games. The games are often played by young people under 18, which the participating countries agree is particularly concerning.

In continuation of the declaration, four meetings were held where different relevant topics were discussed.

The cooperation resulted in a report. The report describes various business models in the gaming industry which focus on turnover after the game is purchased or as a supplement to free games (game as a service), particularly including micro transactions. Subsequently, loot boxes as a concept are described as well as the fear of a connection to compulsive gambling. The opportunity to convert elements in the game (tradability of in-game items) and the use of skins as a means of payment are also described.

In addition, the report includes a description of what the players (gamer communities) have noted in relations to loot boxes, where the issue often is that loot boxes may involve an unfair advantage for those who are willing to pay (pay to win). It also describes which consumer issues micro transactions and loot boxes pose as this topic receives much attention, because many of the video games are aimed at children and young people.

The report concludes that whether or not gambling elements in video games falls under the definition of gambling in the individual countries' legislation differs among the countries. However, it also concludes that gambling regulators should continue to co-operate in this area.

# Illegal gambling in the land-based area

## Gaming machines and betting terminals

As the Danish Gambling Authority are not authorised to supervise premises that do not have a licence, the number of cases about illegal gambling in this area depends on resources from the police. In case the Danish Gambling Authority become aware of a possibly illegal installation and operation of poker and gambling machines or betting terminals, the matter is reported to the police. We are always available to assist the police if needed.

In 2019, the Danish Gambling Authority were involved in cases concerning 19 gambling premises where poker and gaming machines were installed without a licence. At the police's request, we have prepared statements on violations of the gambling legislation for the police.

## Poker without a licence

Poker without a licence is a violation of sections 203 and 204 of the Criminal Code and not the Act on Gambling. The police have the authority to perform on site supervisions at premises without a licence, but the Danish Gambling Authority may offer to assist at such supervisory visits. If the Danish Gambling Authority become aware of illegal poker clubs, we inform the police of the matter.

## Charity lotteries

In May 2019, the Danish Gambling Authority initiated a supervisory project on bingo halls.

We have identified 48 premises that offer bingo more than once a week. In the beginning of the project, a thorough analysis of the 48 premises was conducted, which formed the basis for the planning of the supervision.

In 2019, the Danish Gambling Authority performed supervisory visits at 17 premises in the daytime. In addition, the Danish Gambling Authority sent letters for consultation or informational letters to 17 premises without conducting a prior on-site supervisory visit.

The Danish Gambling Authority's preliminary experiences after the initial phase of the project:

- A large range in the number of participants at bingo events have been observed. Between 3-250 players participated in the events (mainly at morning events). At the supervisory visits, the Danish Gambling Authority were made aware that events in the evening had more participants.



- The gambling premises have told the Danish Gambling Authority that a large number of volunteers are used to manage the bingo events. In addition to this, they have many employees in flexible jobs for people with a reduced ability to work.
- From the financial reports the Danish Gambling Authority have received, it appears that the turnover in 2018 have varied between approximately DKK 1 million and DKK 67 million, and between 0.4% and 22% of the total turnover is donated to charity.

After starting the project, the Danish Gambling Authority have observed an increased interest in the rules on charity lottery, including the holding of bingo events. The project continues in 2020.

# Future plans

The Danish Gambling Authority will continue to cooperate with the Danish Tax Agency's anti-fraud unit, as the conducting of searches is a useful tool. In 2020, we plan to increase the number of searches compared to previous years to assess whether this results in the identification of more websites. At the same time, we will focus our efforts on searching for illegal skin betting sites. The Danish Gambling Authority will also continue to offer the presentations raising awareness about illegal gambling.

# Annexes

## Annex 1: Overview of reports and petitions since the online gambling market was partially liberalised in 2012:

Table 1

|              | Websites found via search | Reports    | Petitions  | Internet blockings |
|--------------|---------------------------|------------|------------|--------------------|
| 2012         | 180                       | 71         | 54         | 20 (12 & 8)        |
| 2013         | 7                         | 73         | 30         | 0                  |
| 2014         | 280                       | 122        | 13         | 5                  |
| 2015         | 0                         | 74         | 58         | 0                  |
| 2016         | 246                       | 29         | 16         | 0                  |
| 2017         | 328                       | 25         | 33         | 0                  |
| 2018         | 742*                      | 10         | 28         | 18                 |
| 2019         | 502                       | 36         | 21         | 10                 |
| <b>Total</b> | <b>2,285</b>              | <b>440</b> | <b>253</b> | <b>53</b>          |

\* In 2018, a broader search than previously was conducted to ensure that originally legal sites remain legal.

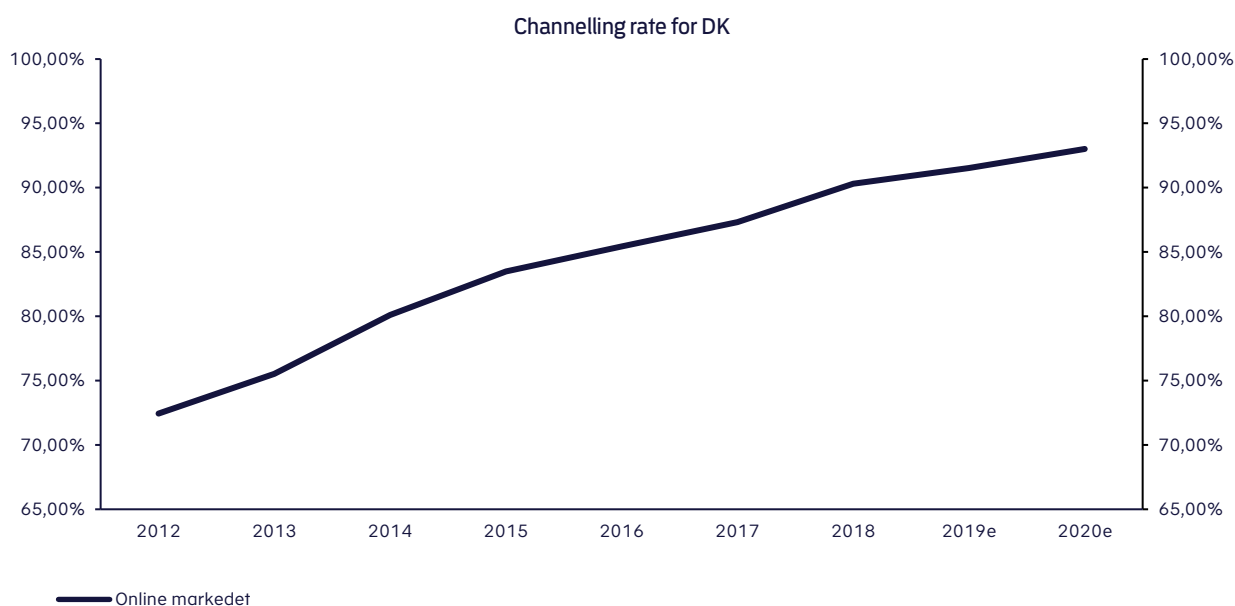
### Skin betting

Overview of reports and petitions in relation to skin betting websites:

Table 2

|              | Websites reviewed | Reports   | Petitions | Internet blockings |
|--------------|-------------------|-----------|-----------|--------------------|
| 2018         | 95                | 9         | 30        | 6                  |
| 2019         | 110               | 6         | 5         | 15                 |
| <b>Total</b> | <b>205</b>        | <b>15</b> | <b>35</b> | <b>21</b>          |

## Annex 2: Statistics published by H2 Gambling Capital



| Year          | 2012   | 2013   | 2014   | 2015   | 2016   | 2017   | 2018   | 2019e  | 2020e  |
|---------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Online market | 72.44% | 75.52% | 80.10% | 83.50% | 85.43% | 87.33% | 90.32% | 91.54% | 93.01% |

For 2019 and 2020, only estimates of the channelling rates are published. It appears from the graph below that Denmark has a high channelling rate in the online gambling area<sup>1</sup> compared to the rest of Europe. This means that Denmark is one of the countries where the share of the market which is regulated is very high.

Table 3. Channelling rate<sup>2</sup>

| 2016               |              |     | 2017              |               |     | 2018               |               |     | 2019e              |               |     |
|--------------------|--------------|-----|-------------------|---------------|-----|--------------------|---------------|-----|--------------------|---------------|-----|
| Country            | %            | No. | Country           | %             | No. | Country            | %             | No. | Country            | %             | No. |
| Bulgaria           | 86.92%       | 1   | Italy             | 88.69%        | 1   | Italy              | 93.01%        | 1   | Italy              | 93.93%        | 1   |
| <b>Denmark</b>     | <b>85.3%</b> | 2   | Bulgaria          | 88.05%        | 2   | The Czech Republic | 92.76%        | 2   | The Czech Republic | 93.13%        | 2   |
| Belgium            | 81.40%       | 3   | TheCzech Republic | 87.95%        | 3   | <b>Denmark</b>     | <b>90.32%</b> | 3   | <b>Denmark</b>     | <b>91.54%</b> | 3   |
| Greece             | 81.32%       | 4   | <b>Denmark</b>    | <b>87.33%</b> | 4   | Bulgaria           | 89.17%        | 4   | Sweden             | 90.98%        | 4   |
| Italy              | 79.65%       | 5   | Belgium           | 84.12%        | 5   | Belgium            | 85.54%        | 5   | Bulgaria           | 89.77%        | 5   |
| Hungary            | 75.90%       | 6   | Hungary           | 80.15%        | 6   | Hungary            | 82.97%        | 6   | Turkey             | 87.71%        | 6   |
| Croatia            | 75.06%       | 7   | Greece            | 79.85%        | 7   | Turkey             | 80.55%        | 7   | Belgium            | 86.22%        | 7   |
| Finland            | 71.23%       | 8   | Croatia           | 76.86%        | 8   | Spain              | 80.11%        | 8   | Hungary            | 84.46%        | 8   |
| The Czech Republic | 71.11%       | 9   | Turkey            | 74.38%        | 9   | Croatia            | 78.83%        | 9   | Spain              | 83.98%        | 9   |
| France             | 69.97%       | 10  | Spain             | 73.35%        | 10  | Greece             | 77.11%        | 10  | Portugal           | 83.07%        | 10  |

<sup>1</sup> It should be noted that in their estimates, H2 Gambling Compliance assume that the land-based market is regulated, which is why, it is more suitable to use estimates of the online market.

<sup>2</sup> It should be noted that England is not included in the overview, because H2 Gambling Capital cannot calculate their channelling rate.

In 2019, Denmark has an estimated channelling rate in the online market of 91.54 %.  
The remaining part of the market of 8.46 % both covers the illegal market and the Danish players who play on foreign websites that do not aim their offers at the Danish market.



### Annex 3: Development in gross gaming revenue (GGR) for betting and online casino

Chart 1. Online casino and betting

