

# Finland – Internet Gaming update

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## Legislation

In Finland gambling and lotteries are illegal to operate for private purposes. Only the government can permit a license, and only one license is valid at a time for each type of "gaming". At this moment only three organisations hold a license. The National Lottery of Finland, Oy Veikkaus Ab, which is totally owned by the state, may operate lotteries. Toto games may only be organised by Fintoto Oy, which is owned by the central organisation of trotting and horse breeding in Finland (Suomen Hippos ry). Casinos are operated by Rahaautomaattiyhdistys, the Slot Machine Association, which is a public company better known as RAY.

The basic statute governing money games is the Lottery Act (491/65), which came into force on January 1, 1966. According to legislation, bingo, casino and slot machines offering money and commodities as prizes are also classified as lotteries.

In Finland, money games have a prominent role in funding non-profit activities. The Lottery Act prescribes how the proceeds of all three game operators arranging money games are to be used. It also stipulates the basis of lottery activities, whereas details are stipulated by decrees. The law reform has been prepared since 1993, and in 2000, the proposal was introduced at Parliament. The new proposal is based on the current tripartite monopoly system. The division of tasks between the operators in the money gaming field will thus not change essentially. The contents of the new law will be laid down in 2002.

## Internet

In Finland Internet gambling was launched in 1996. The National Lottery of Finland, Oy Veikkaus Ab, was then given a license by the government to operate its games on the Internet. Fintoto has also a license to operate games on the Internet and launched its tote operations in January 2001 under the name Fintoto Oy. Internet betting will be launched in May 2002.

In Finland, the important precondition for receiving a license for operating Internet games was to arrange game operations so that those games could not be sold cross-border and that playing with credits was not permitted. The purpose was to make sure that the principle of the national treatment established by the EC Court of Justice in connection with the Schindler case in 1994 will work and that the injuries caused by gambling will not increase. The National Lottery of Finland requires a personal identity code and an account with a Finnish financial institution before someone may register as a player. This is a way to restrict the group of players to persons living in Finland or having other ties to Finland.

Playing on credit is prohibited by opening an account for the registered player in the National Lottery of Finland. The player may deposit a maximum of FIM 30,000 (about US \$4,700) into the account. The lottery company charges the playing account according to the stakes the player has chosen. If the player wins, the company transfers the profit into the playing account. If the balance in the playing account exceeds FIM 30,000, the exceeding amount is automatically transferred into the player's account with the financial institution.

## Market

In 2000, the turnover of the three biggest game operators, Veikkaus, RAY and Suomen Hippos, totaled EUR 1,742 million, of which the share of Veikkaus was EUR 1,083 million, that of Raha-

automaattiyhdistys was EUR 541 million (prizes paid for players have been reduced from the RAY proceeds) and that of Suomen Hippos EUR 119 million. The net profit of money game companies amounted to EUR 743 million in 2000. The net profit of Veikkaus was EUR 379 million, whereas that of Raha-automaattiyhdistys was EUR 359 million and that of Suomen Hippos EUR 6 million.

### Company background

**Veikkaus** has altogether 17 different money games, which are divided into Lotto games, other online games, games of skill and instant games. The different game groups in 2000: The number of registered OnNet-players was 107,641 at the end of 2000 (the respective number at the end of 1999 was 57,498). Turnover of OnNet playing in 2000 was EUR 25.5 million, which is more than four percent of the total weekly turnover of the online games. Veikkaus has a solid basis for the competition on the digital market. It started to offer Internet games from December 1996 and claims in its Year Report 2000 that it is "the first national internet lottery in the world."\* Playing by push-button phone was launched at the same time, but its share has remained unimportant. By contrast, a growing number of Veikkaus' customers, especially betters, choose to play through the Internet. The number of Lotto-players on the Net is increasing as well. The turnover of Internet gaming has doubled yearly, and the end of the year 2000 the weekly sales exceeded EUR 0.7 million. Veikkaus has already developed a new electronic instant game, which can be played both on the Internet and the digital TV.

\* PLUS Lotto, national lottery of Liechtenstein, also claims to be the world's first Internet lottery. The first draw took place on October 7, 1995. ([www.pluslotto.com](http://www.pluslotto.com) ) And according to Cynthia R. Janower in "Gambling on the Internet": "The world's first virtual online casinos, Inc. (ICI), opened its doors on August 18, 1995 with 18 different casino games and online access to the National Indian Lottery..."([www.casino.org](http://www.casino.org) )  
Who knows any other "firsts"?

**Fintoto Oy** [www.fintoto.fi](http://www.fintoto.fi), a Finnish non-profit joint-stock company, commenced horse betting operations in the beginning of 2001. It is a fully owned subsidiary of Suomen Hippos ry, the Finnish Trotting and Breeding Association. Fintoto's objective is to sponsor horse racing and horse breeding in Finland by operating and marketing horse betting in an efficient way. The revision process of the Finnish lottery legislation began in 1993 and is still ongoing in the Parliament. The new law is based on the highly national arrangement which divides horse betting between the two companies, Oy Veikkaus and Fintoto Oy. The law is expected to come into force on January 1, 2002. The total turnover in horse betting in 2000 was FIM 1,124,6 (189.2Euro). The increase was 8.6 percent as compared to the previous year. The horse betting turnover has now increased for six successive years. Only 18 percent of the turnover was bet on the track. Encouraged by the positive experiences of Veikkaus and ATG (Sweden), Fintoto has decided to launch Internet betting in May 2002. The system is currently in the specification phase and will also include (later) mobile and interactive digital TV solutions.

### Legislation

In December 1999 PAF [www.paf.fi](http://www.paf.fi) launched its first sportsbetting games for online gaming, and the casino opened in June 2000. In April 2001, PAF added lotteries to its game portfolio. The Finnish Ministry of the Interior questioned the permit of the Internet games granted to PAF by the Åland Provincial Government. In Mid-April 2001 the Finnish Supreme court decided that PAF, the Åland Islands' Slot Machine Association, is allowed to set up an online gambling site. The site, [www.paf.fi](http://www.paf.fi), was (re)launched on 12 April 2001, after the affirmative decision the day before. "However," adds Lars Poroko, PAF's CEO, "we never stopped our Internet gambling operations since we started at 3 December 1999."  
PAF has said that the association will provide online betting, lottery and casino functions.

The decision means that PAF will be able to look for sponsorship contracts and market the site. It also means competition for the Finnish <sup>3</sup>mainland<sup>2</sup> gambling monopoly.

The case was taken to court when the Ålandic government gave PAF the right to open the site, interpreting the law as saying that Internet gambling takes place where the gaming license, game administration and server are located, not at the player's location. The Finnish government and the gambling monopoly Veikkaus did not agree with this interpretation, but the Supreme Court decided that the Åland Islands were right.

On July 18, 2001, the Finnish President, Tarja Halonen, decided not to ratify a disputed new Finnish gambling law. The law, which bans Finnish moneylenders from gambling at the Internet site maintained by the Ålandic Slot Machine Association, has been criticised as being against the Ålandic autonomy law.

The president has apparently asked the Finnish Supreme Court to investigate whether the law would be in conflict with the autonomy of the Åland Islands and on August 30, 2001, the Supreme Court, with a unanimous decision, decided the Finnish Law was not in conjunction with the Finnish constitution. This decision was very well received on the Åland Islands and it means that Internet gaming will continue to develop in accordance with the license of the Åland Islands. PAF [www.paf.fi](http://www.paf.fi)

Currently PAF accepts customers from Finland and Sweden only. Early next year, however, an English version will be added. PAF has about 35,000 customers and about half of them playing Internet games on a monthly basis. PAF is furthermore working closely together with strategic partners within the media industry and in October the first specially created version of the gaming service will be launched together with a leading international media partner.

PAF is also seeking partners providing Internet and digital television to be able to launch online gaming through these channels. Discussions are going on with major operators both in Finland and Sweden