

# **MEASURES ADOPTED BY THE STATE GAMBLING COMMISSION AGAINST THE ORGANIZATION AND OCCURRENCES OF ILLEGAL GAMBLING IN THE TERRITORY OF THE REPUBLIC OF BULGARIA 2002-2007**

With the adoption of the new Gambling Act ("Act") in 1999 the Republic of Bulgaria took the first step toward regulation by bringing all gambling activities in its territory in compliance with the law. The Law on Amending and Supplementing the Gambling Act (promulgated in *State Gazette*, # 102/2001, effective Jan. 1<sup>st</sup>, 2002) established the State Gambling Commission ("SGC") under the Minister of Finance. The SGC is a legal entity supported by the State Budget.

With the enactment of the Rules of Organization of the SGC and its Administration, the Commission staff has been structured into a specialized administration, the General Directorate for Gambling Licenses and Control, and a general administration, the Directorate for Financial and Economic Activities, Administrative, Legal and Information Support.

The Act has been amended and supplemented on a number of occasions since its enactment. One of the major changes to the Act occurred in 2005, when the Act was amended to make it possible for companies registered in EU member states, as well as in countries of the European Economic Zone, to apply for gambling licenses allowing them to organize and conduct gambling business in the territory of the Republic of Bulgaria.

## **1. ILLEGAL GAMBLING PREVENTION BODIES**

Under the Gambling Act, in the Republic of Bulgaria the State Gambling Commission and its Administration is the supervisory body on behalf of the State. The SGC, in conjunction with the relevant bodies of the Ministry of Interior, the National Revenue Agency (NRA), and the Bulgarian Institute of Metrology (BIM), has the authority to counteract the organization and conduct of any illegal gambling business within the territory of the Republic of Bulgaria.

## **2. CURRENT STATUS OF ILLEGAL GAMBLING**

The estimated monetary value of the annual turnover of illegal gambling businesses in Bulgaria is BGN 30-35 million. During the period under review, a somewhat larger concentration of illegal gambling outfits has been detected in the North-East of Bulgaria, more specifically, the Varna Region. A multitude of illegal gambling halls operating games of chance without a license from the State Gambling Commission have been identified in areas around Blagoevgrad, Pernik, Sliven and Pleven. Illegal gambling operators pay no taxes or fees, thereby causing losses to the State Budget. These illegal gambling halls usually operate under a range of rather creative guises and tricks.

One of the most common guises used is the fruit machine. For example, an operator may open a coffee shop-type establishment where they install a couple of fruit machines that, at first sight, support purely entertainment games, even ones fit for children. At a certain point, however, by alternating circuit boards, a seemingly innocent fruit machine becomes a full-blown gambling device. This dual-use trick becomes possible by installing a special circuit board on a regular fruit machine with a toggle switch that can also be activated by remote control. The process works both ways: at any moment a gambling machine can be switched back to innocent entertainment use. The purpose of such dual-use devices is to thwart inspection by the regulatory agencies.

Another method employed by unlicensed gambling operators is the use of built-in gambling devices, i.e. ones that are permanently affixed to walls and other solid structures. The built-in machines make dismantling and confiscation difficult. An additional common – and illegal – device utilized is the so-called ‘pusher’-type gambling machine that was outlawed in Germany some time ago. The 'pusher'-type gambling machine can be reprogrammed to pay out smaller winnings than the mandatory payout rate under Bulgarian standards, making their operation in Bulgaria illegal. The difference between standard gambling machines and ‘pushers’ is that with the latter, the payout rate is 60%, while under Bulgarian law, it must be at least 80%. The payout rate of a gambling machine is calculated as the ratio between the amounts fed into the machine as bets, and the amounts paid out as winnings over a period of time. If, for example, BGN 100,000 are bet on 100,000 games, then at least BGN 80,000 of that money must be paid out as winnings. Due to the lower payout rate, ‘pushers’ cannot be certified as standard by the Bulgarian Institute of Metrology, the only testing body in Bulgaria.

As a result of supervisory and control functions performed in respect of currently operational gambling outfits in the territory of Bulgaria, there has been a decrease in the number of illegal gambling devices being used. A large proportion of previously unlicensed operators have attempted to legalize their businesses, by applying to SGC for a license to operate a gambling business. This has resulted in an increase in the number of licensed gambling establishments. In early 2008 the current figures for Bulgaria are as follows:

- One thousand one hundred and eighty-eight (1,188) establishments are licensed to operate gambling machines;
- Forty-one (41) establishments operate the Bingo numbers game of chance;
- Nineteen (19) gambling casinos are licensed to operate in the territory of Bulgaria.
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The SGC had also issued eighty-six (86) licenses to companies for manufacture, import and distribute gambling equipment and devices.

Type	2002	2003	2004	2005	2006	2007
Fees under TFGA* (BGN)	1,921,046	1,603,885	2,419,612	4,869,343	4,015,466	4,114,751
Fines and pecuniary sanctions (BGN).	31,304	41,400	15,300	22,095	89,701	97403
Confiscated gambling equipment	492	353	421	203	96	196

\* Tariff of Fees under the Gambling Act

An analysis of the development of the gambling industry in recent years shows steady growth as evidenced by both an increase of the overall number of establishments where games of chance are supported and the increased gambling revenue, in terms of taxes and fees, paid into the state budget.

However, such growth results in an increase in the quantity of documents processed by the SGC staff, related to preliminary verifications and studies pertinent to licensing applications, as well as increased control of compliance by existing establishments with the applicable primary and secondary legislation on gambling. There is also an increase in the number of companies subject to inspection.

In 2007, the staff of the Gambling Control Department (GCD), the body directly responsible for performing inspections of compliance with the applicable gambling legislation in Bulgaria, has performed a total of five hundred fifty-nine (559) inspections of establishments licensed by SGC to operate or a gambling business, and have witnessed all draws of toto and lotto winning numbers, including games involving bets on the outcome of random events, as follows:

- Five hundred thirteen (513) inspections of game parlors operating slot and fruit machines;
- Twenty-three (23) inspections of Bingo parlors (operating the ‘Bingo’ numbers game of chance);
- Thirteen (13) inspections of Gambling casinos;
- Thirty-two (32) inspections of establishments operating games of chance without an SGC license;
- Eight (8) inspections of games of chance organized by media outlets;

During the period under review, GCD drew up one hundred one (101) protocols of administrative violation.

One recurring problem the SGC faces is the storage and disposal of confiscated gambling equipment used in illegal gambling activities. It is advisable that such equipment be destroyed, and all costs pertinent to the seizure, storage and disposal of the items be charged to the appropriate unlicensed gambling operator. A legislative provision to that effect, if and when adopted, would result in drastically curbing the number of establishments operating an illegal gambling business and a significant reduction of the cost of confiscation, storage and disposal of such equipment borne by the SGC.

Significant changes are also anticipated in the provisions dealing with administrative sanctions, which will prescribe corresponding sanctions for every type of violation. Penalties for advertising games of chance should be made more stringent, and pecuniary sanctions should be provided for organizers who violate the laws. It is advisable to impose a sanction for participants in gambling operations not licensed by the SGC.

In this author's opinion, it would be advisable to minimize the advertisement of games of chance to reduce the risk of gambling addiction. This could be achieved by imposing restrictions on the airing of commercial videos advertising certain types of games of a promotional or gambling nature by enticing members of the audience to take participate in the game, as well as by imposing steeper sanctions when a violation is established.

A legislative solution of the problems outlined above would allow further streamlining of the functions of the SGC, and would no doubt contribute to an increased effectiveness and efficiency of government control over the gambling business. Additionally, the imposition of new more focused conditions would motivate gambling operators to comply with the law while guaranteeing the rights of participants in games of chance.

The development of gambling has been a long process of promoting, on the one hand, a fully operational gambling sector, and on the other, of its active regulation by society through the State. Obviously, the present-day development and territorial distribution of gambling activities is a function of existing traditions in that respect, the existence of consumers for gambling services, the development of supporting activities (sports, tourism etc.), and, last but not least, of business entrepreneurship and government regulation of this type of business.