

Honorable Minister,

Members of the Parliament and Governmental Officials,

Dear colleagues,

Dear guests,

Ladies and Gentlemen

I would like to welcome you to the Authority's First Annual Meeting and to thank you for accepting our invitation. The aim of today's meeting is to present the National Betting Authority's work in the period 2015-2017, as well as its strategic plan for the period 2018-2022.

Ladies and Gentlemen,

A particularly positive fact is that this fruitful period for the Authority has been part of a general restructuring of the Cyprus economy. Indeed, after going through a turmoil, since 2015 the Cyprus economy has achieved what seemed impossible, with a 4% growth rate, a significantly reduced unemployment and with local and international investors showing their trust both in the effective approach to problems and in the country's potentials.

The two successful courses seem to be coincidental. However, they are, in fact, deeply interrelated. The regulation of betting activity is necessary in a modern European country, hence this reform has been part of the development measures taken by the government to combat the crisis. Cyprus, being a modern country that embraces innovation and technology, trying to develop both nationally and economically and striving to become an investment hub, could not miss this opportunity.

Let us not forget that we are talking about a robust international industry which moves vast amounts of money globally.

The regulation of this industry on a well-functioning basis in the market is a win-win situation, as the multiplying benefits it offers are shared by all parties involved: companies, players, employees and the general public.

Hence, since we took office in September 2015, our primary goal has been the effective regulation of betting activity, aiming towards the sector's transparent and healthy development, focusing at the same time on the players' protection.

From the beginning, we set five strategic pillars, the foundations of a long-term success for our endeavor:

1. The Authority's complete restructuring and reorganization
2. The Sector's effective regulation
3. The development of the Authority's supervisory role
4. The development of international cooperation
5. The players' awareness raising and protection

The order would ideally be sequential. However, as we live in a world filled with limitations, we have decided to work on all pillars simultaneously, with overlapping actions so as to avoid leaving any area behind. This way we wanted to fulfill our role as comprehensively as possible under the given circumstances and with the available resources at the time.

Ladies and Gentlemen,

Every action may breed results only if it is based on solid foundations. We therefore started with a complete restructuring and reorganization of the Authority, with the help of KPMG.

We adopted a new functional working model, operated by capable employees, which allowed the Authority to fulfill its institutional duties and implement its strategic plan in the subsequent years. As a first step, the Authority will recruit 18 permanent employees in the beginning of 2018.

At the same time, we put forward the primary role of the Authority, which is the Sector's regulation. In the last quarter of 2015 we recorded errors and gaps from the previous period, which have actually resulted to income loss for the Republic that amounts to millions. Therefore:

- The main licensing procedure gaps for Class A land based betting were recorded.
- Tax and contributions collections by non-licensed representatives were found, which reached 20% of the total taxation.
- It was found that betting services were offered in premises by people who were not authorized by the Authority.
- It was found that Class B online betting was not regulated and licensed.
- And many more.

Taking these findings in consideration we moved on to a comprehensive redesigning of the process, in the context of the Law. In 2016 we opened the application procedure for Class B, granting the first license on the 1<sup>st</sup> of January 2017. So far we have granted licenses to 11 online betting companies.

In the meantime, we enhanced the Authority's supervisory role, in order to safeguard the implementation of the law and the compliance of the licensees with their license terms.

Using all means available to us we categorized the licensees according to risk levels, taking all necessary measures. We also employed several tools for assessing their compliance.

For the first time we have conducted on-site inspections on authorized premises all over Cyprus. Despite the apparent difficulties, this measure keeps being executed without any obstacles.

In order to increase regulation and supervision, a Directive on Prevention of Money Laundering Activities and Fighting Terrorism will be implemented, following the guidelines of the 4<sup>th</sup> European Directive. This is an ongoing task in cooperation with Deloitte. One of the Directive's aims is for all supervised bodies to implement preventive measures so as to detect potential dangers.

You can view our actions in more detail later on. In a nutshell, I would like to inform you that the targets on regulation and supervision have been accomplished by 90% for the first two years, and this is also reflected in the increased revenue from taxes:

In the third quarter of 2017 there was a 164% increase in comparison to the third quarter of 2015 and a 112% increase in comparison to the third quarter of 2016.

Ladies and Gentlemen,

The sector of betting is following an upward trend on a European level. The states are currently advancing their regulatory framework, creating a competitive environment.

Despite the benefits of the reform, the constantly changing technological and regulatory framework pushes for an imminent reconsideration of the current framework and for improving its consistency with the international betting market, taking into account the particularities of the local market.

In order to achieve this target, the Authority has initiated a process of redesigning the legal framework on various levels, so as to enrich the sector with new products and services and expand the licensing range for provision of services inside and outside the country.

The Bill is currently being redrafted while the ongoing research will contribute to its finalization. The legal consultants of the Authority, Markides, Markides & Co contribute substantially in this endeavor.

The quantitative survey and research on the influence, behavior and features of gamers is almost completed. The results will be taken into consideration for the redrafting of the Bill. The research is conducted in cooperation with IMR.

The research looks into market trends, consumers' participation and actions and the implementation of measures for responsible gaming. The study covers 3000 participants and is expected to be completed towards the end of the year.

Moreover, a study on the taxation system will enable us to draw conclusions which will contribute towards maximizing the benefits for the public interest; they will lead to more effective taxation and they will increase new investments on the island. This study is conducted in cooperation with PWC.

During the Bill's redrafting, the Authority is taking into account the benefits that might occur from the introduction of a regulatory framework in the field of innovation and start-ups. These aspects are currently being examined by respective supervisory authorities in Europe.

This way we are aligned with and complement the broader governmental target to introduce legal and regulatory frameworks to support and enhance entrepreneurship, innovation and start-ups.

For instance, in the last two years, the Authority has received several requests from the private sector, particularly from young scientists, which are either in a gray area or are not regulated by national laws. In the context of effective regulation and development, realizing the legal gap with regards to bingo services, the Authority has drafted a Bill which will be submitted to the Minister of Finance in the next few days and will be enriched with further proposals.

Today, an extrovert approach and an openness towards international cooperation among states, organizations and institutions of the betting industry are more important than ever. The challenges are massive – much larger than the capacities of single states acting alone. The global betting activity is immense and the threats of unlawfulness, tax evasion and corruption are significant.

For this reason I would like to focus on the development of our cooperation with national and international organizations for the effective accomplishment of our common goals. We have enhanced our cooperation with European and international institutions and authorities in order to exchange information, adopt best practices and develop an ongoing communication on issues relating to our sector, such as preventing match-fixing, money laundering, etc.

On a national level, we have strengthened our cooperation with various public and private organizations in order to enhance the strategic development of the sector and to protect the vulnerable population groups. Our full membership to Gaming Regulators European Forum will soon be fulfilled and we already participate in the European Commission's Expert Group on Gambling Services.

As far as the players' protection is concerned, we are happy to present the first action plan and our first campaign on Responsible Gaming. I would also like to inform you that next week the Regulations on the Protection of Players, Young People and Vulnerable Groups will be set on public consultation.

In the same light, the strategic goals which were set for the period 2018-2022 focus on the improvement of the Authority's internal organization and operation, on the enhancement of its regulatory and supervisory role, on the sector's development and on ensuring the protection of players and of the wider public.

In other words, the Authority is just the Beginning!

Ladies and Gentlemen,

All these are useful and constructive strategies and processes that derive from the Authority's foundations.

Yet, what we are really aiming for is something simple, deep and substantial: Bring development through trust.

We want the players to feel trust when they play a pleasant, fair and safe game, being fully aware of the risk they are taking and of the assistance they are entitled to.

We want the companies and the licensed bookmakers to feel trust that they are operating in a lawful society, where everyone is treated equally and with transparency. Consequently, everyone will follow the law and code of ethics with clients and colleagues.

We want the public opinion to feel trust, knowing that the state has a fair and transparent regulating role for the benefit of the economy and of a society which respects its citizens.

Finally, we want the state to feel trust towards the Authority, and to consider it an equal partner in the attempt to form the right practices, and an ally in responding to economic developments for the public interest.

The development of trust will contribute to ensuring a noble betting activity, a thriving entrepreneurship and a long-term development, with substantial benefits for all parties involved.

Our vision is to turn Cyprus into a fair, transparent and secure centre of development and innovation in the sector of gaming and betting.

It is worth mentioning that among our plans is the foundation of an Academy of education and training programs related to our sector. Apart from the Academy, the Authority would like to establish Cyprus as a center for "Conference Tourism" on Gambling Industry. Moreover, we want to create a Prevention Center that will provide information and support on responsible betting and gaming for the players and the general public.

Taking this opportunity, I would like to express my thanks to my colleagues at the Authority who have worked hard in order to achieve our targets so far, enabling us to set even further and more promising

goals for the coming years. I would also like to thank each of the Board Members for the great cooperation and constant support.

Special thanks to former members Michalis Constantinides and Savvas Angelides for the valuable time they have contributed on a daily basis.

I should definitely thank all the parties involved, especially the supervised licensees for the cooperation and the satisfactory compliance they have shown so far.

Finally, I would like to express my gratitude to the Minister of Finance Mr. Harris Georgiades for his trust, his prompt response and support he has given the Authority, as well as the Ministry's staff for the great cooperation.