

Czech Government Wants Online Sign-Ups At Czech Points

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A Czech government requirement to verify identification for online gambling sign-ups in person at so-called Czech Points, rather than remotely, has operators fearing players will be deterred from using legal sites.

Amendments to anti-money laundering statutes that take effect on January 1 will require online operators, even those based outside the Czech Republic, to identify the client and verify their ID cards in the customer's physical presence for most accounts, lawyers say.

Players can register at banks, notary offices or Czech Points, which are networks of several thousand public administration centres run by the Ministry of the Interior where citizens go to obtain information such as copies of land registry or criminal record details.

"Many foreign operators consider those requirements as unnecessary and going much further than requested by the 4th [Anti-Money Laundering] Directive, which will complicate a smooth operation of online games," said Jan Kozubek, an attorney with Becker & Poliakoff's Prague office.

The face-to-face ID provision is triggered as soon as it is clear that the value of a transaction would exceed €1,000, or a lower amount if the operator thinks transactions involving lower sums could be risky, Kozubek said.

Overseas operators need not set up an outlet in the Czech Republic, if the notary or the public administration check points are used, he said.

Lotteries, bingo and raffles are exempt from the provision.

Most online operators are resigned to the restrictions, although they seem "old fashioned and a deterrent to players", said Clive Hawkswood, chief executive for the Remote Gambling Association.

"It looks like we're going to make the best of it," he said. "We'd like them to change it, but we're prepared to deal with it."

It will be challenging for foreign operators without Czech outlets to sign up new players, and they may want to hire third-party financial institutions to assist, said Jan Rehola, a lawyer with Prague-based Petroš Sedláčková Legal and formerly with the Czech regulator in the Ministry of Finance.

He predicted that about 30 companies will apply for a licence, about half Czech Republic-based.

Rehola also suggested that the sign-up restrictions could be loosened at some point.

“The Ministry of Finance has already seen this to be a problem,” he said.

“It was not the intent to promote the land-based” companies, he said. “It was an imperfect transposition of the [AML] regulation.”

Online gambling licensing legislation was approved earlier this year for sports betting, casino and card games, at a tax rate of 23 percent of gross gaming revenue.

The anti-money laundering amendments were approved separately, passing parliament in October and being signed into law on November 1.

Elsewhere in the European Union, requirements for ID verification are not so stringent.

The UK Gambling Commission requires companies to confirm that a player is of legal age and has not excluded themselves from gambling, as well as confirm their identity, but does not prescribe how operators should do that.

If an operator cannot verify age within 72 hours of account opening, it should close the account.