

Dr Aram Orbelyan Senior Partner
aram.orbelyan@dialog.am

Lilit Karapetyan Associate

Concern Dialog Law Firm, Armenia

Armenia: the recent changes to the regulation of online gambling

The Law of the Republic of Armenia ('RA') regulates online games of chance, which includes provisions on the licensing procedures, state duty and a long list of restrictions. Such requirements relating to online gambling have however only been adopted very recently and to some extent the approaches may be argued to be ambiguous and strict. Dr Aram Orbelyan and Lilit Karapetyan of Concern Dialog law firm outline in this article the general approach to games of chance and casinos under the legislation of the RA and the recent legislative amendments, namely the determination of an increased rate of state duty and the creation of a wager registry. Finally, Aram and Lilit reflect on the issue of online gambling advertising, which presumably has been omitted from the legislative amendments.

The gambling regulations

The first steps to regulating games of chance and casinos in Armenia were undertaken back in 2000, followed by a new Law on Games of Chance and Casinos adopted in 2003, which implemented more complex regulating mechanisms. The reforms were aimed at fighting the detrimental impact of gambling on one hand, and providing a level playing field for legitimate developments on the other. Certain restrictions were incorporated to control the operators of games of chance and casinos, measures to fight money laundering, and requirements to identify customers and maintain the age-related threshold. Moreover, in the early 2000s, casinos were taken out of cities (the regional centres of Yerevan and Marz Kentrons) and migrated to neighbouring areas. Subsequently, four specific territories were designated where casinos could be located. Therefore, initiatives were rather widely undertaken to develop comprehensive legislation regarding gambling in Armenia. However in 2016 a significant gap in the legislation had still not been addressed to the full extent.

The gap in the regulation

Online gambling was poorly regulated and the Law on Games of Chance and Casinos was not applicable to online gambling. To be fair, online gambling was previously not extensively developed in Armenia and this was probably the rationale behind neglecting to issue proper regulations on the matter until now. In order to respond to online gambling becoming widespread

in the country, the Government proposed amendments to regulate online gambling in Armenia.

The licensing fee

As a starting point the state duty for the operation of online games of chance has been increased. The former AMD 100,000,000 annual state duty was replaced with an obligation on operators to pay AMD 500,000,000 (approx. \$1,050,000) annually. Two crucial aspects must be emphasised at this point: the operators of online gambling are excluded from paying taxes as envisaged under the legislation of Armenia (in particular the former laws on Profit Tax, Value Added Tax and the current Tax Code). Thus, the approach seems to be about setting a fixed fee in order to avoid the obstacles to controlling the activities or determining the income or profit of the operators. While this seems reasonable, the extent of the fee could be reconsidered. That is not to say that the fee must be decreased. Pursuing the interests of startups in this sector (interests that undoubtedly should not be omitted), the fees may become more flexible in future. While this needs further analysis with due consideration of the legal and economic aspects, it is crucial to stress that a flexible fee would boost the market, mitigate the potential risk of the creation of a monopolistic market and create incentives for investment.

Online gambling tackled

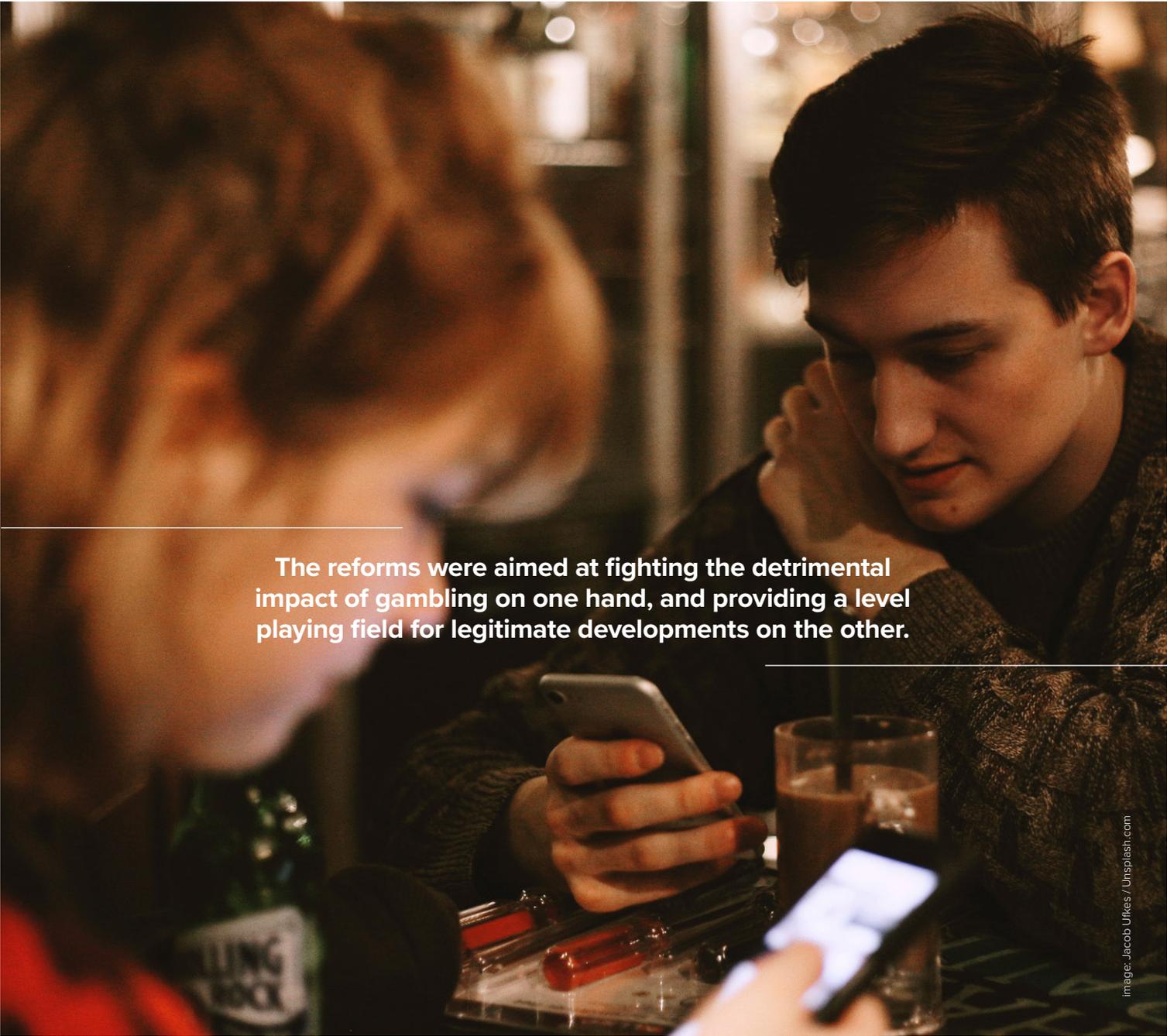
The change regarding state duty was followed by a legislative package proposing amendments to the Law on Games of Chance and Casinos. The

RA Law on Games of Chance, Internet Games of Chance and Casinos governs online games of chance, envisages restrictions for the entities who are deemed as operators of online gambling, determines a complex procedure of licensing (in addition to the increased state duty for the licence, as considered above), introduces requirements for the organisation of such games, the collection of player information and the creation of a database.

Wager registry

The requirement to create a wager registry was initiated within the amendments to the Law on Games of Chance, Internet Games of Chance and Casinos. Specifically, transactions above AMD 1,000,000 are subject to reporting requirements. The database on gamblers conducting transactions above the mentioned threshold shall comprise detailed information on the gambler, and a description of the transaction, etc. The amendment complements the procedures to combat money laundering and creates new premises for the supervision of the sphere by the relevant authorities. Moreover, this adds a psychological component for gamblers, to think twice before providing their identity and being registered in a database of gamblers managed by state authorities.

Undoubtedly, the discussed amendments, which entered into force in June 2017, will have a significant impact on online gambling. Both from the perspective of supervising the operators, mitigating money laundering risks and creating psychological

A young man with dark hair is looking down at his smartphone in a dimly lit bar. He is wearing a dark sweater. In the foreground, there is a tray with a drink and some red objects. The background is blurred, showing other people and bar lights.

The reforms were aimed at fighting the detrimental impact of gambling on one hand, and providing a level playing field for legitimate developments on the other.

Image: Jacob Ulkes / Unsplash.com

obstacles for potential gamblers, the amendments to the law will, it is believed, have a significant impact.

The omitted matter

Bearing in mind the rationale behind the legislation, a significant problem remains. Back in 2014 the advertisement of games of chance and casinos was restricted. One would reasonably expect, that when the application of law as discussed above was extended to online gambling, the restriction on advertisements would also be adopted.

Prior to the legislative amendments, the Law on Advertisements prohibited the advertisement of games of chance, casinos, gaming halls and the services of operators and did not differentiate between operators of online gambling and operators of casinos and games

of chance. There was also the Law on Games of Chance and Casinos which expressly differentiated those operators. While it was not entirely clear whether the restrictions envisaged under the Law on Advertisements were applicable to online gambling, pursuant to an official clarification by the Ministry of Finance, it was clarified that the restrictions do not affect online games of chance and casinos, except for online games of chance that are organised in a gambling hall. Subsequently, the amendment implemented separate requirements for the operators of online gambling. These requirements do not comprise any express restriction on the advertisement of online games, but only a mere obligation on the operator to comply with the provisions of the Law on Advertisements. The latter, however, did not bear any amendments,

which respectively means that the prohibition on advertisements is not applicable to online gambling as was the case prior to the amendments being adopted. Thus, the advertisement of online gambling is not only allowed, but is fairly widespread in the country.

Conclusion

In conclusion, the RA legislation determines reasonable requirements for activities in the sphere of online gambling in and from Armenia. Novel and effective approaches regarding the creation of a wager registry, the facilitation of tax issues by setting a fixed fee for operators and further limitations have been adopted. Yet, we believe further amendments are to come, which will ensure flexibility in the sector while maintaining a legitimate environment and boosting further developments.