SAZKA Group submission to the EC public consultation on Artificial Intelligence – ethical and legal requirements ("EC proposal on the Artificial Intelligence Act"[1])

1. Short intro

SAZKA Group (SG) is one of Europe's fastest growing lottery companies, primarily focused on national lottery games, instant lotteries and online lotteries with a secondary focus on digital gambling and sports betting; SG has leading market positions in the Czech Republic, Greece, Cyprus, Austria and Italy. As one of the European lottery leaders, SG is acknowledged in the world lottery market for its iconic and trusted brands and unrivalled distribution networks. Through our 63,000 points of sale and digital platforms, SG serves an addressable market of over 79 million adults, bringing in annual sales of over €17bn. (https://www.sazkagroup.com/)

2. General Comments

Artificial Intelligence (AI) represents both opportunities and risks for societies, citizens and businesses. SG encourages the EU to pave the way for legal certainty on the application of human centric AI and to support growing trust in new technologies, whilst protecting citizens' fundamental rights. An unregulated development and deployment of AI technologies is likely to lead to both unethical behaviors and market disruptions.

SG notes that the generic concept of "AI" stands for many diverse technologies and applications, and therefore underlines that may be difficult to design a "one size fits all" policy. Furthermore, some areas of AI deployment may fall under existing legislation; therefore, the proposed regulatory approach should ensure a coherent legislative environment, taking into consideration the existing policies and legislation (GDPR, Data protection, Data use and storage, Data transfers, Product Safety Directive, Fin tech legislation, NIS, e-commerce, Product liability directive, just to name some).

3. With regard to the recent EC proposal on the AI act https://digital-strategy.ec.europa.eu/en/library/proposal-regulation-laying-down-harmonised-rules-artificial-intelligence-artificial-intelligence), SG agrees that AI legislation shall follow a "risk based approach" and that the development and application

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of AI based technologies shall first of exclude unacceptable risks to the safety and the fundamental rights of human beings.

4. Therefore, SG concurs that the classification of activities as per "prohibited", "high", "reduced" and "minimal" risk is a step in the right direction, noting however that the risk classification of a given activity shall be subject to an ex ante assessment and discussion between regulators and interested stakeholders; in particular, operators (IA developers and users) shall be granted the right to participate in the discussion and to object to the final assessment via a specific redress procedure.

5. AI based applications in the gambling sector

3.1   **Players' identification:** Customers identification is essential to ensure compliance with responsible gambling legal requirements and corporate internal policies:

•   strict minimum age requirements shall be respected to stop under age to access our products

•   monitor and prevent excessive gambling habits, via the self-exclusion programs either at national or at companies' levels.

•   Regarding AML requirements, operators perform Duty of Care (DOC) tasks both to ensure the identification of customers and to track the origin of the funds that are staked: also in this case remote identification systems can help to address Know Your Customer (KYC) requirements, as well as to trace payout payments. This is also true for authorities in their surveillance and control activities.

3.2   **Players' personalisation:** SG fully complies with the protection of personal data privacy requirements as set up by the GDPR. Any permitted elaboration of data - based on AI/machine learning algorithms - enables to tailor made offers to players which match with their preferences or habits. It is however even more relevant for SG that the digital footprint players leave behind enable us to monitor and avoid excessive – pathological gambling and de facto, to enforce our "responsible gambling policy".

3.3   **Enhance players' experience:** in SG we embrace newt technologies to provide for "more fun" products. The priority is not to increase the stakes per individual player but to make the experience more enjoyable. Some AI applications are changing the offer in the gambling business, namely be use of "augmented reality" (in online casinos or online (e-sports) betting,) or "recommendation engines" (Avatars). In some cases, "augmented reality" is combined with "virtual reality", creating "mixed reality".

3.4 **Integrity in sports betting:** metrics can be used to detect irregularities, frauds and match fixing and enhance integrity in the segment of sport betting. These applications are already used in some large tournaments, with AI elaborating large amount of data, in a very short time, enabling operators, sport integrity organisations and authorities to track irregularities in a very short time.

4. Specific aspects of the proposal and their potential impact on the gambling sector.

4.1 Remote biometric identification.

SG believes that the deployment of remote biometric identification systems can be helpful to achieve some regulatory objectives in the gambling sector. At the same time however, biometric data clearly classify as "personal data" and their use shall be protected. We therefore fully support a restricted approach re the use of biometric identification technologies but would still argue that this application may be helpful to fulfill some key legal requirements relating to gambling, both in terms of protection of players and fight against crime.

We therefore recommend that regulators shall consider in the future some exceptionally authorized (restricted, certified and monitored in controlled environment) applications for remote biometric identifications adapted to:

- Control on respect of the minimum age legal requirements for accessing proposed games;
- Control for players' self-exclusion (as per the national self- exclusion register or the companies' self-exclusion lists) and other "responsible gambling" related measures;
- Control and tracing of payments or payout, to fight money laundering and terrorist financing.

4.2 Risk classification.

The risk classification of the deployment of AI in the gambling industry should be carefully assessed. SG notes that the EC has declared that the gaming industry is deemed to be classified as "minimum risk".

Gambling should be classified under the category of "minimum risk" and the use of AI applications to the games should be free, nevertheless, SG welcomes discussions with regulators and peers to assess the risk level of existing applications and regulatory boundaries for future developments. SG believes that innovation is key for the future of our industry and is open to some regulatory guidance.

4.3 Transparency obligations.

We fully agree that transparency obligation shall apply for systems that are used to interact with humans, such as any activity that is linked to augmented reality. Consumers must be always in the position to withdraw consent to the use of the AI application and to make informed choices or step back from a given situation, with the exception however of those applications to secure compliance with legal requirements (for instance due diligence and KYC).

Another aspect of transparency is "transparency of algorithms". We believe that transparency should pertain a declaration of use of AI technology, but that algorithms are the property of companies or software providers, they should be covered by trade secret and that IPRs shall be protected.

4.4 Definition of public spaces.

Some gambling products are offered in gambling and betting halls. We believe that these spaces fall under the general definition of public spaces. About the question whether online market places (i.e. gambling websites) can be defined as "public spaces", we agree that Member States shall remain free to set their own rules on justified authorized use. Furthermore, we would advocate to use the general principle of what is prohibited land based shall be prohibited remotely, and that what is permitted land-based shall be also permitted remotely".

4.5 Sandbox.

We support the use of "sandboxes" to testing AI in a secure environment, without affecting the general system or platform and their data.

Please do not hesitate to contact us any further information.

Thank you for your attention. Best regards

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