

Introduction

The European Lotteries (EL) is the leading European Association for state-owned and state-licensed Lotteries.¹ Based in Lausanne and Brussels, EL promotes (and successfully defends) the model of Lotteries for the benefit of society, offers a platform to share best-practices and delivers various services to its Members.

Lottery games are fun and entertaining, but not without risk. On the one hand, being a form of mass entertainment, they appeal to a broad range of players who enjoy the fun they provide for small stakes and they generate huge amounts of money; on the other hand without the right measures in place they can become “dangerous” with negative consequences for individual players.

Lottery operators play – in most jurisdictions – an important, positive role as part of society. For good reasons, they are mostly organized as monopolies to channel the natural desire to play into regulated, protected and transparent offers. The profit generated from licensed lottery games is very often directly dedicated to good causes (ranging from sports and culture to social projects and ecology) and/or to wider society by directly contributing to state budgets.

However, lotteries as games as well as organisations face new challenges. Driven in part by technological developments, there are dramatic changes in consumer preferences and habits presenting on the one hand new opportunities for lotteries. On the other hand, new competitors are also using these new technologies to enter the market both legally and illegally. The number of offers is increasing significantly and States are facing the challenge of either not having a fit for purpose regulatory framework for the digital gambling space and/or being limited in enforcing illegal operations.

Recognising the rapidly changing environment and the changing nature of the lottery sector, the EL Executive Committee is proposing a new sharper strategy for EL that seeks to address the opportunities and threats of the shifting context we are facing. This strategy takes as its starting point a clear articulation of values and positioning, but accepts changes and differentiations and last but not least recognizes new technologies and changing consumer-behaviour not only as a threat but as a real opportunity.

Values-based approach

EL and its Members' identity are defined by core values that are shared by all the Members of The European Lotteries. EL believes in the overall benefit of (state-) licensed lotteries for society as a guiding principle to organise and to run a public lottery or other games of chance. EL wants to attract potential players to safe, legal offers in their respective countries. EL takes into account (and are limited by) the individual and societal cost of

¹ With the term 'lotteries' it is referred most of the time to the *organisations* that are organising state-licensed lottery games, not those (lottery) games only.

those legal operations, whether that be lotteries or gambling products. This differentiates EL Members clearly from gambling operators whose primary focus is on the benefits for their shareholders.

This leads to three core EL lottery values:

RESPONSIBILITY – EL and its Members believe in a high level of consumer protection and responsible gaming and give it priority over other interests. This is a key differentiator of how lotteries and other activities of EL members are operated in comparison to gambling operators or illegal operators. It includes a very clear commitment to maintain Corporate Social Responsibility at the heart of the activities of EL Members.

SOCIETY/ SUSTAINABILITY – The values are based on the idea that social and public order concerns prevail. This does not preclude profit generation but always acknowledges that lotteries and other activities of EL Members are run in society's best interest, means in the best balance between social costs adhering to individual countries' regulatory frameworks and –as a result of this regulation– lottery–profits.

INTEGRITY – Over and above EU and national laws, EL Members truly 'walk the talk' and operate strict standards (e.g. EL and WLA Security Standards) to provide secure and fair operations and to manage the risks of fraud and other forms of crime. The sports betting business by EL Members is operated living up the highest integrity standards.

Lottery Values need strong regulatory principles and rules, subsidiarity and law enforcement

In the gambling sector, the stakeholders' interests are different and often not aligned. Players look for fun, the thrill of participating in games of chance, and for the most experienced ones high pay-out ratios. While the challenge for the operator is to meet these demands, states are looking for a sustainable and legal gambling-sector with moderate and controlled offers, with overall net profits for society (profits minus social costs).

In this context, the EL Members make the difference where it matters most compared to other operators: the values of EL Members have to be reflected by the states through a strong principle-based regulatory framework such as mandatory responsible-gaming, assurance of secure operations, corporate-governance-standards, legal exclusion of dangerous offers and last but not least taxes. EL is therefore calling for strict, but appropriate regulation in this sensitive sector.

Appropriateness needs subsidiarity as an indispensable principle of regulation. Only a 'Unity in Diversity'-approach enables states as lottery-organizers to react to the relevant environment, which is mostly independently built from cultural differences (e.g. betting in UK and Germany, social care in Nordic countries) and market characteristics (such as reach and usage of high-speed-internet and mobile infrastructure). Against that, organizing lotteries in a single cross-border-market would circumvent the lottery values. If such a single market were to exist then operators, stating customer-benefit, might seek to use the

differences between regulations to avoid taxes and go for the lowest available level of player protection. States may accept this, as they are competing for additional companies to settle or taxes to be paid without social cost in their own jurisdiction. As a result, it is common understanding and indispensable rule for EL and its Members, that an operator in the sector of gaming and gambling requires a dedicated license in every single state/jurisdiction, the service is offered in. An operator with unlicensed offers –in above sense– can't therefore be a Member of EL.

Other regulatory principles are precaution, solidarity and integrity. These principles are also adopted by EL and its members. These regulatory principles express the vision of EL Members on the adequate regulatory framework for their activities and find their way to regulation through standards such as those for responsible gaming (precaution and solidarity) and security and integrity covering transparency and corporate governance.

The primary interest of the Association is proportionate, value-oriented regulation. But those proportionate rules are redundant without adequate law enforcement. They are undermined by illegal operations as long as there are no negative consequences for those illegal operators. EL wants coordinated best practices between regulators to push the fight against illegal gaming and gambling, and to show that new technologies are not just a path to undermine rules; they can and they should be used to enforce the regulation.

The Lottery Principles are more than ever connected to attractive offers and innovation

EL recognizes that regulation in its sector can guide a market but not totally block or overrule the natural desire to play, nor ignore technical as well as societal changes. Even organized as monopolies, there are lots of alternatives for consumers and the lottery-operators have to offer appealing products and solutions to attract demand into the regulated market.

From this perspective, an internet-ban on the most dangerous forms of gambling can, with respect to consumer protection, be justified. Yet there is a need for innovation to attract players towards a legal and guided offer especially in the areas where illegal, more dangerous and less regulated offers might go for vulnerable customers.

New technologies and changing consumer behaviour have to be used actively to retain, to win and to guide players according to the lottery-principles. On the one hand, Internet and mobile offers have their downsides in the solitude/isolation of the net with less social control, however, on the other hand there are responsible gaming tools available to online players which are not available offline. While certain organizers are purely looking on using this for additional revenues, EL Members are looking for the best balance according to their lottery values. Monitoring player's behaviour (respecting their privacy rights) to keep up innovations within the framework of the principles is the actual challenge for EL Members. EL is supporting this through knowledge-sharing, communication of best-practices and a new way of working together with our technology-partners.

The benefits of membership: the EL service offer based on the lottery values

The aims and objectives of the Association are to advance the collective interests of its Members including enhancing their capabilities and knowhow. EL offers experience, expertise, and best practice in the fields of gaming and gambling, especially lotteries, and thereby drives the innovation in this field.

PROMOTING MEMBERS INTERESTS – with institutions like the EU, and any other Government or intergovernmental institution based in Europe. Also regarding Sports (integrity) associations, people with disabilities and cultural associations.

PROVIDING FORUMS FOR EXCHANGE OF EXPERIENCE AND CHANNEL NETWORKING AND LOBBYING ACTIVITIES – this includes for example to explain the Framework, architecture and design of a (lottery) role model and its related games. *Sharing and inspiring best practice* across the entire EL Community.

SUPPORT AND COOPERATE – with the various stakeholders in the lotteries and gambling sector, in particular national authorities and organizations involved in studying and preventing illegal offerings, addiction and underage gambling, and also with the charity, sports and public bodies that benefit from the good causes raised by EL Members.

ESTABLISHING BEST PRACTISE STANDARDS AND COOPERATION FORUMS – especially in the areas of CSR, Security and Sports Betting Integrity to support the achievement of the integrity and responsibility principles.

EL translates its values into a service offering for its Members:



EL Members

EL brings together various state-owned and private operators who operate on behalf of the state. EL Members only offer lotteries, gambling and betting services in the jurisdictions in which they are licensed by the respective national government. Within EL there are a mixture of regulatory models. These range from pure monopoly to multiple operators, state run lotteries to private operators running the Lottery on behalf of the state, Lottery only to Lottery and Sports betting, and for some also casinos and casino based games.

EL Members apply the best practices grounded in the lottery values throughout the range of games that they offer:



EL has two *categories of membership* defined as follows:²

REGULAR MEMBERS – A Regular Member of EL must conduct games of chance and/or skill such as Lotto, Toto, class lotteries, classic lotteries, sports betting, sports lotteries, instant games, and lotteries general based upon a state issued lottery licence in a European country.³ It is essential that Regular Members live up to the lottery values.⁴ Regular Members have full voting rights in the Association and are allowed to participate at full in all activities of the Association.⁵

OBSERVER MEMBERS – Observer membership applies to organisations that do not fulfil the criteria to qualify for regular membership but do underline and live the lottery values. The Observer Members have no voting rights and can have limited access to all activities of the Association.

² Once the proposition accepted by the General Assembly and the relevant modifications to the statutes have taken place.

³ It should be noted that many of EL Members operate 'National lotteries' but are not all owned by the state; around one third are privately owned.

⁴ In order to remain a regular member there needs to be a commitment to sign up to the EL/WLA Security and CSR Standards and sign the Code of Conduct on Sports Betting (when offering sports betting).

⁵ In the event that a Regular Member ceases to operate a Lottery, it could still remain in EL as an Observer Member, subject to the discretion of the EL Executive Committee.

EL works together with several organizations that are well known and respected suppliers to the sector; these are the **EL PARTNERS**. These organizations are the (key) suppliers of goods or services to the field of the games of Regular or Observer Members.⁶ Partners do underline and live the lottery values. They have no voting rights and can have limited access to all activities of the Association.

⁶ Many of these key suppliers fund important EL events such as Congresses and Industry Days.