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DRAFT ORDER HAP XX/2014, OF XX XXXXXX, ADOPTING THE BASIC REGULATIONS FOR SLOT MACHINE GAMBLING

The primary objective of Law 13/2011 of 27 May, regulating gambling, is to create a legal framework suitable for the development of the gambling industry at State level, offering legal security for operators and participants, avoiding and preventing the participation of minors and people who, whether voluntarily or by court order, have restricted their access to gambling activities, protecting the public interest and avoiding and preventing money laundering activities and the financing of terrorism.

With the adoption of the aforementioned Law, the regulatory framework for access to the implementation and operation of gambling activities at State level was established, enabling the market to be opened up to a plurality of operators.

This opening of the market materialised through the granting of licences that entitle gambling operators to operate, through general licences, the modes of gambling included in the Law, and, through individual licences, each of the regulated types of gambling.

On 17 November 2011, within the process of the regularisation of gambling activities, various Ministerial Orders were published, adopting the basic regulation for various types of gambling.

The purpose of this Order is to supplement the regulatory process for the various gambling activities and ensure compliance with the advance regulation requirements for the granting of individual licences set forth in Article 11 of Law 13/2011 of 27 May, regulating gambling.

This new regulation therefore establishes the basic regulation for slot machine gambling. Its purpose is to reconcile the establishment of the provisions required for the development of gambling with the operator's commercial scope for decision-making in the configuration of basic marketing variables. In this regard there is a notable lack of planning requirements for gambling cycles, which will enable the operation of games equivalent to those that, in the context of traditional gambling, are associated with "C machines".

At the same time this new regulation attempts to align itself with the regulations in force in other European countries that regulate this type of gambling, such as Denmark, Italy and the United Kingdom, where the prizes on the machines are



not limited and it is the gambling operator that establishes them, along with the maximum and minimum amounts for each game.

This basic regulation can be developed by the Directorate-General for the Regulation of Gambling and will be supplemented by special private rules that the various operators must compile and propose along with their application for an individual licence, which will ultimately govern the development of the game and the operator's relations with the participants.

Ultimately this Order develops regulations aimed primarily at protecting participants and public interests relating to gambling activities, in particular the protection of minors and dependants, the prevention of gambling addiction and the fulfilment of the provisions of Law 10/2010 of 28 April on the prevention of money laundering and the financing of terrorism. Certain measures have been established in this regard in order to encourage responsible gambling, in the form, for instance, as stated in Article 14, of permitting only the formation of progressive jackpots, as well as the obligation of participants to initially configure their gambling session, the operator's obligation to notify the participant at regular intervals of the time spent on the session, in determining the minimum duration of each game. Similarly, Article 8, relating to the operator's reporting obligations, addresses in detail the promotion of responsible gambling, establishing, in relation to other types of gambling, new reporting obligations on certain points, in particular on the maximum and minimum amounts of each game, the amount gambled and prizes received in each session, the jackpots on offer and those already awarded, on the mode of development of each game, on the description of the winning combinations and the prizes assigned to each combination, and indicating at all times the amount of playing credit and money transactions.

This Ministerial Order is divided into four chapters, fifteen articles and three final provisions.

Chapter I contains the general provisions and includes the definitions that are useful for understanding the text.

Chapter II refers to the permits that operators interested in developing and operating slot machines must have, establishing that they must obtain a general licence for the "Other Games" category and the corresponding individual licence. This chapter also establishes that the individual licence will be valid for five years, renewable for periods of an identical length, and empowers the Directorate-General for the Regulation of Gambling to determine the guarantee associated with the aforementioned licence through a resolution.

Chapter III establishes the framework for relations between the operator and participants. It also refers to the procedure for addressing and resolving



complaints and grievances implemented by the operator and placed at the disposal of the participants. Furthermore, it sets out various obligations of the gambling operator towards the participant, authorises the promotion of games under the terms established in Article 7 of Law 13/2011 of 27 May, regulating gambling, and regulates the channels and means of participation.

Chapter IV establishes guidelines for the development of slot machine games, determines the financial limits to participation and the development of the game, as well as the determination, allocation and payment of prizes.

Annex I to the order approves the limits to the guarantee amounts associated with each individual licence for operating this type of gambling, which will be set at 5% to 12% of the operator's net revenue, attributable to the activity subject to the individual licence in the immediately preceding year.

Finally, this Ministerial Order contains three final provisions. The first relates to the empowerment of the Directorate-General for the Regulation of Gambling to issue provisions that are required for the development and implementation of this order; the second relates to the provision of services by providers of technical systems with an authorising permit; and the third relates to the entry into force of the order.

This Ministerial Order has been subject to the procedure for the provision of information in the field of technical standards and regulations and rules and regulations relating to information society services laid down in Royal Decree 1337/1999 of 31 July, for the purposes of fulfilling the provisions of Directive 98/34/EC of the European Parliament and of the Council of 22 June 1998, as amended by Directive 98/48/EC of the European Parliament and of the Council of 20 July 1998.

This legislative provision is issued by the Ministry of Finance and Public Administration under the provisions of Articles Five and Nineteen of Law 13/2011 of 27 May, regulating gambling.

By virtue whereof, I DECREE:



Chapter I

General provisions

Article 1. Purpose.

This Regulation aims to establish the basic rules for the development and operation, at State level, of slot machine gambling, and for the drafting and preparation of its special rules, without prejudice to the powers of the Autonomous Communities.

Article 2. Definitions.

For the purpose of this Basic Regulation, the terms used herein will assume the meanings set forth in this article.

1. Slot machine. A game in which, in exchange for the price of a game, the user is granted a period of use with the aim of obtaining a combination of symbols or graphical representations that, in accordance with the special rules of the game, are rewarded with a certain prize. Games whose essential elements pertain to other already regulated games will not be considered as slot machines.
2. Game. Each activation, with a cost to the participant, of the mechanism that determines a combination of symbols or graphical representations, including, where applicable, metamorphic changes deriving from this combination. The game ends when the result is determined and, where applicable, the pre-established prize is allocated.
3. Gaming session. The set of games performed by the participant during the period of time defined by each connection to the gambling operator.
4. Progressive jackpot. Accumulated prize that the gambling operator forms solely from an amount taken from the cost of each game.



Chapter II

Licences

Article 3. Required licences.

Operators interested in developing and operating slot machines must hold a general licence for the "Other games" category, defined in Article 3(f) of Law 13/2011 of 27 May, regulating gambling, granted by the Directorate-General for the Regulation of Gambling, and request and obtain the corresponding individual licence for the marketing of the "slot machines" type of gambling, under the procedure established for this purpose in the implementing regulations of Law 13/2011, regulating gambling.

Article 4. Duration and renewal of individual licences.

1. The individual licence for developing and operating slot machines will have a duration of 5 years, renewable upon request for successive periods of identical duration, until the expiry of the general licence that it falls under.

2. The request for renewal of the individual licence must be submitted to the Directorate-General for the Regulation of Gambling during the licence's final year of validity and at least four months prior to its end date, with accreditation of the following:

- a) Compliance with the requirements and conditions that were considered for obtaining the corresponding individual licence.
- b) Uninterrupted use of the licence for at least three fifths of the term of the individual licence.
- c) Payment of the tax on gambling activities and the administrative gaming management fees.

For the purposes of the return, settlement and payment of the gaming administration fee established in Article 49.5.d) of Law 13/2011 of 27 May, regulating gambling, the renewal of an individual licence shall equate to the granting of a new licence.

3. Once the conditions referred to in the previous points are fulfilled, the Directorate-General for the Regulation of Gambling will grant the requested renewal and approve its entry in the General Register of Gambling Licences, unless there are grounds for deeming that there are reasons in the public interest or in the interest of protecting minors or preventing gambling addiction



that justify not proceeding with the requested renewal.

Article 5. Guarantee associated with the individual licence.

1. The Directorate-General for the Regulation of Gambling may establish the obligation to provide additional security associated with granting the individual licence for the development and operation of slot machines.

The Directorate-General for the Regulation of Gambling, where applicable and by resolution, will determine the amount of the guarantee associated with the individual licence for the development and operation of slot machines that all operators must pay, within the framework of the provisions set out in Annex I to this Order.

2. The guarantee associated with the individual licence for the development and operation of slot machines is contingent upon fulfilment of the operator's general obligations and, in particular, the specific obligations relating to the payment of the prizes of the slot machines operated by the operator and to the fulfilment of any other obligation that, in relation to the corresponding individual licence, has been imposed upon it by the Directorate-General for the Regulation of Gambling, adhering, where applicable, to the provisions of Article 77 of Law 58/2003 of 17 December, General Taxation and under the scope of Article 14 of Law 13/2011 of 27 May, regulating gambling and its implementing regulations.

3. The additional guarantee referred to in this Article shall be constituted in the manner and under the conditions laid down in the implementing regulations of Law 13/2011 of 27 May regulating gambling.

Chapter III

Relations between the operator and participants

Article 6. Specific slot machine gambling rules.

1. The development and operation of slot machines requires prior publication of its special rules, which are private and prepared by the gambling operator, without detriment to the supervisory powers of the Directorate-General for the Regulation of Gambling.

The special rules shall establish the rules of the slot machines operated by the operator, and in particular, the mechanics of the game associated with the awarding of prizes. In addition, the special rules shall establish the principles



and rules that will govern relations between the operator and the participants.

2. The special slot machine rules must be published by the operator on its website and, using techniques appropriate to the means used, must be permanently and easily accessible to the participants, free of charge.

3. The operator shall notify the Directorate-General for the Regulation of Gambling of the date of publication of the special rules, as well as any amendment made thereto.

Article 7. Participant claims.

1. The operator must have a system for addressing and settling potential complaints and claims from participants and anyone who may be affected by the action of the operator, and will establish in the special rules of the game the procedures and means that will enable participants to submit claims and, in particular, the address or addresses to which they should submit them, the deadlines for submitting claims and those applicable to the operator's response to them.

The system for addressing and settling complaints and claims must be easily accessible for potential interested parties and must at least have electronic access via the operator's website that will record the time and date the claims submitted in this way are made.

Participant service must be free of charge and at least in (Castilian) Spanish.

2. The deadline for submitting claims will be established in the special rules of the game and will not be less than three months from the date of the game or session on the slot machine or in which the incident under claim occurred.

The operator will notify the claimant acknowledging receipt of the claim and indicating the identity of the operator and the period within which the claimant will be informed of the operator's decision.

The operator shall settle the participant's claim within a period of one month from the date on which it was received at the address or addresses established for this purpose and shall inform the claimant of the decision.

3. Once the operator has settled the claim or, if applicable, once a month has passed since the claim was submitted and the operator has not communicated its decision, the participant may lodge the claim with the Directorate-General for the Regulation of Gambling, which, within a period of two months from the date on which the claim entered its register, will settle it, where applicable, without prejudice to opening the relevant disciplinary procedure if the operator has committed any of the offences set out in Title VI of Law 13/2011 of 27 May,



regulating gambling.

4. The expiry period for the prizes will be interrupted from the date the claim is received by the operator until the date the operator communicates its decision to the claimant or, if applicable, until notification of the decision of the Directorate-General for the Regulation of Gambling.

Article 8. Obligations of gambling operators.

1. Gambling operators must:

1.1. Make public the special rules.

1.2. Provide clear, complete, accurate and up-to-date information in (Castilian) Spanish to the participants in relation, at least, to the following points:

a) Identification of the gambling operator and, in particular, possession and validity of licences granted by the Directorate-General for the Regulation of Gambling, trading name, company name, registered office and, where applicable, the address of whoever represents it in Spain.

b) System for attending to claims that the operator has implemented, referred to in the previous article. The information shall include at least: a postal and electronic address to which complaints may be submitted, deadlines for submission thereof and, where appropriate, standardised forms and deadlines for communicating the decision. It must also indicate the operator's obligation to issue a response to every claim made. The operator will be obliged to inform claimants of the identity of the personnel that they interact with.

c) Special rules of the games offered and the forms of participation in such. This information must be accurate and readily available before the participation begins and at all times during participation.

d) Responsible Gambling Policies prepared by the operator.

e) Method of calculation and rate of return of prizes for each game in each of the six preceding months. The amount allocated to jackpots will be excluded from the calculation.

f) Maximum and minimum cost of each game.

g) Format of each game, whether automatic or manual.

h) Description of the winning combinations and prizes assigned to each winning combination.



- i) During the course of each session, and at all times, the balance of the gambling session with a breakdown of the participation amounts and prizes if obtained.
- j) Amount gambled and prizes obtained in each gambling session, and the balance resulting from this.
- k) The operator's jackpots, including those in play and the latest ones awarded. The operator must also indicate the percentage of the cost of each game that is allocated to forming the jackpot.

The information relating to slot machine gambling, its designation and presentation, must be offered in such a way as to avoid similarities with any other game and avoid confusing the participant.

- 2. Without prejudice to the preventative measures against pathological gambling set out in its Operating Plan, the operator will inform the player of the time elapsed and the amount spent on the gambling session in a notice through the game interface. This notice will be provided at the time interval predetermined by the participant when configuring the gambling session.

Article 9. Promotion of slot machine gambling.

1. Under the terms of Article 7 of Law 13/2011 of 27 May, regulating gambling, a gambling operator may advertise, sponsor or promote gambling activities, as well as advertise or promote itself, in accordance with the following criteria:

- a) The advertising must be easily identifiable by its recipients.
- b) The advertising activity must be socially responsible, paying due attention to the protection of minors and other particularly vulnerable groups. In the case of minors, advertising must not be directed at them, it must not be especially attractive to children and minors, and these must not play a significant role in the promotional activity itself.
- c) In the event that it is broadcast through audiovisual media, it must also adhere to the applicable provisions on commercial communication and self-promotion contained in General Law 7/2010 of 31 March on Audiovisual Communication, and, in particular, the provisions of Article 7 on minors' rights. Special attention must also be paid to the time at which gambling activity advertising can be broadcast, and the age rating of the programme alongside which it is broadcast or inserted must be taken into account.



2. The operator may also undertake promotional activities for the range of games it offers and offer bonuses for the registration or participation of the player as long as such practices:

- a) Do not contravene the provisions in this Basic Regulation or the gambling regulations.
- b) Do not contravene the provisions of Law 34/2002 of 11 July, on Information Society Services and Electronic Trade, and General Law 7/2010 of 31 March on Audiovisual Communication.
- c) Do not alter the dynamics of the game.
- d) Do not confuse the participant in relation to the nature of the game.

3. The operator must publish on its gaming platform the applicable terms and validity periods of any promotional activity it undertakes, as well as its terms and conditions.

4. Directorate-General for the Regulation of Gambling may limit the promotional activity and bonus amounts offered to participants by the operator, under the terms envisaged in Article 7 of Law 13/2011 of 27 May, regulating gambling, and in the regulations that govern the implementation of this article.

5. The gambling operators may offer free gaming applications on their platforms, under the terms envisaged in the implementing regulations of Law 13/2011 of 27 May, regulating gambling.

Article 10. Channels and means of participation.

1. Slot machines, in accordance with the provisions of Article 1 of Law 13/2011 of 27 May, regulating gambling, will be played through electronic, computerised, telematic and interactive channels, in which actual physical presence, if any, will be of an accessory nature.

Participants may also play them through physical accessory terminals that the operators may install, subject to the required authorisation issued for this purpose by the relevant Autonomous Community in the place where the terminals are to be installed, under the State and Autonomous Community regulations corresponding to gambling and betting. The physical accessory terminals must have been previously approved by the Directorate-General for the Regulation of Gambling and they may only be installed in physical locations where the corresponding body of each Autonomous Community has authorised slot machine gambling.

2. Slot machines may be played using any mechanism, installation, equipment



or system for producing, storing or transmitting documents, data and information, including all open or restricted communication networks such as television, the Internet, landline or mobile telephones, etc. or interactive communication, in either real or delayed time.

Chapter IV

Development of slot machine gambling.

11. Development of the game.

1. Slot machine gambling will be developed in accordance with the provisions of this Basic Regulation, in the provisions decreed in the implementation of this regulation, in the terms of the corresponding individual licence that has been granted and in the special rules.

2. When the Directorate-General for the Regulation of Gambling, through direct knowledge, or communication or complaint from a third party, has evidence that a sign or symbol in the game offered by the operator violates the restrictions of Article 6 of Law 13/2011 of 27 May, regulating gambling, the Directorate-General for the Regulation of Gambling may request its suspension and withdrawal, without prejudice to the exercise of sanctioning powers.

Article 12. Financial restrictions on playing slot machines.

1. The maximum and minimum cost of each game will be established by the gambling operators in their special rules and will be expressed in euros.

2. In general, and without prejudice to the provisions of Article 14.1 of this Ministerial Order, the amount of money that one participant may spend on playing the slot machine may not exceed the balance that the participant has in his or her playing account when the gambling session begins.

Article 13. Participation in the game.

1. The slot machines will be played through the medium or media established by the operator in its special rules for the game, from among those set out in point 2 of Article 10 of this Basic Regulation.

2. Operators will issue a supporting document at the end of each gambling session, which must be provided to each participant through the same medium



as the gambling session, summarising the amounts wagered and the results obtained.

3. Operators shall establish in the special rules for the game a provision for possible interruptions of the session or spin. They will also establish the cases in which they will proceed to maintain or cancel the amounts gambled as a result of these interruptions. At any rate, the right to any prizes obtained by the participants in a session or a spin prior to its eventual interruption must be guaranteed. Similarly, in cases in which a participant is disconnected during play, the operator must guarantee that the spin will proceed automatically until the combination of symbols or graphical representations is determined, and the participant will have the right to receive the amount corresponding to any winning combination.

4. The full amount corresponding to participation in a game that, once formalised, is cancelled by the operator pursuant to the special rules, will be returned or made available to the participants in the manner established in the special rules, always with no further cost or obligation for the participants.

Article 14. Implementation, determination and allocation of prizes.

1. The participant, before beginning the gambling session, must establish the time and amount allocated to the session. However, the session may end before the aforementioned terms are met. Once the predetermined length of time or amount set when the gambling session was configured is used up, the session will automatically end. Equally, before starting the gambling session, the participant will determine how frequently he will be notified by the operator of the time elapsed in the gambling session, establishing a maximum default limit of 30 minutes.

2. Slot machines may be played manually or automatically.

In manual mode, the game will begin the moment the participant manually activates the mechanism that determines the resulting combination of symbols.

In automatic mode, the game begins once the aforementioned playing method is configured. No more than 25 games may be configured in automatic mode and, in any event, the participant may cancel the automatic mode at any time.

4. Each game shall have a minimum duration of 3 seconds.

5. Once the resulting combination has been randomly determined, it will be verified whether one of the prizes established in advance by the gambling operator has been won. If this is the case the prize corresponding to the resulting combination will be awarded.



6. Operators may only offer progressive jackpots. Under no circumstances may they offer guaranteed jackpots, defined as being those deriving in full or in part from the gambling operator's own funds or from sources other than participation in the game.

Article 15. Payment of prizes.

1. Recipients of the prizes are the participants who have formalised their participation in the slot machine games and who, in accordance with the result of same and the special rules of the game, have been winners.

2. The operator is obliged to pay the prizes obtained from the game from the end of each slot machine game that gave rise to them and will proceed to pay the prizes to the recipient participants under the terms and conditions specified in the special rules of the game.

3. The operator shall pay the prizes in accordance with the special rules of the game and, failing that, through the same method as the one used to pay for participation. Payment of the prize must never involve any additional cost or obligation for the winning participant.

The right to collect winnings will expire within the period prescribed in the special rules of the game, which must not be less than three months from the day after the game that gave rise to the winnings ended.

4. The Directorate-General for the Regulation of Gambling will establish any additional procedures and obligations that prove necessary in relation to paying prizes in order to protect the participants and public interests better.

First final provision. *Authorisation of the Directorate-General for the Regulation of Gambling.*

The Directorate-General for the Regulation of Gambling is authorised to establish the procedure for authorising game of chance activities, in accordance with the provisions of this Ministerial Order and of the implementing regulations of Law 13/2011 of 27 May, regulating gambling. This procedure shall establish the requirements to be met by operators and the supporting documentation that they must submit.

Second final provision. *Transfer of technical systems by licensees to providers of gambling activities in Spanish territory.*



Operators that, holding the mandatory licences to undertake the activity referred to in this Ministerial Order, and without prejudice to the use they make of them, transfer their platforms, gaming software or any other elements of the technical system to third parties, must adopt the measures required to ensure that the elements transferred to third parties are placed at the disposal of players located in Spanish territory exclusively by operators in possession of the corresponding licences.

The resolutions through which the corresponding licences are issued may specify the terms in which the operator must fulfil the obligation established in the previous paragraph.

Third final provision. Entry into force.

This Order will enter into force on the day of the publication of the Ministerial Order whereby, in accordance with the provisions of Article 10 of Law 13/2011 of 27 May, the rules governing the new convening of general licences for the development and operation of gaming activities, are approved.

Madrid, xx xxxxxxxx 2014 -. Minister for Finance and Public Administration, Cristóbal Montoro Romero.

ANNEX I

Limits to the guarantees associated with the individual licence to operate slot machine gambling.

Sole paragraph.

The Directorate-General for the Regulation of Gambling (DGOJ), by means of a resolution amending Annex II to the Resolution of 16 November 2011 of the DGOJ, approving the provision that implements Chapter III of Title II of Royal Decree 1614/2011 of 14 November and determining the operator guarantee amounts associated with the individual licences corresponding to the various types of game, shall determine the guarantee amount associated with the individual licence for the development and operation of slot machine gambling, which will be set at between 5% and 12% of the operator's net revenue attributable to the activity under the individual licence in the immediately preceding year. To this end, the operator's net revenue shall be defined in



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accordance with Article 48.6 of Law 13/2011 of 27 May, regulating gambling.-