

To: European Commission
Attn: Giuseppe CASELLA, Head of Unit, General Department for Internal Market, Industry,
Entrepreneurship and SMEs

Ref: **OPINION ON MINIMUM TECHNICAL CONDITIONS FOR CHECKS ON GAMING EQUIPMENT FILED WITH TRIS (Technical Regulation Information System) BY Notification Number: 2019/361/RO - H10(Notification)**

Dear Sir,

The underwritten **EURO GAMES TECHNOLOGY LTD**, with its registered address in Bulgaria, Sofia, Pancharevo Area, Region Vrana-Lozen- Triugulnika, St. Maritsa, No. 4, having Unique registration code 130947038, international manufacturer of gambling equipment, licensed by the National Office for Gambling (“ONJN”) with class 2 license no. L2172670Y000744 for distribution in Romania,

following Romanian Government notification on TRIS (Technical Regulation Information System) procedure, published on the site of the European Commission on July 22, 2019, under the number 2019/361/RO, is hereby submitting its comments on several articles of the Draft **NORMS FOR MINIMUM TECHNICAL CONDITIONS FOR CHECKS ON GAMING EQUIPMENT** (the “Norms”),

***Regarding Art. 11.5.** EGMs declared compliant with an approved type should have a winning percentage of between 92 % and 95 % for the last 12 months of operation. The values obtained for this period shall be recorded in the documents issued at the periodic or post-repair technical check (only for slot machine type gaming equipment with unlimited stakes and winnings);*

We consider that the alignment of the provisions included in this article will put at a high risk the gaming industry in Romania and will have a significant impact on its functioning. If the Norms will be adopted in this way, this means that the new requirements will push the gambling industry to use new types of gaming equipment, which by the current Romanian legislation are not existing. This will lead to:

- 1. All the slot machines in current use on the Romanian market will not comply with the law and they will become unusable, unless all will be altered. Those not modified will be removed from the market as a result of these Norms.**

The slot machines with unlimited stakes and winnings cannot reproduce in a mathematical model the winning percentage between certain values after any period, the reason of this is that the time factor is not part of the winning percentage calculation. Also, to secure the actual winning percentage between certain values (92% - 95%), means to eliminate winnings which are based on an evenly distributed random number generator (**RNG**) result. The **RNG** mathematical models are at the core of the legal definition of slot machines with unlimited stakes and winnings by the national legislation regulating gambling in Romania, Emergency Government Ordinance no.77/2009(“**EGO 77/2009**”), which expressly

provides that the software of the games of chance must contain a **RNG** which determines the results of the games. This implicitly means that such slot machines cannot qualify under EGO 77/2009 as means of game and *their use will become illegal by effect of ONJN tertiary legislation*, which contravenes to Romanian Constitution and the principle of subsidiarity.

2. Such gaming equipment should not be manufactured as it will be contrary to the current national legislation which regulates gambling in Romania, according to the Emergency Government Ordinance no.77/2009(“EGO 77/2009”).

Because of this restrictive regulation the following adverse effects will be noticeable in the market:

- closing the activity of production, distribution and operation for the current type of slot machines and roulette.
- missed investment and job opportunities because of large scale bankruptcy of the gaming operators currently operating with this type of slot machines and roulette.

3. Removing from the market all slot machines with the most played games, all type of Roulettes, Blackjack etc.

If the law will be adjusted to align it with the requirements in the Norms will then all the most played slot games with actual winning percentage above 95%, from all the manufacturers, will have to suffer modification or will be taken off from the market. This will remove from the market all the slot machines with the most played slot type games, which cannot be adjusted to the winning percentage set by the Norms, because for these games the winnings come from software containing **RNG** and not from predictable mathematic models. This is valid for European Roulette, electronic roulette, virtual roulette and Blackjack, as well, to which the winning percentage comes from game table and not from predictable mathematic models or software containing RNG, which cannot be adjusted to the winning percentage set by the Norms.

4. Introducing the Norms will be mandatory only for slot machines with unlimited stakes and winnings, electronic and virtual roulettes and do NOT apply to the other similar types of games of chance, which will give advantage to the online casino and live casino operators.

The Romanian law definition of game of chance is general and applicable to all types of games of chance: slot machines with unlimited stakes and winnings, electronic and virtual roulettes, slot machines with limited stakes and winnings (AWP), video lottery terminals (VLT), online casino games, live casino including live roulettes, LOTO, BINGO, Poker, Blackjack etc.

After the entering into force of the Norms, all the slot machines with unlimited stakes and winnings and electronic and virtual roulettes will no longer be compliant with the legal definition of the games of chance.

This will generate a discriminatory advantage of the other types of games of chance mentioned above in the detriment of the slot machines with unlimited stakes and winnings, including all type of roulettes. Such treatment is distorting fair competition on the Romanian market between slot machines with unlimited stakes and winnings,

electronic and virtual roulettes, Blackjack and the rest of the game of chance, by redistribution of the gaming industry, as well as the redirection of players stakes to the VLT, AWP, gambling in online casinos and live casino where products such as slot games, roulette and blackjack games are available to the players. For example: Taking the case of a slot machine with unlimited stakes and winnings operated in a slot hall with the actual winning percentage aligned with the Norms, in the same time, exactly the same slot game could be played/installed on a VLT or AWP machine in a next door casino without any limitations because these latter machines are not regulated by the Norms. The same discrepancies would be applicable to the electronic and virtual roulettes. Additionally, some players can play absolutely the same game on their mobile, tablet computer, home PC etc. or to go to the next life casino and to play life roulette, Blackjack, Poker etc. without any restrictions, to the obvious disadvantage of slot halls operators who will lose all these players.

Regarding Art. 11.4. Checking that operation conforms to the declarations in the previous point shall be performed by running the number of games declared by the manufacturer for which the theoretical win percentage value is reached with a confidence level of 95 %. Checking shall be performed for all the game programs/subprograms installed on the EGM:

This article introduces a certification requirement only for slot machines with unlimited stakes and winnings which require checking of the software to establish a confidence level at 95%, which ends up in very time-consuming certification process. For example in the case of a multigame of 48 games with 3 different winning percentage, if are run only 100,000 games / subprograms - which usually is not enough for certification purposes - the multigame will be tested for 10.000 hours, meaning 1,250 business days – almost 3 years and a half, for an 8-hour rule per day.

- 1. In our opinion, such procedures are setting arbitrarily the confidence level at 95%, which in case of certain games will conflict with the confidence level set-up by the manufacturer, which can be lower or higher.**

The reasoning of the Norms provided by ONJN is not explaining how it can be achieved a higher level of protection for the players if the confidence level can be lowered to 92%, which is less than some of the manufacturers are currently setting for their products.

In fact, we consider such provision arbitrary because it goes beyond the economic and social grounds of the Norms stated by ONJN in the Notification and are not sustainable in order to achieve the objectives stated in those grounds.

- 2. Moreover, because of the excessive time lengthy certification procedures imposed, the following adverse consequences may be considered:**

- Horizontal cooperation agreements between the providers of certification and technical verification services, to raise the prices for these services above the competitive benchmark prices, to their profit-maximizing level and in the same time restricting the output of these

benchmark prices, to their profit-maximizing level and in the same time restricting the output of these services below the optimal quantities of certifications/technical inspections that are needed to meet the demand for slot machines from the operators on the market.

- It creates prerequisites for deliberate blocking activity of certification entities (laboratories). As a result the market will be confronted with an increased risk of attempting to expedite the certification proceedings by unfair practices, which poses a threat to the rule of law as well as distorting competition in relation to the other applicants for certification that will abide by the standard duration of the procedures.

In conclusion, the Norms introduce inconsistent technical regulations which are restrictive and discriminatory to the manufacturers and distributors of slot machines with unlimited stakes and winnings having a winning percentage above 95% and disproportionate to the specified Government policy objectives stated in the Notification.

Although the Member States are free to set the objectives of their policy on gaming and, where appropriate, to define in detail the level of protection sought, the restrictive measures imposed by the Norms should not go beyond what is necessary in order to achieve those objectives and must satisfy the conditions laid down in the European Court of Justice case-law as regards their proportionality and the framework of the commercial freedoms enshrined in the provisions of the Treaty on European Union ("TEU"), Treaty on the Functioning of the European Union ("TFEU"), Treaty Establishing the European Community ("TEC").

EURO GAMES TECHNOLOGY LTD

Your sincerely,

Vladimir Dokov
Managing Director

