

Impact assessment of amendments in the Swedish Gambling Authority's regulations and general advice on state lotteries and lotteries for matters of public interest (LIFS 2018:4)

1 Description of the problem and what the Swedish Gambling Authority wants to achieve

1.1 Description of the problem

The Swedish Gambling Authority's regulations and general advice on state lotteries and lotteries for matters of public interest (LIFS 2018:4) regulate the requirements to be met by physical lottery tickets before the sale of the lottery tickets can begin. According to information from the General Public, there are problems with meeting some of the safety requirements in the regulation, including microtext and UV security feature, as required by the regulations. The problem can be described as the inability of printing companies to deliver physical lottery tickets that meet the detailed security requirements of the regulation.

The printing methods for physical lottery tickets have been streamlined respecting printing speed, which is why printing companies have difficulties in producing lottery tickets according to the current requirements. Should an accredited body, such as the National Forensic Centre (NFC), discover an incorrect lottery ticket during an inspection, it would mean that none of the lottery tickets produced can be approved because the security features do not fully meet the requirements of the regulation.

Due to the problem described above, the Swedish Gambling Authority conducted a feasibility study in order to analyse whether there is a need for amendments to the requirements for physical lottery tickets. The feasibility study identified such a need with regard to the requirements imposed on physical lottery tickets.

1.1. What the Swedish Gambling Authority wants to achieve

1.1.1. Purpose of the amendments

The amendments aim to ensure that the design of the security features of physical lottery tickets is proportionate and reasonable, taking into account what is possible for modern printing companies to fulfil in practice.

1.1.2. Description of the proposed amendments

At present, the Swedish Gambling Authority has only reviewed the need for amendments to those parts of the regulations relating to the security requirements for physical lottery tickets. This is in order to achieve a better balance between the requirements imposed and what is possible to fulfil at a reasonable cost.

The proposed amendments include, inter alia:

- a) replacing the current term "microtext" with the term "minitext", where the maximum size of a small text is increased from 0.30 mm to 0.4 mm;
- b) introduction of a new exemption provision;
- c) removal of the destruction provision;
- d) introduction of provisions on online validation;
- e) replacing the term "hidden UV security feature" with the terms "UV dead material" and "UV security feature", and
- f) some formal amendments.

The proposed amendments ease certain printing requirements and allow licensees to use online validation without compromising the security of players. The proposed amendments allow licensees to choose between having physical lottery tickets that meet all the requirements of the regulation or using online validation as security against counterfeiting and manipulation of physical lottery tickets.

It may also be noted that certain amendments to the current regulations such as, inter alia, the introduction of a new exemption provision and the removal of the destruction provision, should be introduced in order to reduce the administrative costs of licensees

providing physical lottery tickets without significantly jeopardising the security.

1.1.3. Investigation on whether there are alternatives to the current regulation

During the work, the Swedish Gambling Authority has investigated the question of whether there may be other proposals to achieve an acceptable level of security for physical lottery tickets than the use of microtext and/or UV protection. The Swedish Gambling Authority has analysed two alternatives to the current regulation. One of these is called "an overall assessment of the level of security" and the other is the online validation of physical lottery tickets.

Overall assessment of the level of security

An overall assessment of the level of security means that the individual requirements (e.g. UV security feature, microtext, etc.), i.e. physical characteristics, have different values. An assessment of whether or not the level of security of physical lottery tickets is acceptable is carried out by balancing the different physical characteristics of lottery tickets. This would mean that an overall assessment would allow physical lottery tickets to reach an acceptable level of security in several different ways making it possible for several different types of security to interact.

The problem with an overall assessment is that it is difficult to determine which requirements have a higher value than the others and why. The option also poses difficulties in defining what constitutes an acceptable level of security in an overall assessment. Furthermore, the methodology entails practical difficulties for licensees to comply with and difficulties for an accredited body to review and assess whether the security features are sufficient or not in order to achieve an acceptable level of security. Therefore, the Swedish Gambling Authority currently considers that an overall

assessment of the level of security is not an appropriate alternative to what is regulated in the current regulations.

Online Validation

Online validation means that the verification of lottery tickets takes place online when the potential winning value of the ticket is verified against the licensee's gaming system. Online validation means that the identity of the ticket is checked using the information in the check box, which is unique to each ticket. If someone were to try to falsify these lottery ticket details, the counterfeiter must either have copied the correct ticket or received the information from the manufacturer. The risk that someone who does not have these details could produce a winning lottery ticket is largely eliminated. Each lottery ticket in online validation can only be redeemed once. Therefore, in the case of online validation, physical lottery tickets do not need to have the same level of security as physical lottery tickets without online validation.

The Swedish Gambling Authority has concluded that online validation can be applied as a complement to, but not instead of, the current security requirements. This means that if online validation is applied, not all security requirements need to be met.

1.1.4. Conclusion

Based on what has been presented above, and taking into account that LIFS 2018:4 was developed before the Gambling Act entered into force and was based on the then technical conditions and experience from the Swedish Gambling Authority's work, there is a need to introduce the proposed amendments to the current regulation.

2 Alternative solutions to achieve the purpose of amendments and the effects of non-regulation

2.1 Alternative solutions

The Swedish Gambling Authority has considered what amendments are needed. There are still strong reasons for regulating the characteristics of physical lottery tickets in the legislation. Other alternative solutions, such as general advice, are therefore not relevant in the present case.

2.2 The effects of the failure of a new regulation

2.2.1 Additional costs

If the amendments are not implemented, there is a risk that the operators who provide lotteries will find it difficult to comply with Swedish Gambling Authority's regulations. This could also have negative consequences for both licensees and consumers. This means, for example, that licensees will incur additional costs in the production of lottery tickets because printing companies need to have longer preparation time, lower printing speed and reduced efficiency in the production rate. The higher costs are due to the fact that the printing company must be able to print the microtext instead of minitext. The additional costs have negative consequences for the licensee's gambling activities and are likely to cause a higher price for the tickets.

Online validation may incur additional costs for some licensees, if they choose to apply online validation, due to the need to invest in new technologies. Online validation systems or equipment shall be classified as an information asset in accordance with Chapter 5, Sections 2 and 3 (SIFS 2022:3¹). Accredited bodies already control the

¹ The Swedish Gambling Authority's regulations and general advice on technical requirements and accreditation of bodies for the control, testing and certification of gambling activities (SIFS 2022:3).

information assets of licensees. Licensees are likely to need to review and adapt their information assets and it may therefore take time for online validation to be fully applied in practice. However, it must be pointed out that proposed provisions regarding online validation also provide an option for licensees. That is to say, licensees may choose to print physical lottery tickets that meet all the requirements or apply online validation of tickets that do not have to meet all the requirements for physical lottery tickets.

2.2.2 Provision on the destruction of defective tickets

According to the current regulations (Chapter 4, Section 3 of LIFS 2018:4), the entire batch of lottery tickets must be destroyed, if the lottery tickets do not meet the requirements at the time of inspection. This means that even the lottery tickets that meet the requirements must also be destroyed. However, it is not possible for the Swedish Gambling Authority to require a licensee to also destroy the lottery tickets that meet the requirements. This means that the current provision on the destruction of lottery tickets should be amended.

It is proposed to delete the current provisions on the destruction of incorrect physical lottery tickets. The Swedish Gambling Authority notes that the handling of defective lottery tickets is regulated in accordance with Chapter 4, Section 2 of LIFS 2018:4 laying down that incorrect and defective tickets are not to be put on sale. Responsibility for the quality of production lies with the licensee in accordance with Chapter 16, Section 1 of the Gambling Act. Therefore, there is no need to regulate the destruction of incorrect tickets in a regulation. The proposed amendment would also benefit the licensee as there is no need to destroy the entire batch.

3 Information on those affected by the regulation

The majority of lottery tickets sold on the market today are pre-drawn tickets. Post-drawn lottery tickets are often sold at sports events, such as so-called 50/50 tickets, and these lotteries usually have a win

below a price base amount, which means that the requirements of Chapter 4, Section 5 of LIFS 2018:4 are not applicable.

At the time of writing, there are 36 licensees affected by the proposed amendments.

The Swedish Gambling Authority is aware of three printing companies that print lottery tickets for the Swedish market, which currently print physical lottery tickets with the value of a win above a price base amount. These are Pollard Banknote Limited, Scientific Games and Sandéns Security Printing.

The proposed amendments also concern accredited bodies, such as the National Forensic Centre (NFC), GLI, Ecogra, BMM, Force, Quinell, Gaming Assioetes and Trisigma.

4 Information about the authorisations on which the Swedish Gambling Authority's decision-making power is based

The Swedish Gambling Authority has been authorised under Chapter 16, Section 3 of the Gambling Ordinance to issue regulations on requirements for the conduct of gambling in order for it to be deemed to be provided in a sound, safe and generally appropriate manner.

The Swedish Gambling Authority has been authorised under Chapter 16, Section 9 of the Gambling Ordinance to issue regulations on technical requirements and procedures as referred to in Chapter 16, Section 1 of the Gambling Act and the assessment of conformity with technical requirements as referred to in Chapter 16, Section 3 of the Gambling Act.

5 Information on the costs and other impacts of the regulation and an impact comparison of the considered regulatory alternatives

5.1 Indication of the cost and other consequences of the proposals

The proposed amendments to LIFS 2018:4 do not entail any additional costs for those concerned. The printing companies will continue to use existing printing techniques and thus no higher costs in relation to the production of physical lottery tickets will be added. The text on physical lottery tickets, the so-called minitext, is raised from 0.30 mm and is proposed to be 0.4 mm. This is likely to cause fewer printed lottery tickets to be rejected and thus destroyed. This benefits licensees economically as not all of the production batch is wasted.

The proposal means that physical lottery tickets will continue to meet a minimum standard of security. Furthermore, the proposed amendments do not increase the cost of carrying out checks on physical lottery tickets by the accredited bodies.

If licensees choose to apply online validation in addition to the security requirements under the regulations, there will be a need for the licensee to invest in new technology, which may result in additional costs. Given that online validation is proposed to replace certain security requirements, long-term costs for licensees are unlikely to be considered burdensome. Today, some licensees already use an online validation system for an administrative purpose, while other licensees do not have access to any form of online validation system. Therefore, it is not possible to calculate and state any more precise costs that may be incurred by a licensee when introducing an online validation system.

5.2 A comparison of impacts on the regulatory options considered

The Swedish Gambling Authority has considered possible alternatives to the regulation. As mentioned above, the requirements should be evident from the legislation.

General advice, guidance or recommendations to those concerned have only the function of clarifying regulation and are neither binding nor compulsory. Using this approach alone may cause problems for accredited bodies to review and assess whether the security features are sufficient to achieve the acceptable level of security, leading to an increased risk of manipulation and reproduction of physical lottery tickets. As a result, consumer protection is adversely affected. The Swedish Gambling Authority considers that the above-mentioned options are not suitable for use in this case.

6 Assessment of whether the regulation is in line with or exceeds Sweden's obligations as a Member State of the European Union

The proposed amendments are deemed to be compatible with EU law. For a more detailed description, please refer to the impact assessment carried out during the introduction of LIFS 2018:4, reference number 17Li2702.

The Swedish Gambling Authority will notify these amendments to the regulations to the National Board of Trade Sweden in accordance with Directive (EU) 2015/1535 of the European Parliament and of the Council of 9 September 2015 laying down a procedure for the provision of information in the field of technical regulations and of rules on Information Society services.

7 Assessment as to whether special consideration must be given to the date of entry into force and whether special information initiatives are required

There is a particular need for information and guidance to stakeholders affected by the amendments to the regulations. This concerns licensees, printers and accredited bodies. These stakeholders should be informed in due time of amendments and when they are expected to enter into force. This information is important to allow those concerned to adapt their activities in accordance with the amended regulations. The amendments are proposed to enter into force on 1 January 2024.

8 Other impacts

The proposals are not deemed to have any consequences other than those set out above. The proposals are therefore not considered to have any impact on municipal self-government, crime or crime prevention, public services in different parts of the country or the possibility of achieving the integration policy objectives.

Nor are the proposals considered to have any impact on employment, equality between women and men, the environment or society in general.