



## **Response of the European Lotteries Association (EL) to the call for contributions on competition in virtual worlds and generative AI**

- The European Lotteries Association (EL) appreciates the opportunity to share its perspective with the European Commission on the very important subject of competition in virtual worlds and generative AI. This submission is without prejudice to possible individual submissions of EL Members.
- Both virtual worlds and generative AI hold immense potential to revolutionize traditional economic sectors, particularly in the realm of research and development. However, the case is very much different for what concerns gambling.
- Gambling services are economic activities of a particular nature entailing specific risks, where for the overriding reasons of general interest – most notably protection of consumers (especially minors) and preservation of public order – there are justified restrictions to the internal market rules and the fundamental freedoms enshrined in the EU Treaties, as recognized by the Court of Justice of the EU<sup>1</sup>.
- Gambling sector is regulated in strict observance of the subsidiarity principle, with authorities at the national level best placed to regulate it, set their own objectives and define modalities of achieving them in accordance with the extensive case-law of the Court of Justice of the EU.
- **“Unlike the introduction of free, undistorted competition in a traditional market, the presence of that kind of competition in the very specific market of games of chance, that is to say, between several operators authorized to run the same games of chance, is liable to have detrimental effects owing to the fact that those operators would be led to compete with each other in inventiveness in making what they offer more attractive and, in that way, increasing consumers’ expenditure on gaming and the risks of their addiction.”<sup>2</sup>**
- Recent developments point to the (attempts of) integration of gambling opportunities in the virtual worlds by (also) using blockchain technology and cryptocurrencies. A potential risk looms wherein such advancements might empower malevolent operators to circumvent stringent gambling regulations, particularly concerning consumer protection.
- EL considers that virtual worlds are not exempt from the rule of law. Rather, they fall under the existing rules governing internet and online services. The principle of technology neutrality should be upheld, and the objectives outlined in the development of the Digital Services Act should be paramount. Essentially – and as established – “what is illegal offline should be illegal online”, also in the realm of virtual worlds.
- This principle holds especially true for gambling offerings and advertising. The gambling sector remains subject to relevant national legislation, whether it involves licensing, an exclusive rights regime, or, where necessary, a ban on the most harmful gambling segments. Consequently, virtual worlds should not be a realm devoid of rights for its participants. Gambling and betting operators cannot be allowed to evade gambling regulations aimed at protecting consumers (in particular vulnerable individuals and minors) simply because they operate within a new technological environment.

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<sup>1</sup> Schindler, judgment of 24 March 1994 (C-275/92), paragraphs 37 and 60 and Gambelli, judgment of 6 November 2003 (C-243/01), para. 52. See also Läärä and others judgment of 21 September 1999 (C-124/97), paragraph 33.

<sup>2</sup> Judgment of the Court of 24 January 2013, Stanleybet International and Others (Joined Cases C-186/11 and C-209/11), paragraph 45; Judgment of the Court of 30 April 2014, Pflieger and Others (C-390/12) paragraph 46; and Opinion of the AG in Schindler C-275/92, paragraphs 113 and 114.



- EL encourages the European Commission to continue taking into account the specificities of the gambling sector and national lotteries in their ongoing work on the (competition matters related to) virtual worlds and generative AI and any other (legislative) initiative possibly stemming therefrom.

### **About the European State Lotteries and Toto Association (EL)**

The European Lotteries association (EL) is the European umbrella organization of entities operating national lotteries and other games of chance, including sports betting. The members of EL are operating their services for the public benefit. EL is the largest and most representative lottery and gambling sector's organization in Europe, present in 39 European countries with a total of 70 members, including all EU member states (50 members are in the EU and 20 non-EU member states). EL stands for the sound and sustainable activity model for the benefit of society, based on the values of forward-thinking, responsibility and integrity. EL members only operate in those jurisdictions in which they are licensed by the state and where they comply with the legal requirements (e. g. anti-money laundering, responsible gaming policies, etc.), and act as the most responsible operators in each jurisdiction. Over 2022, all EL members secured more than 22 billion euros for society and directly supported valuable projects related to sport, cultural heritage, art, health care, individuals with disabilities/disadvantages, education, science and many other areas. It is estimated that around half of the European adult population annually participates in the games that are offered by the EL members.

For more information about EL please see:

<https://www.european-lotteries.org/>

Further questions? Feel free to contact us!

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Registration on EU Transparency Register: 97609783845-15

*March 2024*