

# Latvia introduces website blocking to fight grey market

The Latvian government introduced in August a new regulation enabling Latvia's lotteries and gambling regulator to request that domain registry holders and internet providers block Latvian user access to gambling websites found to be offering illegally into Latvia. Valters Gencs of Gencs Valters Law Firm explains how the regulation works and its expected impact on the Latvian online gambling sector, as well as outlining other recent developments in the Latvian market.

On 1 August 2014, a new regulation regarding the blocking of unlicensed interactive gambling operator domains came into force in Latvia. As a result, online gambling providers in Latvia now have to obtain a gambling licence in order to provide gambling related services online. The Cabinet of Ministers of the Republic of Latvia on 9 June 2014, in accordance with Article 19 (4) of the Electronic Communications Law, adopted rules Nr.291 on the 'Order through which the Lotteries and Gambling Supervision Inspection prepares and delivers its decisions regarding the restriction of access to non-registered gambling organization internet webpages.'

These new rules regulate: 1) how the Lotteries and Gambling Supervision Inspection of Latvia (the 'Inspection'), which is responsible for implementing the government's role in the regulation of lotteries and gambling, prepares and sends to the highest level domain '.lv' registry holders and electronic communication merchants (internet providers) its decisions regarding limiting access to the websites of online gambling operators that are not licensed in

Latvia; 2) the request form that has to be included in the decision, and 3) the manner of sending the decision, the execution form and term of validity.

The Inspection prepares the relevant draft decision, if it has determined that access to an unlicensed gambling webpage has to be limited. After the decision is made, the Inspection no less than once in a quarter electronically (with the use of a safe electronic signature) sends to top-level domain '.lv' registry holders and electronic communication merchants its request to block access to the indicated webpages.

Electronic communication companies must, within five working days after the receipt of the request from the Inspection, provide for the blocking of the indicated unlicensed interactive gambling websites. A top-level domain '.lv' registry holder within five working days after receipt of the Inspection request must provide for the termination of a particular domain in the registration '.lv' zone. An electronic communication merchant must provide for the blocking of the unlicensed interactive gambling domains until the Inspection cancels its decision regarding the blocking of the webpages.

When adopting the order to restrict access to non-licensed interactive gambling domains, Latvia took into account the practice of its neighbour state Estonia, which has shown that the blocking of domains is the most effective way that a state can support licensed operators, by making it more difficult for unlicensed operators to perform any activity in the state. Blocking domains also limits access to the gambling market for new unlicensed service providers, and so protects the licensed gambling

operators.

It has to be said that the process of blocking domains is time consuming and complicated, taking into account that there are 248 internet providers in Latvia. Information regarding all of them has to be gathered and notifications have to be sent to each provider, who afterwards must block the domains.

Online gambling providers who do not have licences are and will be blocked. Upon a request by the Inspection, at the beginning of August more than 20 online gambling websites were blocked, including gambling giants like Triobet, Bwin, PokerStars, Betsafe and others.

By 1 September 2014, the number of blocked webpages had reached 103. Therefore within a month and a half the list of blocked websites has multiplied five times (the list of the blocked websites is available on the homepage of the Lotteries and Gambling Supervision Inspection of Latvia).

It is no secret that unlicensed gambling is unsafe for gamblers. If something goes wrong, there is no one to turn to or claim liability.

The Inspection has disclosed that it has already received several objections from online gamblers regarding the blocked internet resources. Mainly players are complaining that they have already made a deposit on one of these gambling websites, but now the website is blocked. For the purpose of resolving such cases, the Inspection on its website, next to the list of blocked webpages, has inserted support email addresses to enable players to contact the respective gambling operator and request the transfer of funds back.

It is very important to note that online gambling operators, to get the trust of gamblers, might use incorrect information. Many

companies indicate that they have obtained an EU licence to operate online gambling, or that they have the right to organise online gambling in the whole territory of Europe. To disprove the above, the Chairwoman of the Inspection has stated that a united European licence for gambling does not exist, as there is no directive that regulates how gambling should be organised in the EU.

At the moment only four operators have obtained licences to provide online gambling in Latvia. As most of the unlicensed gambling operators are registered in offshore zones, and large sums of unpaid taxes bypass the state budget. Therefore it can be assumed that the purpose of the new regulation is also to increase the amount of taxes collected from licence fees and to fight the 'grey' market of internet gambling, for the protection of players. Although the level of competition in the online gambling market in Latvia is low, expenses to operate in Latvia are high. Only operators who have already established a large client base in Latvia will be interested in obtaining a licence subject to the current fees.

A licence to organise gambling can be obtained by a gambling organiser who has paid the share capital of the company of no less than €1,400,000. The interest of foreign shareholders in the share capital of the company cannot exceed 49% (these requirements do not concern investors from the EU Member States). Furthermore, at least half of the members of the company's council and board have to be Latvian taxpayers, have

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unblemished reputations and must not be banned from the right to engage in business activities.

Only after receiving a licence to organise gambling is it possible to ask for a licence to organise interactive (online) gambling. The first registration fee is €427,000, and each following year, the licence costs €35,580.

Taking into account that there are nine licensed online gambling operators in Estonia, it could be estimated that in Latvia the number of internet gambling operators with licences could be the same in a few years time. This number of operators could be reached faster if the licence fee costs are revised or the procedure as to how the licence can be obtained is changed.

Discussions regarding reducing the licence fee for internet gambling in Latvia have already started. If it is decided that the licence fee has to be reduced to attract new gambling operators, other amendments to the legislation shall be introduced.

To protect the security of players' rights, to better fight the 'grey' market and to ensure the exchange of information, another novation has been performed. On 15 May 2014, the institutions responsible for the control of gambling in the Baltic States signed a cooperation agreement. Parties have agreed to promote institutional cooperation in the investigation of cases concerning the organisation of illegal gambling, to encourage the exchange of experiences regarding the monitoring of gambling and the development of legal acts (on questions relating to licensing

regulations, technical requirements of gambling machines and software), and to promote the exchange of information regarding effective methods to limit dependence on gambling.

This cooperation is very important and beneficial as it will make it easier to fight illegal gambling within the Baltic States. Taking into account the size and power of the gambling industry, it is easier and more efficient to fight and limit illegal gambling by working together with other partners. This will create extra pressure on illegal gambling and will hopefully increase the amount of taxes collected from the industry.

These recent developments show that gambling has to be further controlled and monitored, and therefore more attention is being directed towards this sector. As there are many risks associated with legal and illegal gambling, new regulations will help to prevent illegal activities and fight the consequences of gambling. The fact that only licensed providers can organise online gambling will minimise the risks for players. If problems or objections occur surrounding the actions of operators, players are able to turn to the legal authorities for help. These new regulations are starting to change the way that the online gambling industry works, and should bring new positive changes to the industry in the near future.

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