**National report for the year 2008: Lithuania**

Considering the social and cultural peculiarity and economical conditions of the member state, the state authorities remain indifferent to development of gaming business though understand that gaming activity is special field having special influence upon the general public on the grounds of its speed of development, supply, abundance of choice and availability. The state policy on gaming and lottery still is not properly framed. The trends of state regulations, which would cause consistent and effective regulation of gaming business, are undetermined.

According to the article 45 of the Directive 2005/60/EC of the European Parliament and of the Council „On the prevention of the use of the financial system for the purpose of money laundering and terrorist financing", *the Member States shall bring into force the laws, regulations and administrative provisions necessary to comply with this Directive by 15 December 2007*. But Seimas of Lithuania issued a new edition on prevention of money laundering with new title "Law on the prevention of money laundering and terrorist financing" only on the 17th of January of 2008. The aims of the law are to determine the preventive measures for money laundering and/or terrorist financing and to assign authorities responsible for implementation of preventive measures for money laundering and/or terrorist financing. But the procedure for implementation of the abovementioned law in gaming establishments was approved by the Government of the Republic of Lithuania only in July of 2008. It is evident that Lithuanian legislature not only delayed to issue the law provided in abovementioned Directive, but also the obvious collisions between the newly issued law and the Law on Gaming remained. Therefore the dilemma remains: does the Law on the prevention of money laundering and terrorist financing is in compliance with provisions of Directive 2005/60/EC of the European Parliament and of the Council on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing.

The appeal of NLŽVA on reasonable opinion that gaming business needs reform (what is justified by general structure of gaming market) was submitted to Government and Seimas on 15th May 2008. According to the data of the State Gaming Control Commission, 16 companies operated gaming business in Lithuania in the year 2008 (comparing to 14 at the end of the year 2007). Two of them commenced their activity in October (operation of betting) and in November (gaming machine halls). 5 companies operated gaming only in gaming establishments (casino), 3 companies had gaming establishments and gaming machine halls of B category, 4 companies specialized only in field of B category gaming machines and 4 companies operated betting. Comparing to the year 2007, 3 new gaming establishments launched their operation, quantity of B category gaming machine halls was supplemented with 19 more units and number of betting stations increased by 10 more stations in the year 2008.

The annual results of gaming activity revealed (table 1,2) that 27 gaming establishments (casino), 113 gaming machine halls and 126 betting stations were operated at the end of the year 2008 (comparing to 24 gaming establishments, 94 gaming machine halls and 116 betting stations at the end of the year 2007). Comparing to the year 2007, gaming establishments increased by 3 (i.e. 12.5%), gaming machine halls by 19 (i.e. 20.2%), and betting stations by 10 (i.e. 8.6%). The largest share of gaming business revenue in the year 2008 was from gaming tables (36.2%). B category gaming machines took the second place by revenue (31%). Revenue of betting operators was 18.3% and revenue from category A gaming machines was 14.5% (table 3).

Comparison of such data provided by State Gaming Control Commission with development of gaming business activity in European Union allows the conclusion that gaming establishments prevail in Lithuania. They takes four times larger market share at the expense of betting and lotteries comparing to West Europe situation, and such structure of the market shapes negative image of other moderate gaming types in society.

One more peripeteia complemented the guidelines of Lithuanian gaming business in the summer of 2008. Even three members of State Gaming Control Commission were replaced because their term of office expired, including the chairman of the commission who had supervised the field of gaming control since 2001. The National Gambling and Gaming Business Association suggested on 27th May 2008 to take opportunity and to reform the control and regulation of gaming together with replacement of three from six members of State Gaming Control Commission. It remains unclear, however, if the persons who replaced the former members of the Commission will be able to change the eminently negative stereotype of gaming activity which differs a lot from that of West Europe.

This notwithstanding, National Audit Office of the Republic of Lithuania clearly described in its audit report of September 2008 the imperfect regulation of gaming activity in Lithuania; to be precise, it confirmed that there is no public policy in the sector of gaming in Lithuania, and the principles, aims and trends of gaming regulation are not yet approved. The abovementioned report also provided statistical material which evidences that "*the activity of State Gaming Control Commission is more orientated around operation results of gaming operators than protection of players' interests. Though number of the complaints on breach of gaming and lotteries operation procedures and applications of voluntary exclusion from gambling increase every year, but the State Gaming Control Commission does not implement preventive measures.*" The State Gaming Control Commission was suggested to remove the faults detected during the audit and to submit suggestions to the Government on development of regulations governing operation and conditions of gaming and lotteries.

One more factor which brought new but economically negative winds to the market of gaming in Lithuania was increase of fixed amount of lottery and gaming tax by fifty per cent. Taxable period was one quarter of a calendar year in 2008. According to calculations, the state budget received the amount of 30.34 m LTL from the lottery and gaming tax in the year 2008. But a new edition of the Law on Lottery and Gaming Tax, which came into force on 1st January 2009, should almost double the revenue of state budget from gaming activity. New edition not only increased the lottery and gaming tax, but also changed the abovementioned fixed tax which is now payable for a month but not one quarter of a calendar year.

The attempt to control gaming activity by tax rise and to increase budget by emptying pockets of gaming operators presuppose the conclusion that, considering the established negative opinion about gaming activity, the repressive measures are being implemented and there is avoidance of implementation of available control methods such as restrain of budget expenses, balancing of investments, acceleration of receiving of support from European Union, avoidance of "black" money, what is usually implemented by a tax reduction but not a tax rise.

The rates of the year 2008 indicate, that the rapid increase of number of persons willing to be not allowed to gamble or to enter gaming establishments is, however, the most relevant supervisor. The State Gaming Control Commission continued the program of the voluntary exclusion from gambling in year 2008. The program was initiated by the Commission in the year 2004. According to the authority, the aim of the program is to limit the possibility for the person to gamble when he/she submits to the Control Commission the particular written request. Later, such request is transferred to all (or only to indicated by the person) gaming operators. According to the data of 2008 of the Control Commission, the requests of voluntary exclusion from gambling have been received from 376 (360 male and 16 female) persons (comparing to 170 in the year 2007).

According to data of the National Audit Office, the use of the gaming service by the players increase more and more, because the revenue of gaming operators increases every year. According to the data of the Control Commission, the largest amount, i.e. even 28 m LTL, within only three first months were gambled away at the gaming tables, therefore the state should consider the experience of foreign counties and to implement real measures in order to reduce risk of emerging of problematic players and to strengthen the prevention of violations in gaming business.

Generalization allows the conclusion that the most effective way to shape the principles of public policy in Lithuanian gambling market is to follow the experience of mature ES states and to carry out the comprehensive audit of gaming market and to reduce damage to public health, state and business based on the conclusions of such audit.

The proposal together with the draft of Article 31 of the Law on Gaming of the Republic of Lithuania was submitted by Mantas Adomėnas, member of Seimas, for this purpose at the end of the year 2008. The proposal is to stop unlimited incorporation of gaming establishments, gaming machine halls, bingo halls, betting and totalizator stations as well as to stop issue of permissions for their incorporation and to prepare a new edition of the Law on Gaming as well as amendments and supplements of related regulations which would consider the conception of gaming regulation as well as conclusions and data of the carried out audit of the health, social, crime and economical financial condition in the gaming market.

Table 1

| No. | Company | Number of places at which gaming is operated * | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Gaming establishments (casino) | | | | Gaming machine halls | | | | Betting stations | | | | Bingo halls | | | |
| | | 2005 | 2006 | 2007 | 2008 | 2005 | 2006 | 2007 | 2008 | 2005 | 2006 | 2007 | 2008 | 2005 | 2006 | 2007 | 2008 |
| 1 | UAB „Olympic Casino Group Baltija“ | 8 | 10 | 9 | 10 | | | 5 | 6 | | | | | | | | |
| 2 | UAB „Casino Planet“ | 2 | 1 | | | | | | | | | | | | | | |
| 3 | UAB „Nesė“ | 2 | 3 | 4 | 4 | 4 | 4 | 4 | 7 | | | | | | | | |
| 4 | UAB „Pokervegas“ | 1 | 1 | 1 | 1 | | | | | | | | | | | | |
| 5 | UAB “UAB "VSGA"” | 1 | 2 | 2 | 3 | | | | | | | | | | | | |
| 6 | UAB “Savas Kazino” | 1 | 2 | 2 | 2 | | | | | | | | | | | | |
| 7 | UAB “Grand Casinos Europa” | 1 | | | | | | | | | | | | | | | |
| 8 | UAB “Grand Casino World” | | 1 | 1 | 1 | | | | | | | | | | | | |
| 9 | UAB „City Casino“ | 2 | 2 | 3 | 3 | | | | | | | | | | | | |
| 10 | UAB “Tete-a-tete” kazino | | | | | 34 | 41 | 54 | 59 | | | | | | | | |
| 11 | UAB “Egivela” | 1 | 2 | 2 | 3 | 7 | 8 | 8 | 9 | | | | | | | | |
| 12 | UAB „Unigames“ | | | | | 11 | 18 | 21 | 24 | | | | | | | | |
| 13 | UAB „Novogaming Vilnius“ | | | | | | | 2 | 7 | | | | | | | | |
| 14 | UAB „Bongo Slots“ | | | | | | | | 1 | | | | | | | | |

| | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 15 | UAB „Top Sport“ | | | | | | | | | 83 | 66 | 60 | 62 | | | | |
| 16 | UAB “Orakulas” | | | | | | | | | 42 | 35 | 38 | 43 | 1 | 1 | | |
| 17 | UAB “Omnibetas” | | | | | | | | | 17 | 18 | 18 | 19 | | | | |
| 18 | ***UAB „Baltic Bet“*** | | | | | | | | | | | | **2** | | | | |
| | ***Iš viso*** | **19** | **24** | **24** | **27** | **56** | **71** | **94** | **113** | **142** | **119** | **116** | **126** | **1** | **1** | | |

Number of places at which gaming has been operated during 2005-2008

* The table shows number of places at which gaming is operated.

**Performance indicators of gaming business in the year 2008**
**Table 2**

| No. | Reporting period | Revenue | Payment of winnings | Results from gaming activity | Number of companies | Number of gaming equipment and betting stations |
|---|---|---|---|---|---|---|
| **1.** | **Gaming tables** | | | | | |
| | Quarter 1 | 125.128.256 | 96.992.788 | 28.135.468 | 8 | 213 |
| | Quarter 2 | 119.831.256 | 93.539.728 | 26.291.528 | 8 | 214 |
| | Quarter 3 | 105.545.463 | 81.674.262 | 23.871.201 | 8 | 202 |
| | Quarter 4 | 110.679.146 | 84.611.878 | 26.067.269 | 8 | 184 |
| | **Total, 2008:** | **461.184.120** | **356.818.655** | **104.365.465** | **8** | **184** |
| | Total, 2007: | 496.971.314 | 378.708.204 | 118.263.110 | 8 | 198 |
| **2.** | **Gaming machines of A category** | | | | | |
| | Quarter 1 | 52.812.067 | 36.401.864 | 16.410.204 | 8 | 1142 |
| | Quarter 2 | 51.549.736 | 35.551.721 | 15.998.015 | 8 | 1150 |
| | Quarter 3 | 44.092.949 | 32.055.089 | 12.037.860 | 8 | 1128 |
| | Quarter 4 | 36.320.972 | 25.711.853 | 10.609.119 | 8 | 1090 |
| | **Total, 2008:** | **184.775.724** | **129.720.526** | **55.055.198** | **8** | **1090** |
| | Total, 2007: | 192.745.791 | 129.684.990 | 63.060.801 | 8 | 1054 |
| **3.** | **Gaming machines of B category** | | | | | |
| | Quarter 1 | 97.903.211 | 82.184.732 | 15.718.479 | 6 | 2084 |
| | Quarter 2 | 91.730.328 | 76.649.657 | 15.080.671 | 6 | 2217 |
| | Quarter 3 | 98.280.684 | 82.240.759 | 16.039.925 | 6 | 2383 |
| | Quarter 4 | 107.497.328 | 89.811.756 | 17.685.573 | 7 | 2515 |

| | | | | | | |
|---|---|---|---|---|---|---|
| | **Total, 2008:** | **395.411.552** | **330.886.904** | **64.524.648** | **7** | **2515** |
| | Total, 2007: | 327.055.373 | 275.327.767 | 51.727.607 | 6 | 2085 |
| **4.** | **Betting** | | | | | |
| | Quarter 1 | 52.955.584 | 47.401.793 | 5.553.791 | 3 | 115 |
| | Quarter 2 | 55.450.958 | 51.620.611 | 3.830.347 | 3 | 116 |
| | Quarter 3 | 59.922.952 | 55.793.393 | 4.129.559 | 3 | 119 |
| | Quarter 4 | 64.485.818 | 59.002.205 | 5.483.613 | 4 | 126 |
| | **Total, 2008:** | **232.815.312** | **213.818.001** | **18.997.310** | **4** | **126** |
| | Total, 2007: | 148.838.449 | 136.005.476 | 12.832.973 | 3 | 116 |
| | Total, quarter 1 | 328.799.117 | 262.981.176 | 65.817.941 | 14 | 3439* |
| | Total, quarter 2 | 318.562.277 | 257.361.716 | 61.200.561 | 14 | 3581* |
| | Total, quarter 3 | 307.842.047 | 251.763.503 | 56.078.545 | 14 | 3713* |
| | Total, quarter 4 | 318.983.265 | 259.137.691 | 59.845.574 | 16 | 3789* |
| | **Total, 2008:** | **1.274.186.707** | **1.031.244.086** | **242.942.621** | **16** | **3789*** |
| | Total, 2007: | 1.165.610.927 | 919.726.437 | 245.884.490 | 14 | 3337* |

* Gaming equipment, betting stations excluded

- 1EUR – 3,4528 LTL.

Table 3

*Dynamics of revenue structure according to gaming types in 2007-2008 (per cent)*

| | **2007** | **2008** |
|---|---|---|
| Gaming tables | 42,6 | 36,2 |
| Gaming machines of A category | 16,5 | 14,5 |
| Gaming machines of B category | 28,1 | 31,0 |
| Betting stations | 12,8 | 18,3 |
| Bingo | 0 | 0 |