

INFORMATION SHEET 10

Title:	Cyprus Casino Legislation		
Authored:	July 2015	Updated:	-----
Company:	Chelco Management Services Ltd		
Reference:	The Operations and Casino Control Legislation of 2015		

Introduction

The Operations and Casino Control Legislation of 2015 came into force on 21 July and interested parties from all over the world are preparing to ante up for the coveted single license.

At the same time, the Cyprus Ministry of Commerce, Industry & Tourism has announced that the “two-stage, non-discriminatory and transparent procedure” to select the casino license holder will commence in September 2015.

The relevant law was approved by the Cyprus House of Representatives earlier this month and provides for the creation of a single casino resort with an option to develop in separate locations four more so-called ‘satellite’ establishments, three of which will only host slot machines. The bill was passed by 29 votes to 22.

Law Provisions

The law provides for an Integrated Casino Resort (ICR) of international standards and a hotel or hotels exceeding the requirements of a five-star establishment under existing laws with at least 500 luxury rooms, at least 100 gaming tables and at least 1,000 gaming machines.

Also in July 2015, the Law to Regulate the Establishment, Operation, Function, Control and Supervision of Casinos and Related Matters of 2015 was enacted by Parliament, providing for the operation and regulation of a casino and casino games in the casino, to establish the Republic of Cyprus Casino Gaming Commission (CGC), to provide for its functions, powers and related matters and to authorise and regulate an ICR in the Republic of Cyprus.

The ICR shall consist of a combination of integrated facilities, activities and premises which exist under a plan prepared by the operator and proposed during the licensing process and which has been approved and licensed by the CGC. The premises shall be developed and operated by the operator, and shall include, inter alia, a casino of international standards, a hotel or hotels of international standards and other activities and facilities.

The international standard hotel or hotels shall exceed the requirements of a five star hotel as these are determined by the Hotel and Tourist Accommodation laws and regulations and shall offer in total at least 500 luxury rooms. The world class casino shall include at least 100 gaming tables and 1000 gaming machines.

For the purposes of the limitations on gaming tables and gaming machines, electronic table games shall be classified as gaming tables.

Policy Decisions

To support the successful licensing of a single ICR which meets the strategic objectives of the Government, the following policy decisions have been enshrined in the law:

- A single ICR will be licensed and the operator will be given a 15 year exclusivity period commencing from the date of the grant of the license, during which the Government shall not grant another casino license in the Republic of Cyprus;
- The ICR must be world class and include not only a resort hotel and casino, but a blend of attractions and activities so as to be internationally recognised;
- The ICR will only be permitted to offer casino table games and gaming machines under the legislation. A minimum of 100 tables and 1,000 gaming machines are required and a maximum of 200 tables and 2,000 machines may be installed without further CGC consent;
- Sports betting, lotteries, horseracing and online gaming are not included as part of the legislation and shall continue to be addressed by existing legislation;
- The operator will have the option to develop, in addition to the ICR, up to four satellite casino premises, in districts other than the one where the ICR will be located. Each will be licensed for the operation of up to 50 gaming machines per location. One of these locations may exercise an additional option to operate up to 5 gaming tables. Each satellite casino premises will be individually approved and licensed by the CGC following an application by the operator and justification on their contribution to the objectives of the law. The satellite casino premises must further be operated by the ICR operator in a way to be considered supportive to the operation of the main resort;
- The term of the license will be 30 years, renewable from year 12 for a further term;
- The selection of site for the integrated casino resort will be left to the unrestricted choice of the operator interested in obtaining the license. The ICR can be established on private land only;
- With respect to the planning, construction and development of the integrated casino resort, the Council of Ministers is granted the necessary powers and competence to issue the required permits for the development of the ICR and waive or vary existing planning law;
- The CGC will be formed as an independent agency of the Government and be responsible for regulation, audit, casino tax collection and civil enforcement;
- The gaming duty rate will be 15% of gross gaming revenue and cannot be increased during the exclusivity period. No deductibles will be allowable against gaming duty (other than an allowance for free play) and a single rate will be applied on all casino gaming activity including casino games and gaming machines;
- The Steering Committee will perform comprehensive due diligence on the operating

license applicant and its significant shareholders (10% if a publicly listed company and 5% if a private company, natural person shareholders or other), key management, contractors, suppliers and associated persons, prior to granting the license;

- Smoking and alcoholic beverages will be permitted on the gaming floor;
- The minimum age for admission to casino gaming shall be 21. Persons under that age may pass through the gaming floor on a designated path but shall not be allowed to attend gaming positions;
- The resort may operate 24 hours per day, seven days per week;
- There will be no entrance fee or membership requirements without the prior written approval of CGC;
- EU compliant AML procedures are required at all times;
- Credit for gaming is not forbidden;
- Junkets and junket operators are permitted but must be licensed and are regulated by the CGC;
- Complimentaries will be permitted (free or discounted travel, accommodation, food and beverage and entertainment offered to casino guests), but will be defined, restricted and reported as set out in the Regulations;
- Advertising will be permitted, for the integrated casino resort, both within and outside Cyprus, in accordance with the requirements in the Regulations and other applicable advertising law. Marketing and advertising must be consistent with promoting the integrated casino resort as a whole, and not the gaming activities on a standalone basis;
- Responsible gaming will be closely monitored. Policies and practices to deal with problem gambling and support responsible gaming by customers shall be required of the operator as defined by the Law and set out in more detail in the Regulations. The operator will be required to have policies and a programme of responsible gaming measures approved and monitored by the CGC; and
- The CGC will monitor and enforce non-criminal enforcement of the gaming license requirements, and will be empowered to investigate the integrated casino resort license holder, hold hearings and impose administrative sanctions for breach of the Act, Regulations and ICR license.

Licensing Procedure

The licensing procedure will be carried out in two phases to select a candidate suitable to develop and operate an ICR on the island.

The purpose of the first phase is to pre-qualify candidates for participation in the second phase, based on overall financial stability, experience in developing and operating ICRs, understanding of the Cyprus market and vision for the project.

In the second phase, an RFP process will be conducted requiring the pre-qualified candidates to submit their comprehensive proposals in order to choose the preferred

candidate who will, subject to ratification by the Council of Ministers, be issued the ICR license by the CGC.

For the purposes of participation in the competitive procedure, it is not required for interested parties to be entities incorporated in a Member State of the European Union. However, the Selected Candidate chosen for the award of the license will be requested to fulfil this requirement prior to the award of the license.

Further details and an updated draft of the regulations will be provided in the Request for Expressions of Interest when issued in September 2015.

NOTE

The information in this document is intended as a guide only and every reasonable effort was made to ensure the accuracy and timeliness of the information. In no circumstances shall we be legally bound by any information contained in this document, and shall accept no liability in respect of loss caused by reliance on such information.

Our firm will monitor the development of this issue further (including the adoption of the reporting procedure and the adoption of certain penalties for non-reporting). In the meantime, please do not hesitate to contact us should you have any questions in relation to the above requirement.

Our own in-house consultants and our network of associates in Cyprus and worldwide are at your disposal to assist you with the above.