

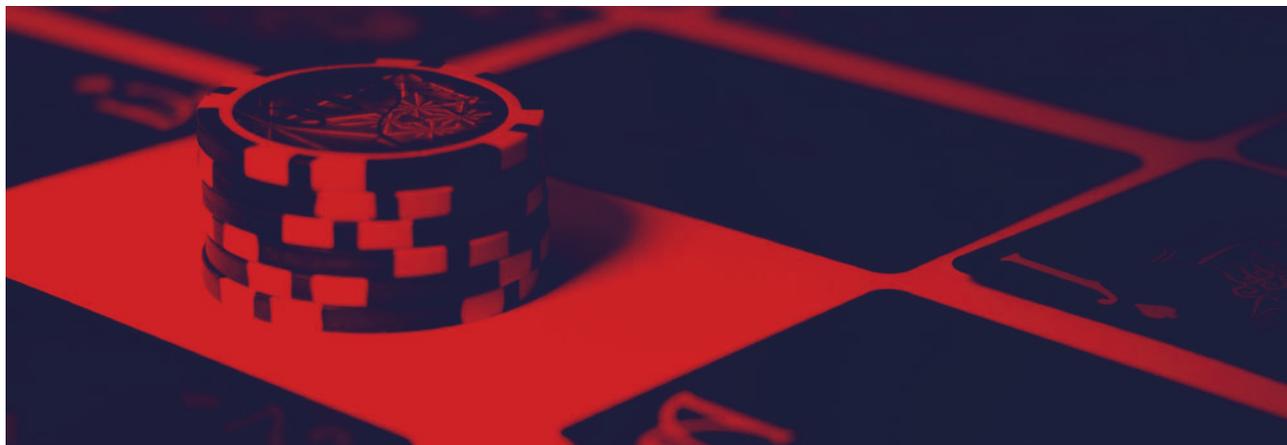
**REDCLIFFE
PARTNERS**

The background is a dark red gradient. It features several casino chips in various orientations, some appearing to be in motion. In the lower-left corner, there is a close-up of a banknote, likely a Euro, showing a person's face. The overall aesthetic is sleek and modern, typical of a legal firm's branding.

**OVERVIEW OF
GAMBLING
LAW**

November 2020 | Ukraine

On 13 August 2020, a new Law of Ukraine No. 768-IX dated 14 July 2020 "On State Regulation of Organising and Conducting Gambling Activity" (the "Gambling Law") came into effect and permitted gambling in Ukraine, which had been banned since 2009.



TYPES OF GAMBLING ACTIVITY

The Gambling Law allows the following types of gambling activity:



land-based and online casino gambling



gambling at slot-machine venues



online poker games



online and offline betting

Lotteries remain regulated by the State Lottery Law of 2012, which provides for a state monopoly with limited access for investors.

MARKET REGULATOR

The Gambling Law provides for the establishment of the Gambling and Lottery Commission, which will be responsible for state supervision of the market, as well as for the development of licensing terms and industry-specific regulations. The Gambling and Lottery Commission has recently been established. It is anticipated that licensing terms will be adopted in late 2020 or early 2021, at which time investors will be able to obtain relevant licences.

GAMBLING LICENCES

1 Land-based casinos

- **Licence fee.** For a land-based casino, a general licence fee is approximately EUR 9,000,000¹ in Kyiv and approximately EUR 4,500,000² in other cities. There will also be additional licence fees of:
 - for each non-roulette gaming table, approximately EUR 13,500 per year³;
 - for each roulette gaming table, approximately EUR 26,000 per year⁴; and
 - for each slot-machine, approximately EUR 2,700 per year⁵.
- **Location.** Land-based casinos can be located in:
 - five-star hotels with no less than 150 rooms in Kyiv;
 - four- and five-star hotels with no less than 100 rooms in other cities;
 - country resorts with at least two buildings – one being a five-star hotel – and a total area of no less than 10km²; and
 - other special gambling zones as may be defined by the Government.
- **Minimum gaming equipment.** Casinos are required to contain at least:
 - ten gaming tables (including at least two roulette tables) and 50 slot-machines for cities with a population over 500,000; and
 - five gaming tables (including at least one roulette table) and 20 slot-machines for cities with a population of less than 500,000, and those in rural areas.
- **Investment licences.** An investor may obtain an "investment" licence that allows conducting land-based casino games if it builds a five-star hotel with no less than 200 rooms (in Kyiv) or 150 rooms (in other cities). Investment licences will be issued free of charge for ten years.

2 Online casinos

- **Licence fee.** The fee for an online casino is approximately EUR 2,900,000⁶. Online casino licences do not grant the right to conduct online poker games (which are subject to a separate licence – see item 4 below).
- **UA domain.** Online games can be conducted through websites with UA domains (which must be registered with the Gambling and Lottery Commission) and/or mobile applications.

¹The licence fee equals 60,000 x the minimum wage (as of 1 January of the relevant year). Starting from 1 September 2020, the minimum wage is equal to UAH 5,000. Amounts in EUR throughout this document are calculated based on the UAH-to-EUR official exchange rate established by the National Bank of Ukraine near the time of publication of this document.

²The licence fee equals 30,000 x the minimum wage (as of 1 January of the relevant year).

³The annual licence fee equals 90 x the minimum wage (as of 1 January of the relevant year).

⁴The annual licence fee equals 175 x the minimum wage (as of 1 January of the relevant year).

⁵The annual licence fee equals 18 x the minimum wage (as of 1 January of the relevant year) until the State System of Online Monitoring is launched (anticipated by July 2022), at which point the licence fee will be reduced to six times the minimum wage

⁶The licence fee equals 19,500 x the minimum wage (as of 1 January of the relevant year) until the State System of Online Monitoring is launched (anticipated by July 2022), at which point the licence fee will be reduced to 6,500 x the minimum wage.

3 Slot machine halls

- **Licence fee.** For a slot-machine hall, a general licence fee is approximately EUR 1,100,000 (one licence allows the installation of up to 250 slot-machines).⁷ In addition, there will also be a licence fee of approximately EUR 2,700 per year for each slot-machine.⁸
- **Location.** Slot-machine halls can be in three-, four- and five-star hotels with at least 50 rooms (in Kyiv) or 25 rooms (in other cities). The area of a slot-machine hall must be at least 300m².
- **Other requirements:**
 - The licence holder must install at least 50 slot-machines.
 - Gambling operators cannot use slot-machines manufactured before 2019.

4 Online poker games

- **Licence fee.** The licence fee for conducting online poker games is approximately EUR 750,000⁹.
- **UA domain.** Online games can be conducted through websites with UA domains (which must be registered with the Gambling and Lottery Commission) and/or mobile applications.

5 Online and offline betting

- **Licence fee.** For conducting online and/or online betting activity, a general licence fee is approximately EUR 13,500,000.¹⁰ Plus, additional licence fee for each betting kiosk is approximately EUR 4,500 per year.¹¹
- **Location.** Betting kiosks can be in three-, four- and five-star hotels with at least 50 rooms (in Kyiv) or 25 rooms (in other cities), or at horse-racing venues. The area of a betting kiosk must be at least 50m².
- **Virtual betting.** Betting on virtual sports and events is prohibited.
- **UA domain.** Online games can be conducted through websites with UA domains (which must be registered with the Gambling and Lottery Commission) and/or mobile applications.
- **Licence for sweepstakes.** A person that owns a horse-racing venue can obtain a licence for sweepstakes for approximately EUR 150.¹² Such person will be granted the right to install one betting kiosk at the horse racing venue, but will not be granted the right to conduct online sweepstakes.

6 Gambling-related services – the licence fee for provision of gambling-related services will be approximately EUR 45,000.¹³

⁷The licence fee equals 7,500 x the minimum wage (as of 1 January of the relevant year).

⁸The annual licence fee equals 18 x the minimum wage (as of 1 January of the relevant year) until the State System of Online Monitoring is launched (anticipated by July 2022), at which point the licence fee will be reduced to six times the minimum wage.

⁹The licence fee equals 5,000 x the minimum wage (as of 1 January of the relevant year).

¹⁰The licence fee equals 90,000 x the minimum wage (as of 1 January of the relevant year) until the State System of Online Monitoring is launched (anticipated by July 2022), at which point the licence fee will be reduced to 30,000 x the minimum wage.

¹¹The annual licence fee equals 30 x the minimum wage (as of 1 January of the relevant year).

¹²The licence fee equals one x the minimum wage (as of 1 January of the relevant year).

¹³The licence fee equals 300 x the minimum wage (as of 1 January of the relevant year).

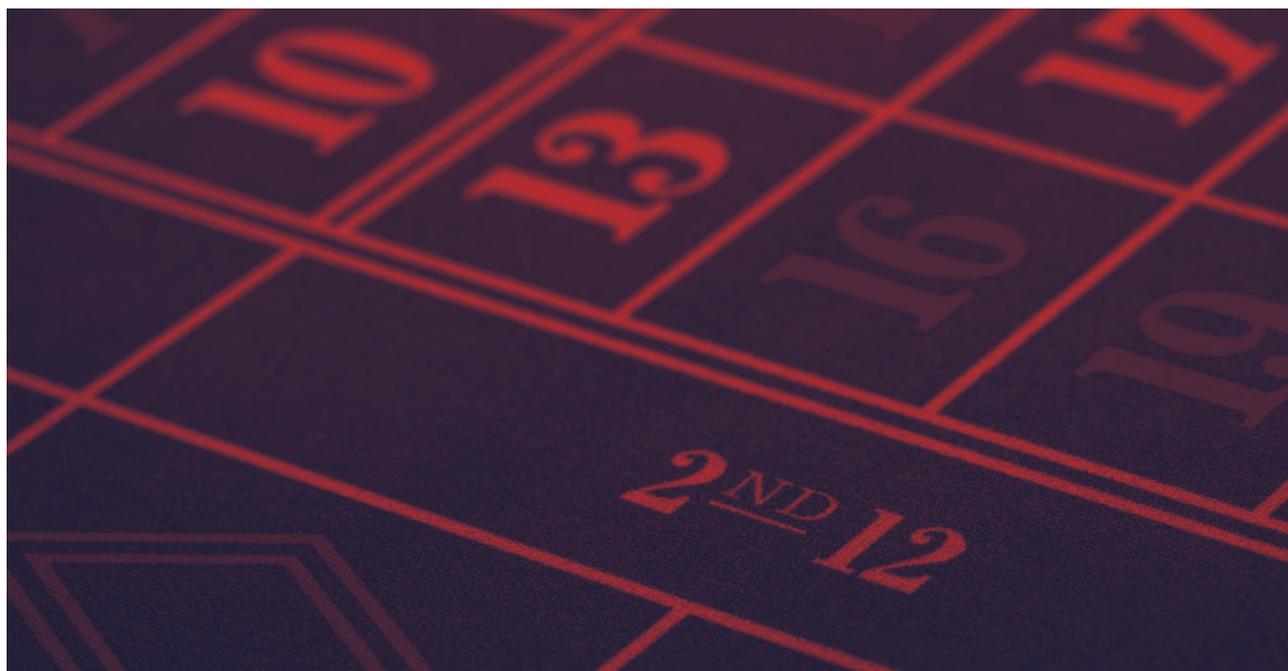
The licence fee is to be paid in equal annual instalments consisting of the licence fee divided by the duration of the licence. The foregoing licences will be issued for five years, except for:

- investment licences, which will be issued for ten years; and
- licences for gaming tables, slot-machines and betting kiosks, which will be issued for the period of validity of the relevant land-based casino, slot-machine hall or betting licence.

SIGNIFICANT REQUIREMENTS FOR GAMBLING OPERATORS

The Gambling Law provides for the following key requirements for gambling operators:

- Gambling operators must be legal entities established under the laws of Ukraine with a monetary contribution to the charter capital of at least UAH 30,000,000 (approximately EUR 900,000);
- Gambling operators' shareholders must not be residents of Russia, Iran or North Korea; gambling operators' beneficiaries must not be residents of Russia;
- Gambling operators must obtain a bank guarantee or open a bank deposit of EUR 1,100,000¹⁴; and
- Online gambling operators must operate via UA domain websites or mobile applications.



¹⁴ The amount of the bank guarantee or bank deposit must equal 7,200 x the minimum wage (as of 1 January of the relevant year).

TAXATION

The new tax laws dedicated to gambling have yet to be adopted. The Ukrainian Parliament intends to establish a taxation regime combining both gross gaming revenue (GGR) and corporate income tax.

- GGR taxes rates are expected to be:
 - 5% for betting;
 - 10% for online casinos and online poker; and
 - 12.5% for land-based casinos and slot-machine halls.
- Corporate income is taxed at the 18% rate.

For example, if an online casino receives income of EUR 100 (from carrying out gambling activities) while it incurred expenses of EUR 40 (excluding payouts) and made payouts of EUR 35, this income would be taxed at:

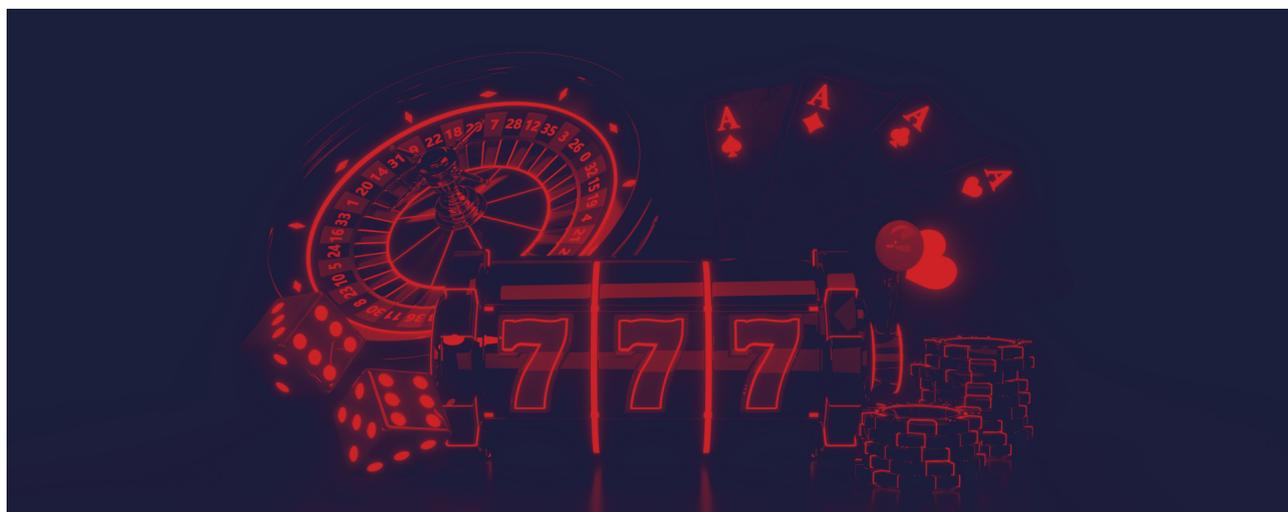
- EUR 6.50 calculated as the 10% GGR tax rate on the income of EUR 100 less the EUR 35 of payouts; plus
- EUR 4.50 calculated as the 18% corporate income tax rate on the income of EUR 100 less EUR 75 of expenses (including the payouts).

Although the above approach is based on the principal draft law, we note that the finally adopted text of the law may deviate from the foregoing method.

ADVERTISING

The Advertising Law (which was amended by adoption of the Gambling Law) provides for certain restrictions applicable to the advertising of gambling activities. Specifically, such restrictions include bans on:

- advertising of gambling on TV, radio and the Internet from 6 am to 11 pm;
- advertising of gambling in printed media (except for specialised gaming editions); and
- outdoor advertising.



ABOUT REDCLIFFE PARTNERS

Redcliffe Partners is a premier Ukrainian law firm combining strong local expertise and an international approach. We have a near-peerless track record in advising high-profile investors on the most notable and innovative projects and transactions in Ukraine.

Our team provides market-leading advice on the full range of regulatory, corporate and commercial issues that concern the gaming sector. Our Gaming Practice Group includes experts in corporate and commercial transactions, regulatory matters, tax, IP and technology, and litigation. With our considerable resources and market knowledge, we help our clients to address all legal matters in this exciting industry sector.

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Rob Shantz is a Partner at Redcliffe Partners and leads our Corporate practice. He is a US-qualified lawyer with over 30 years' experience, including some 23 years in Central and Eastern Europe.

Throughout his career, Rob has been involved in a number of complex and unprecedented projects, including several concerning the gaming industry. He regularly advises the firm's headline clients on complex corporate, tax, compliance and data protection matters



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Vlad Zakon is the coordinator of the Gambling Practice Group at Redcliffe Partners. He advises on a range of Ukrainian and cross-border corporate transactions, gaming regulatory and general corporate matters.

CREDENTIALS

"Overall, the firm is absolutely first-rate. I have done a lot of Ukrainian work and would not go anywhere else. They can be trusted to perform on the most high-profile of deals." (The Legal 500 EMEA)

"They have a great deal of knowledge... are solution driven... and really try to accommodate the client..." (IFLR 1000)

Redcliffe Partners is "among the best in the market, with great expertise and proactive lawyers". (The Legal 500 EMEA)

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