



State of the (unlicensed) Swiss online casino market

A fact-based assessment of the size and the dynamics of the unlicensed online casino market in Switzerland in 2023

KPMG Switzerland

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Definitions & abbreviations

Abbreviation	Meaning
BGS	Swiss Federal Gambling Act (" <i>Bundesgesetz über Geldspiele</i> ")
CAGR	Compound annual growth rate
ESBK	Swiss Federal Gaming Board (" <i>Eidgenössische Spielbankenkommission</i> ")
EU	European Union
GESPA	Swiss Gambling Supervisory Authority (" <i>Interkantonale Geldspielaufsicht</i> ")
GGL	Joint Gaming Authority of the States (" <i>Gemeinsame Glücksspielbehörde der Länder</i> ")
GGR	Gross gaming revenues
H2GC	H2 Gambling Capital
ISP	Internet service provider
KYC	Know-your-client
KPI	Key performance indicator
SCV	Swiss Casino Association (" <i>Schweizer Casino Verband</i> ")
URL	Uniform resource locator

1. Executive Summary

In 2019, Switzerland legalised the offering of online gambling services to Swiss consumers through the introduction of the new Federal Gambling Act (*Bundesgesetz über Geldspiele*). The Federal Gambling Act stipulates that online casino offerings need to be provided by licensed Swiss concession holders.

Since the inception of the law, the licensed Swiss online casino market has grown from CHF 23m (in 2019) to CHF 285m (2023) in the course of four years. Currently, ten Swiss online casinos are actively offering their services to Swiss online gamblers. However, during the same period, it has become clear that the Swiss market is also being targeted by illegally acting operators who are unlicensed in Switzerland. This gives rise to a number of concerns, both from the perspective of the regulator (e.g. risk of lower player protection, loss of tax revenue) as well as from the perspective of the licensed operators (unfair competition).

While the *nature* of this challenge is clearly understood both by the regulator as well as the online casino operators, the *extent* of the problem remains unclear, as the unlicensed market is inherently difficult to measure. This study attempts to provide facts and additional insights on the matter to inform the ongoing discussion of all interested parties about how to best regulate the Swiss online casino market.

The study builds on a broad selection of sources, including two bespoke online surveys of Swiss gamblers, interviews with market participants (incl. experts who used to work for unlicensed operators targeting Switzerland) and international regulatory experts, web traffic analysis and desktop research. Selected key findings of our analysis are:

- The unlicensed online casino market (excl. online sports betting and lotteries) accounted for approx. CHF 180m in 2023, which implies it commands about 40% of the total Swiss online casino market (based on a range of 30-45% depending on different approaches and sources). This unlicensed portion of the market is not subject to Swiss casino taxes and thereby results in a tax shortfall for the AHV/IV of approximately CHF 75m per year^a.
- All market participants we spoke to, including those who had worked for unlicensed foreign operators targeting Switzerland, confirmed that Switzerland has historically been considered an attractive market to target for unlicensed foreign operators due to the high average spend per player.
- Over 85% of Swiss gamblers who make use of unlicensed offerings appear to be unaware that such offerings are unlicensed. They find their way to unlicensed operators via traditional means such as search engines, direct URL access and online advertisements, despite the ESBK's efforts to block access and advertising. Circumvention measures (e.g. VPN) play a role in some, but not in the majority of cases.
- The number of new player bans has increased significantly since the introduction of the Federal Gambling Act (approximately 12,000 new suspensions per year, i.e. ~5% of the player base each year). This strong increase in bans is causing a fear among licensed Swiss online casinos that such suspended players are being driven to unlicensed, offshore operators rather than "staying away" from the market. This fear is further compounded by our finding that players on the unlicensed market are higher-than-average spenders. Based on an online survey with 150 Swiss gamblers playing in the unlicensed market, we found that some respondents (16%) indeed reverted to unlicensed offerings because they are blocked in the legal market. However, other factors play a role, too, and in some cases (still) appear to be more prevalent. Such factors include the selection of games (31%), withdrawal and payout methods and times (27%), perceived security and trust (27%), bonuses and promotions (23%), speed and ease of account set-up (22%) or combined offerings (e.g. online casinos and sports betting, 21%), for example.
- To effectively constrain access of unlicensed operators, behaviour of multiple ecosystem players needs to be considered (i.e. not just the regulator and the Swiss online casinos, but also game suppliers and gaming platform suppliers, internet service providers, advertisers, and affiliates).
- The current measures being taken by ESBK to constrain access to the unlicensed operators (e.g. website blocking, advertising ban) are recognised by many market participants as being

^a This figure was calculated using an average tax rate of 42%, which was the average tax rate levied in 2020 on licensed Swiss online casinos. Our calculation assumes the same distribution of large and small players, given the progressive taxation mechanisms.



important and are perceived to have some effect. However, all measures still have loopholes, some of which are inherently difficult to close (e.g. black-hat search engine optimisation, difficulty of taking legal action against actors in out-of-reach jurisdictions) and others which are in the process of being closed (e.g. more effective implementation of the block list by some ISPs, blocking of affiliate websites directing traffic to unlicensed operators).

On the basis of the findings mentioned above, the study discusses various potential regulatory considerations for Switzerland including their potential benefits, potential drawbacks and likely challenges. The measures we discuss range from measures that could be implemented within the constraints of the current legal framework (e.g. continuation and further intensification of the ESBK's current enforcement efforts, raising consumer awareness, investigating the prevalence of "false positives" triggered by current social concepts) to measures that would require a revision of the Federal Gambling Act or the Federal Gambling Ordinance should they be considered (e.g., exploring the combination of online casino and sports betting offerings, financial transaction blocking, licensing of game suppliers and gaming platform suppliers).

This study has been commissioned by the Swiss Casino Association (*Schweizer Casino Verband*).

2. Introductory remarks

2.1 Background and aims of this study

With the rapid rise of the internet throughout the 2000s, the availability of online gambling offerings to consumers also grew rapidly across the world. In Switzerland, too, consumers increasingly started to make use of such websites hosted from various countries abroad, even though such offerings were not formally legalised in Switzerland at the time¹.

With the adoption of the new Federal Gambling Act (*Bundesgesetz über Geldspiele, "BGS"*) in 2019, the provision of online gambling offerings to Swiss consumers was legalised – however, under the condition that such services only be provided by licensed, Swiss-based concession holders². As a consequence, offering online gambling services to Swiss consumers from abroad remains illegal under Swiss law for any non-licensed online operator.

Since the inception of the Federal Gambling Act, 11 out of 21 existing Swiss casino operators have started offering online casino services to Swiss consumers, of which 10 remain active today^b. In aggregate, these Swiss online casinos have seen strong growth in gross gaming revenues (GGR) since their inception, from zero to approximately CHF 285 million in 2023³. As of 2025, two more Swiss casino operators have been granted a license, indicating their intent to launch online casino operations soon⁴.

After explosive growth in 2019/20 (+700% year-on-year, the first full year of operations of the earliest entrants), the growth rate of the Swiss online casino operators has fluctuated between 7% and 25% per year in the past three years³. Anecdotally, a key challenge faced by the Swiss online casino operators in this context is the continued presence of unlicensed competition from abroad.

The existence of such unlicensed operators is undisputed and has been discussed repeatedly in the annual reports of the Swiss Casino Association (*Schweizer Casino Verband, "SCV"*) and of the Swiss Gambling Commission (*Eidgenössische Spielbankenkommission, "ESBK"*). The nature of the corresponding risks is also relatively straightforward: Such risks include the loss of tax revenues for the state, lower player protection and potential privacy concerns for consumers, as well as risks of unfair competition with unfavourable economics for the Swiss online casinos (as their competitors do not need to pay the Swiss Casino Tax, which ranges from 20% to 80% of GGR⁵). However, the extent of the problem remains unclear, as relatively little facts are available about the unlicensed market.

Against this background, the SCV has mandated KPMG AG, Zurich (KPMG) to write a fact-based market study on the state of the unlicensed online casino market in Switzerland. The aim of this study is to provide facts to inform the ongoing discussion of all interested parties about how to best regulate the Swiss online casino market. In particular, it analyses questions such as:

- How large is the non-licensed online casino market in Switzerland? Is it gaining or losing share from the legal market over time?
- Which criteria are important for consumers when choosing an online casino operator and why do some of them (still) choose to gamble with unlicensed casino operators?
- How effective are the current measures taken by the ESBK against unlicensed operators and are there any relevant lessons learned from other jurisdictions?

The specifics of our mandate, including its limitations, and the approach taken to address these questions are explained in the subsequent sections.

2.2 Specifics of our mandate

This study was conducted by KPMG between 30 October 2023 and 23 February 2024. It was commissioned and paid for by the Swiss Casino Association to provide a balanced and fact-based summary of the current state of the Swiss online gambling market.

The study is based on publicly available information (e.g. annual reports of the Swiss Casino Association, the ESBK, sector-specific databases and reports, etc.), as well as interviews with various stakeholders from the casino sector, which have been carried out independently by KPMG (see details in subsequent sections).

^b One Swiss online operator (hurrahcasino.ch) exited the market in 2022.



The scope of this study specifically includes online table games (e.g. Poker, Blackjack, etc., including live games) and online slot games (jointly referred to as “online casino games”), but specifically excludes other forms of online gambling (such as lotteries and sports betting, for example).

This study particularly excludes assessing the impact on public health or social cost aspects of gambling in general and online gambling in particular.

The Swiss Casino Association has reserved the right to make this study available to key stakeholders involved in regulatory and fiscal decisions and to the wider the public.

KPMG only accepts responsibility for this study to its client, the Swiss Casino Association. We do not accept any liability towards other third parties.

2.3 Methodology and key sources of information

Assessing the size and dynamics of the unlicensed online casino market is inherently difficult. Due to the illegal nature of the operations of unlicensed providers, information on their Swiss revenues is generally not publicly available, and many unlicensed operators are not willing to speak about the matter.

Against this background, we have chosen an approach that consists of consulting a broad variety of quantitative and qualitative sources, “triangulating” their information and synthesising it into the analysis presented in this study. The most important sources for our analysis were:

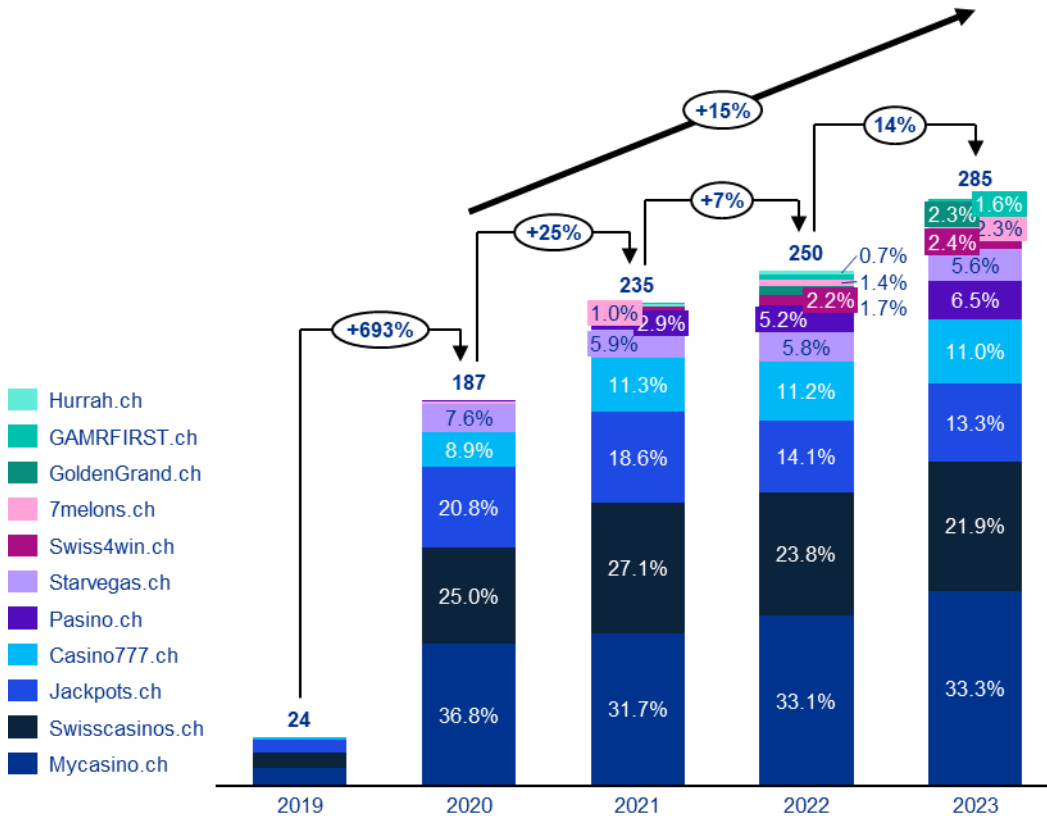
- Desktop analysis of:
 - o Publicly available annual reports of the Swiss Casino Association (SCV) and the Federal Gambling Commission (ESBK)
 - o Publicly available studies on the Swiss online casino market
 - o Publicly available, sector-specific databases containing estimates of relevant market sizes (e.g. H2 Gambling Capital (H2GC)) as well as comparison of the Swiss regulatory environment to other jurisdictions (e.g. Vixio)
 - o A private report created by Atropos Intelligence Inc. (the “YIELD SEC report”) for the use of the Swiss Casino Association and provided by the Swiss Casino Association to KPMG for our consideration (including an interview with the authors of the report, during which we were able to validate our understanding of the YIELD SEC report)
- Quantitative primary research through two online surveys specifically designed and launched for the purpose of this study:
 - o A first survey targeting n=1,000 respondents representative of the Swiss population, in order to estimate the prevalence of online gamblers reverting to unlicensed offerings within the population
 - o A second survey targeting n=150 gamblers who actively use unlicensed offering, in order to understand their motivations and experiences in using these services
- Quantitative primary research through a web traffic analysis of the last 25 months in order to compare the popularity of online casino websites between licensed and unlicensed operators (covering web traffic statistics of 10 legal online operators, plus 90 selected illegal operator URLs)
- Qualitative primary research in the form of 10 interviews with broad industry backgrounds in order to understand the perspectives of all relevant ecosystem actors, specifically:
 - o 4 interviews with Swiss online casino operators
 - o 1 interview with an ex-employee of an unlicensed operator targeting Switzerland
 - o 2 interviews with large international online casino game and gaming platform suppliers
 - o 1 interview with the ESBK
 - o 1 interview with an affiliate website provider
 - o 1 interview with an employee of an online advertiser
- Interviews with internal KPMG experts in KPMG member firms in countries that have an active gambling sector, such as the UK or Malta, for example, in order to consider learnings of other jurisdictions and other regulatory environments

3. Market description

3.1 Market size

The aggregate GGR of the licensed Swiss online casino sector grew from CHF 24m to CHF 285m between 2019 and 2023. After an initial jump between 2019 and 2020 driven by the ramp-up of early entrants, it grew at a compound annual growth rate (CAGR) of 15% between 2020 and 2023 (see Figure 1).

Figure 1. Gross Gaming Revenues (GGR) of licensed Swiss online casinos (in CHFm)



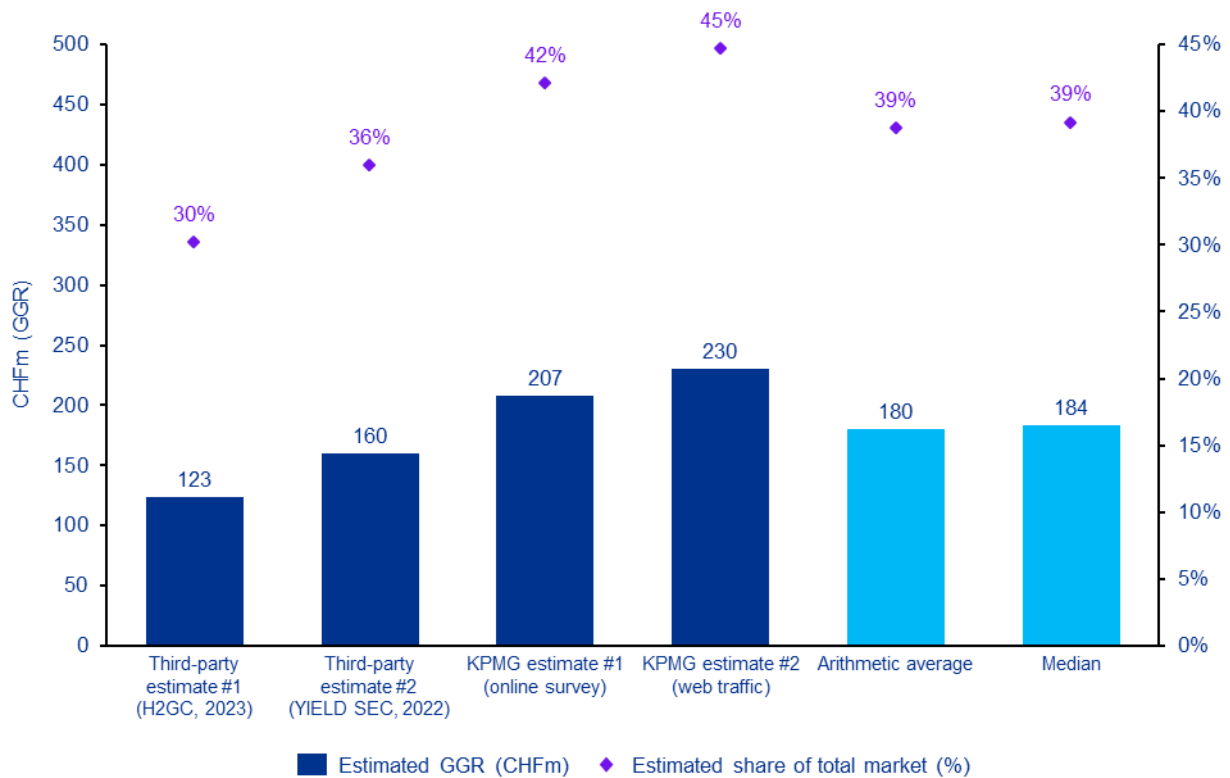
Data source(s): SCV Benchmarking³

What is unclear, however, is how the size and growth pattern of the licensed market compares to the unlicensed market. To shed further light on this question, we attempted an estimation of the market size and growth of the unlicensed market. To do this, we consulted third-party estimates and made several estimations of our own based on different approaches. Figure 2 shows the results of our market size triangulation.

Overall, we estimate that the unlicensed market in 2023 was around CHF 180m, which is the figure close to arithmetic average of four different estimates, which ranged between approximately CHF 120m and CHF 230m based on different approaches. At an estimated size of CHF 180m, the unlicensed market commands approx. 40% of the total market – in other words, it appears to capture a significant share of online casino spend by gamblers based in Switzerland (henceforth “Swiss gamblers” for better readability).



Figure 2. Estimate of the size of the unlicensed market (2023)



Data source(s): H2GC⁶, YIELD SEC⁷, Similarweb web traffic data⁸; KPMG analysis⁹

The range of market size estimations shown in Figure 2 is reflective of the uncertainty in estimating this elusive part of the market. In this context, it is important to understand the key assumptions on which the estimates are based. These assumptions are discussed in the following subchapters.

3.1.1 Third-party estimates

The first third-party estimate presented in Figure 2 (CHF 123m) is a forecast^c for 2023, made by H2 Gambling Capital (H2GC)⁶, a leading data and intelligence provider about the global gambling sector. It is the result of H2GC’s proprietary research and estimation methods.

The second third-party estimate (CHF 160m) is the result of a tailored analysis conducted by Atropos Intelligence Inc. using their YIELD SEC platform for 2022. It is based on an artificial-intelligence and machine learning technology that monitors internet traffic to identify active unlicensed websites and estimates their GGR based on millions of data points across audience, activity, products and promotion across websites and apps active in the marketplace. This report was commissioned by the Swiss Casino Association and was prepared in December 2023.

3.1.2 KPMG estimate #1: Online gambler survey

In our first estimate, we applied a simple approach that takes the Swiss population above 18 years of age and multiplies it with an estimated share of the population that plays unlicensed online casino games and their estimated average annual spend on such unlicensed online casino games:

$$\text{Market size estimate} = (\text{Adult population}) \times (\text{Share of adult population}) \times (\text{Average GGR})$$

The first variable (population) is given by the Federal Office of Statistics (approx. 7.2m adults as per Q3 2023)¹⁰.

^c At the time of writing, only a forecast was available for 2023. The corresponding estimate for 2022 was CHF 103m. This is the aggregate value of the categories “casino offshore” and “poker offshore” as estimated by H2GC.



The second and third variable – that is the share of people who play unlicensed casino games and their average annual spend – were estimated by us, based on the online surveys⁹ conducted for this project (see Chapter 2.3 and Appendix B) and based on expert interviews of market participants.

While more details on gambler behaviour are covered in a later chapter, it is important to note at this point that we believe the Swiss gamblers who play unlicensed games are a *small number* of gamblers with a *high average spend*^d. Specifically, we estimate the share of Switzerland-based players who play unlicensed casino games at approximately 0.3%-0.5% of the population (i.e. 21,000-36,000 adults) (compared to approx. 3.5%, i.e. 250,000 adults, who play on licensed Swiss online casinos) and that they spend between CHF 6,000-8,000 per player per year (compared to CHF 1,000-3,000 on Swiss online casinos). These estimates are primarily rooted in the two online surveys we conducted for this study – one in which we asked a sample of 1,000 Swiss adults whether they had played online casino games in the past 12 months and on which websites they had done so (to estimate the share of gamblers in the population) and another one where we specifically recruited 150 gamblers who are active on unlicensed casino websites (to estimate their average spend, amongst other factors)^e.

The estimated value shown in Figure 2 (CHF 207m) is the midpoint that results from applying the ranges of the variables mentioned above.

3.1.3 KPMG estimate #2: Web traffic analysis

For our second estimate, we applied the same average annual spend per unlicensed-market gambler as explained above, but applied it to a different user base. That user base, in turn, was estimated based on internet traffic⁸ as follows:

$$\begin{aligned} & \text{Market size estimate} \\ &= (\text{Unique website visitors}^f) \\ &\div (\text{Number of devices per gambler}^g) \\ &\times (\text{Unique visitors to active gambler conversion factor}) \\ &\div (\text{No. of accounts per gambler}) \times (\text{Average GGR}) \end{aligned}$$

In the first variable (unique website visitors), we analysed the number of unique visitors to a selection of 90 websites of unlicensed casinos targeting Switzerland during 2023. We used traffic from mobile devices only, making this variable a conservative estimation^h.

In the second variable, we correct for the fact that the average Swiss person uses more than one mobile device (e.g. a tablet and a phone)¹¹.

The third variable corrects for the fact that not every unique website visitor will indeed continue to log in and spend money (e.g. some gamblers may just explore a website, others may decide to play elsewhere, etc.). This variable cannot be measured without access to highly confidential player data of the online

^d This is a common pattern across black markets globally.

^e For further detail on the surveys, please consult Appendix B.

^f Approx. 293,000 monthly visitors. Monthly average over the period from November 2022 to November 2023 according to Similarweb data, based on URLs selected by KPMG. That list is certainly incomplete (according to the AI-powered YIELD SEC report mandated by the SCV, there are over 390 casino operators targeting Switzerland illegally without a license). However, our manual review showed that we had captured all the major players in the 90 URLs tested, with the “long tail” consisting of a small number of users only.

^g According to the International Telecommunication Union (ITU) there are 120 mobile subscriptions per 100 inhabitants in Switzerland. Therefore, we used a value of 120/100=1.2 to correct for multiple device ownership.

^h Based on expert interviews in the online casino sector, mobile traffic accounts for the vast majority of traffic (80-90%). Including desktop traffic would result in some degree of “double-counting”, which would have to be corrected for, but which is difficult to do with confidence.



casinos. Therefore, we estimated it by using publicly available data and expert estimates about the licensed market as a comparison pointⁱ.

The fourth variable is based on the fact that the average Swiss gambler in the unlicensed market maintains a relatively high number of accounts (4.6 accounts, on average, compared to 1.7 accounts for their Swiss onshore counterparts). Therefore, the number of unique visitors to different unlicensed websites had to be corrected by that average number of active accounts.

The estimated value shown in Figure 2 (CHF 230m) is the midpoint estimate that results from applying the web-traffic based to the same range of average spend per offshore gambler (CHF 6,000-8,000) as explained above in our first estimate.

3.1.4 Comparison to market opinions

We asked all market participants we spoke to in the context of this study whether they had any estimate of the size of the unlicensed market. Most participants stated qualitatively that they believed the unlicensed market was of a significant size, but could not or did not want to provide a quantitative estimate, recognising that such estimates are difficult to make and that they did not have the required data at hand.

One exception to this was a leading Swiss online casino that had performed an estimation following a similar approach to the web-based estimate explained above and arrived at a similar result (approx. 50% of the total market).

Furthermore, some interviewees referred to the values provided by H2GC as shown above as a source they consult.

In summary, the market interviews we conducted confirmed both the necessity for the study to shed further light on the size of the unlicensed market as well as the validity of our estimates.

3.2 Market growth

If market size is difficult to estimate for unlicensed online casinos, market *growth* is even more difficult to assess. As explained above, estimating market size *at one point in time* required bespoke gambler surveys to estimate the share of gamblers in the population, their average spend, or the number of accounts they maintain, for example. As these variables can change over time, estimating growth reliably according to the methods presented above would necessitate a repetition of such surveys over time – which we were not mandated to do in the context of this study.

That said, we have found no conclusive evidence that suggests the unlicensed sector may have taken share from the licensed sector historically. To the opposite: The unlicensed sector most likely lost share, or at best maintained it, in the recent past:

- According to H2GC data, between 2020 and 2022, the offshore online casino market in Switzerland grew at a compound aggregate growth rate (CAGR) of 9% between 2020 and 2022⁶ (compared to 15% for licensed Swiss online casinos, see Figure 1), suggesting that during the period immediately following legalisation, the licensed sector actually *outgrew* the unlicensed sector, as a significant amount of volume migrated from unlicensed to licensed players during that period
- The YIELD SEC report mandated by the Swiss Casino Association covered the period 2021 and 2022. During this period, according to the YIELD SEC report, the unlicensed online casino market actually *contracted*⁷ (compared to annual growth of the licensed market of 7% that year, see Figure 1). However, according to the authors of the YIELD SEC report, this is due to a special circumstance: In 2022, the FIFA World Cup took place as a major sporting event and driver of sports betting activities. Since many leading offshore online casino platforms are also leading sports betting platforms, these operators actively marketed sports betting products to

ⁱ Knowing the aggregate GGR for the Swiss licensed market and assuming an aggregate GGR per gambler of CHF 2,000, we estimated the number of active legal gamblers. The resulting figure was in line with our online survey. Then, we applied an assumption for the average number of active online casino accounts per gambler in the licensed market (1.7, value based on our online survey) to estimate the number of active accounts in the licensed market. Dividing this figure by the unique website visitor figure enabled us to estimate this conversion factor at approx. 62%.



their online casino customers and “diverted” online casino revenue from online casino games to betting within the same platform

- According to the web traffic data we used for our market size estimation (last 25 months), the number of unique monthly visitors of the aggregate licensed market increased by 6% between 2022 and 2023^j, while increasing by a comparable 7% for the unlicensed websites we tested⁸.

Going forward, the picture is less clear. On the one hand, several Swiss online casinos we spoke to fear that the steady increase in the number of suspended players is driving these blacklisted players to unlicensed, offshore operators rather than “staying away” from the market. The strong historical increase in such bans since the introduction of the Federal Gambling Act supports such fears (recently approximately 12,000 new bans per year, i.e. 5% of the player base each year, see Figure 3) – and it is further compounded by the fact that players on the unlicensed market tend to be higher-than-average spenders.

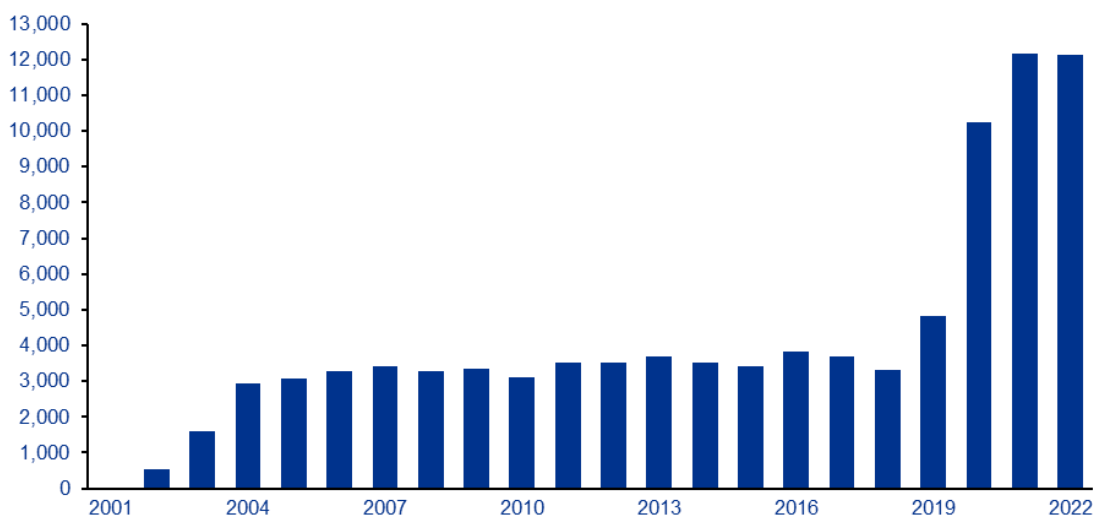
On a related issue, while all Swiss online casinos we spoke to expressed strong support for the suspension of players who are displaying addictive behaviour and who cannot afford their losses, several casinos believe that the current social concepts in place may also result in a significant number of “false positives”, resulting in wealthy gamblers getting blacklisted not because they cannot afford to gamble, but because they may be averse to sharing sensitive information such as their data on their income or wealth with the Swiss online casinos requesting such information as part of their social concepts.

If this scenario of a continued increase in the number of blocked, high-value players materialises, then indeed, this could drive growth of unlicensed offshore operators at the expense of the licensed Swiss online casino sector.

On the other hand, there are multiple trends that indicate a consolidation towards the licensed sector. These include increasingly strict interventions of the Swiss regulator (see Chapter 4), as well as indications of a “self-clean up” of the supply side (see Chapter 3.4). Moreover, our survey of Swiss gamblers using unlicensed offshore websites indicated that being blocked from accessing the licensed offerings in Switzerland is unlikely to be the single key driver for selecting an unlicensed gambling offering⁹ (see Chapter 3.3).

In terms of quantitative estimates for future growth, H2GC predicts a CAGR (2022-28) of 10% for the unlicensed and 14% for the licensed sector⁶. With respect to the unlicensed sector, this is broadly supported by our own online survey of unlicensed gamblers, where 51% of respondents indicated that they plan to increase their spend in the next 12 months⁹. For the unlicensed sector, we did not survey a sufficiently large number of players for a comparison point.

Figure 3. Number of new player suspensions per year



Data source(s): ESBK¹²

^j Excluding traffic from one Swiss online casino due to an extreme spike in traffic in 2022 year driven by a particularly aggressive advertising campaign.

3.3 Demand side: Gambler behaviour

In one of the two online surveys conducted for this study, we recruited 150 Swiss residents who gambled on at least one unlicensed offshore gambling website in the past 12 months. We asked them carefully-worded questions relating to their gambling behaviour that were designed not to “spook” the respondents^k. The aim of this survey was to better understand the behaviour of the “demand side” – in particular, whether players who gamble on unlicensed websites are different from gamblers who revert to the licensed offering of Swiss online casinos and why they choose to gamble with unlicensed operators. Below, we summarise the key observations of this survey and enrich it with other insights from having spoken to a wide array of market participants about Swiss online gambling behaviour.

3.3.1 Overlap between users of licensed and unlicensed operators

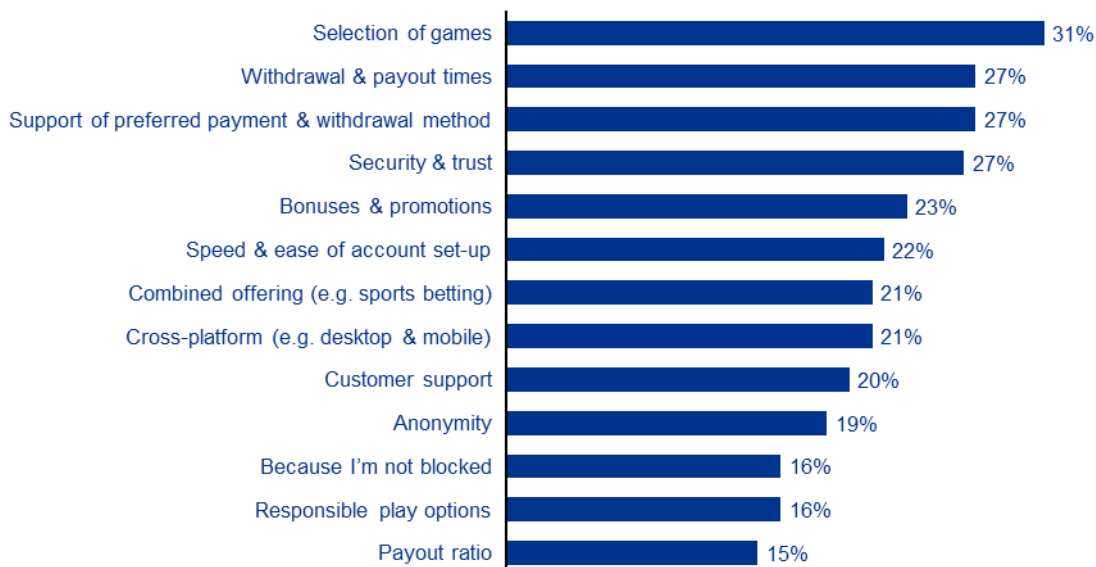
A first key observation pertains to the fact that players who gamble offshore appear to be a “separate group”, with little overlap with the population that gambles with the licensed Swiss online casinos. Among the 150 respondents who gambled with unlicensed operators, only 12 respondents (i.e. 8%) concurrently also gambled on the websites of Swiss online casinos.

This indicates that for the most part, these customer groups might have different preferences and make different considerations in their choice whether to gamble with a licensed or an unlicensed operator. The following sub-chapters provide further insights into the behaviour of players who gamble with unlicensed operators.

3.3.2 Key purchasing criteria

In order to understand the reasons why players select to play on unlicensed websites, we asked them why they prefer to play on such websites. Figure 4 shows the responses, which give rise to at least five key observations.

Figure 4. “Why do you prefer playing on international online casinos?” (n=150, multiple choice)



Data source(s): KPMG online survey⁹

First, being blacklisted from the licensed Swiss market is indeed one of the reasons why gamblers turn to unlicensed offerings – but it is far from being the main driver. Only 16% of respondents indicated this was a key criterion for their choice. A similar observation can be made on the topic of anonymity (i.e. having to submit a “low amount of personal data to set-up and maintain my online casino account”),

^k For example, we did not mention “legal” and “illegal” offerings, but named active online casino websites respondents could select from (both licensed and unlicensed ones) and grouped these ourselves subsequently.



which may contribute to the blacklisting of some wealthy Swiss players who do not wish to share such information (selected by 19%).

Second, the selection of available games was the single-most chosen answering option. This highlights the importance of a competitive game offering by the Swiss online casinos, the mechanics of how games are certified and approved for use in Switzerland, as well as the importance of the role of online casino game and gaming platform suppliers.

Third, both the withdrawal and payout *times* (28%), as well as the support of preferred payment and withdrawal *methods* (27%) are critical to gamblers who choose to play with unlicensed operators. In this area, Swiss online casinos face legal restrictions that prevent them from offering the same payment and withdrawal methods as their unlicensed competitors (more on this further below).

Fourth, security and trust are important to gamblers playing on unlicensed websites, too, which implies that they trust the unlicensed providers they gamble with in spite of their unlicensed status – or that they are simply unaware of their unlicensed status (which is supported by our survey results, see below).

Fifth, bonuses and promotions (23%), as well as a combined offering of casino games and other gambling options such as sports betting (22%) are important factors to gamblers playing with unlicensed operators. In this area, too, Swiss online casinos cannot offer the same terms as their unlicensed competitors. With regard to bonuses and promotions, Swiss online casinos are subject to strict reviews and approvals by the regulator as well as to economic feasibility considerations – while (at least some of) their unlicensed competitors may both be *able* to afford higher bonus payments (for example due to not being subjected to Swiss gambling taxes, which are levied on gross gaming revenue and are progressive as a function of GGR) and less constrained by their local regulators depending on their jurisdiction. With regard to complementary offerings, other gambling activities such as sports betting or lotteries are regulated separately in Switzerland – as a result Swiss online casinos are not allowed to offer such services while their unlicensed competitors might be.

3.3.3 Selection of games

From our conversations with Swiss online casinos as well as international game and gaming platform suppliers, we understand that generally, the Swiss online casinos have access to many of the same games and gaming platforms that their international counterparts have access to.

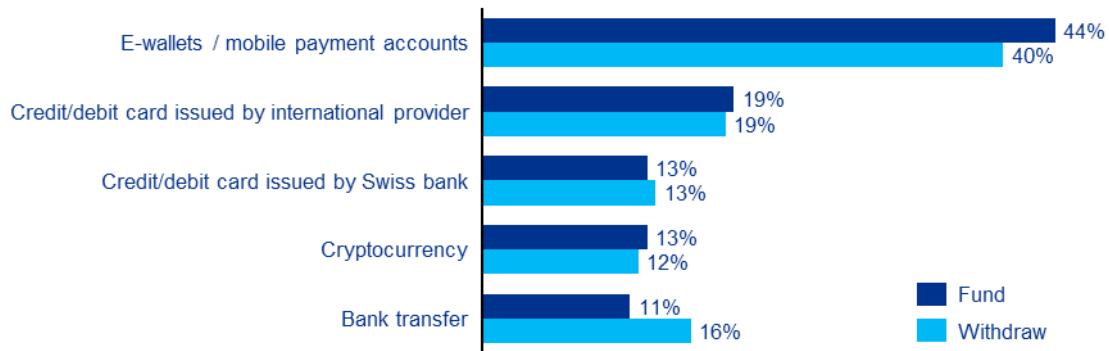
However, in practice, many of the Swiss online casinos' unlicensed international competitors leverage the advantage of operating on a larger scale, spanning multiple countries. This expanded reach grants them more resources to offer a wider range of games and to update their game selection on a more frequent basis, most likely with a lower cost in terms of percent of revenue given larger traffic volumes. Interviews with market participants underscored this perceived advantage of unlicensed international competitors.

3.3.4 Funding and withdrawal times and methods

Given the importance of funding and withdrawal times and methods as described above, this topic deserves further scrutiny.

Figure 5 shows the preferred funding and withdrawal methods as indicated by our survey respondents. Importantly, it shows that traditional bank transfers are the single least popular method to fund their unlicensed gambling accounts (preferred by only 11% of respondents). In terms of withdrawals, too, e-wallet/mobile payment accounts (40%) and credit/debit-card withdrawals (32% combined between Swiss bank issuers and international issuers) are clearly more popular than bank transfers (16%). The importance of cryptocurrencies as a funding/withdrawal mechanism is roughly comparable to that of traditional bank transfers.

Figure 5. “What is your preferred method to fund/withdraw funds from your online casino/poker account(s)?” (n=150)



Data source(s): KPMG online survey⁹

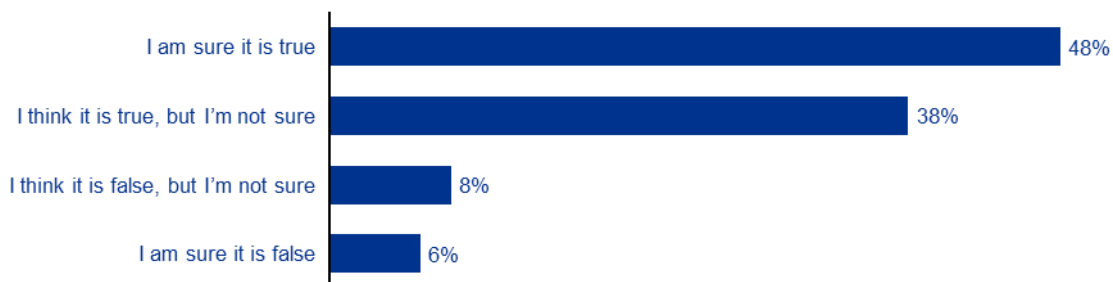
According to Article 50 of the Swiss Gambling Ordinance (*Verordnung über Geldspiele*), Swiss online casinos are only allowed to make pay-outs to a “payment account in the player’s name” (i.e. not to e-wallets or credit cards)¹³. Funding, in contrast, is possible by various methods, including credit and debit cards, or TWINT. While this is also true for *some* of their unlicensed competitors, whose jurisdiction of registration may have similar requirements, we found that 9 of the Top 10 offshore competitors provided access to funding / withdrawal methods not available to Swiss online casinos, primarily e-wallets and cryptocurrencies.

3.3.5 Awareness of legality of operators

As part of our online survey, we confronted respondents with the statement that “international online casinos are licensed to offer casino/poker games in Switzerland”, asking them to indicate whether they thought this statement was true or false.

This question revealed a serious degree of unawareness of the illegality of unlicensed operators (see Figure 6). In total, 86% of respondents either indicated being sure or thinking that international online casinos are indeed licensed to offer online casino/poker games in Switzerland (which is false). Only 6% correctly knew that the statement is false – compared to 48% who indicated being sure of the opposite.

Figure 6. “International online casinos are licensed to offer online casino/poker games in Switzerland” (n=150)



Data source(s): KPMG online survey⁹

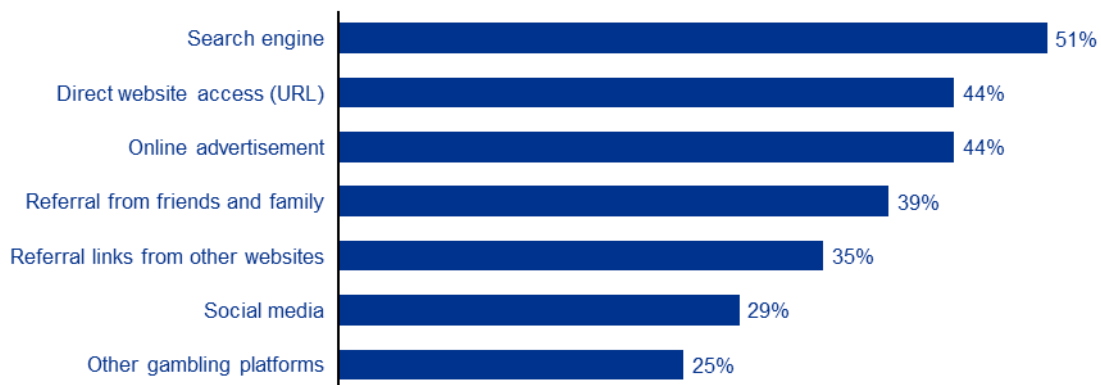
According to market interviews and our own desktop research, we noted that many unlicensed operators falsely claim being licensed in Switzerland, or make reference to being licensed in jurisdictions outside Switzerland (sometimes making reference to other European territories), which may result in online gamblers interpreting such statements that these providers are legitimate and licensed.

3.3.6 Go-to-market routes

Furthermore, we asked users of unlicensed websites how they had become aware of the unlicensed operators they gamble with.

The answers (shown in Figure 7) show that internet search engines are the main go-to-market route through which Swiss gamblers find unlicensed offerings (51%) – in addition to direct website access (44%), online advertisements (44%), referrals from friends and family (39%) and referral links from other websites (35%) such as affiliates, for example.

Figure 7. "How did you become aware of the website of the international online casino(s) you played with?" (n=150, multiple choice)



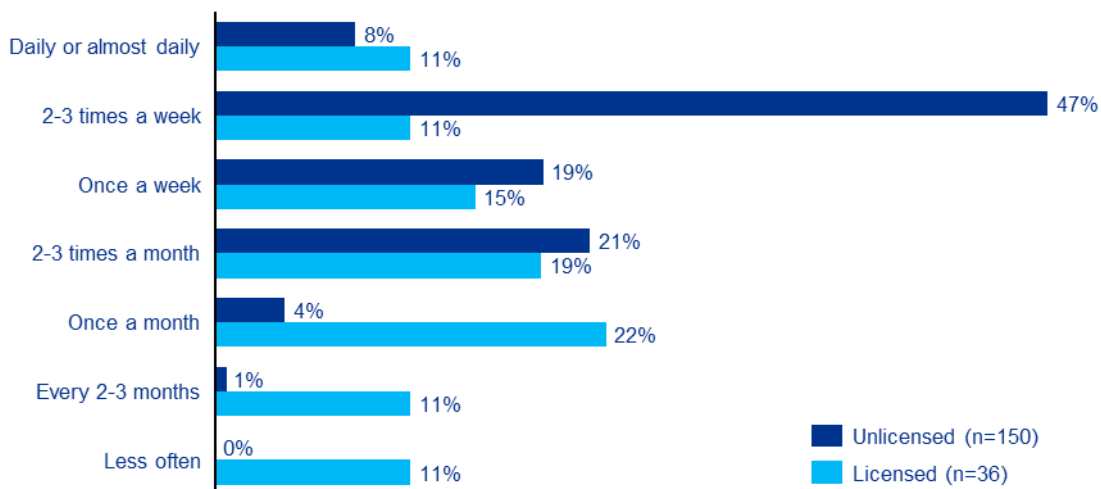
Data source(s): KPMG online survey⁹

Overall, these results highlight the importance of the role of search engine operators, advertisers and affiliates in recruiting Swiss online gamblers to offshore operators. More on this in Chapter 3.4.

3.3.7 Gambling frequency & average spend

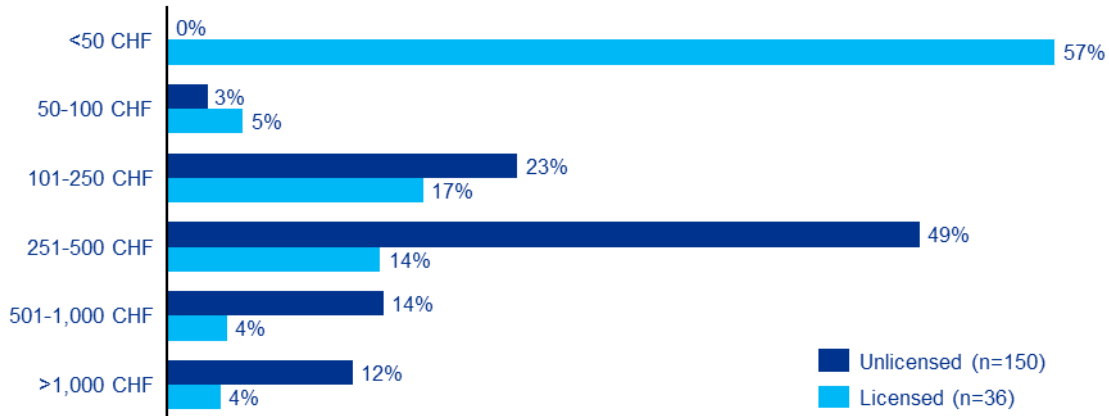
Our analysis indicates that gamblers who are active with unlicensed operators gamble more frequently (see Figure 8) and that they spend more (see Figure 9) than players who are only active in licensed Swiss online casinos.

Figure 8. "On average, how often do you play?"



Data source(s): KPMG online survey⁹

Figure 9. “How much do you typically spend per month on online casino/poker games?”



Data source(s): KPMG online survey⁹

The results of our online survey indicate that the average annual spend of gamblers primarily playing on unlicensed offshore websites is approximately CHF 7,000 per year or approximately 3.5x the average spend at Swiss online casinos.

Moreover, having interviewed previous employees of unlicensed offshore operators and game and gaming platform suppliers who used to target Switzerland, we understand that there are certain offshore operators who see even higher spends of up to CHF 10,000 per player per year – although some of this spend may pertain to sports betting rather than online casino spend.

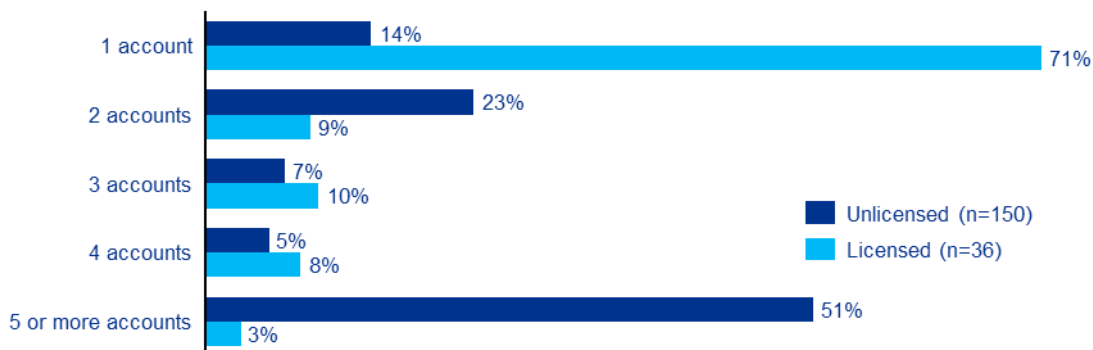
According to the market participants we spoke to, the average spend exhibited by Swiss gamblers is significantly higher than in the adjacent neighbouring European countries, which the market participants attributed to the higher average incomes in Switzerland.

3.3.8 Loyalty

According to our online surveys conducted for this study, gamblers playing primarily with unlicensed operators maintain a significantly higher number of accounts than gambler who predominantly play in the licensed market (see Figure 10).

This may suggest a somewhat higher degree of loyalty to an individual operator within the player group that sticks to the licensed market.

Figure 10. “How many active online casino accounts do you maintain with Swiss and international online casino providers, respectively?”



Data source(s): KPMG online survey⁹

3.4 Supply side: Market players

3.4.1 Relevant types of market actors

Much of this study focuses on unlicensed online gambling *operators* who are targeting Swiss gamblers. However, besides operators, there is a rich ecosystem of companies, whose role determines the market outcome. For example: Online casino operators rely on *game and gaming platform suppliers*, who supply them with games or in some instances even integrated gaming “platforms” (e.g. account management system, KYC system, etc.). Moreover, they recruit gamblers via *search engines* (either through inorganic, paid advertising or through organic search engine optimisation) and through *affiliate websites*. They rely on *banks and other payment intermediaries* to receive and make payments. And finally, the *regulator* – in the Swiss case the ESBK – determines much of the rules of the game that these actors need to adhere to. In this chapter, we discuss the roles of these different types of ecosystem actors.

3.4.2 Online casino operators targeting Switzerland

All market participants we spoke to, including those who had worked for unlicensed foreign operators targeting Switzerland, confirmed that Switzerland has historically been considered an attractive market to target for unlicensed foreign operators due to the high average spend per player.

According to the YIELD SEC report, there were over 390 casino websites illegally targeting Switzerland in 2022 (incl. “mirrors”, i.e. different URLs used by the same operator to avoid being blocked by the ESBK). According to YIELD SEC, the Top 10 operators (incl. their mirrors), control approx. 75% of the unlicensed Swiss online casino market⁷.

According to our analysis, the unlicensed operators broadly fall into two groups:

- Group 1: A handful of established brand names with a strong, often legal and licensed presence in another regulated European jurisdiction such as the UK, Italy or Malta, but who do not hold a Swiss license. These players often have a strong (sports) betting heritage in addition to online casino operations¹.
- Group 2: A long tail of smaller players, who operate predominantly with a Curaçao license (almost 80% of the cases we analysed). With a few exceptions, none of these operators control more than a small single digit percentage of the Swiss market.

According to many of the industry experts we spoke to, especially the larger players with a strong legal/licensed presence in other major Western economies are expected to increasingly work towards becoming compliant across all major jurisdictions they operate in, driven by multiple factors: For example, the experts referred to a trend of operator consolidation across various markets, which may result in an increasing number of large operators being publicly listed or under ownership of established PE firms that do not want to jeopardise the value of their reputation through legal controversies. Moreover, we have been told in multiple interviews that there is increasing consensus among EU law enforcement bodies to cooperate and enforce existing local laws more strictly, which increasingly is perceived by directors of operators involved in grey or black-market operations as a risk to their personal freedom of travel.

In contrast, companies in Group 2 are generally viewed by the market participants we spoke to as actors who knowingly and brazenly operate as black-market operators, who carefully design their operations to avoid getting caught, effectively blocked or prosecuted by the Swiss and most likely other regulators in other regulated markets – more on this in Chapter 4. According to the experts we talked to, such operators would typically devise a corporate structure that involves a headquarter outside of the EU or the Schengen area, use different entities in different markets to limit risks if one entity ran into trouble with one regulator locally, and they would carefully consider which dot-com licenses to use to target individual markets, in an effort to limit enforceability of rules that they may be breaking.

3.4.3 Role of game and gaming platform suppliers

As mentioned in Chapter 3.3 the portfolio of available games is a factor driving players' choice of online casinos. This highlights the importance of the role of game and gaming platform suppliers.

¹ As discussed in a previous chapter, an integrated offering with sports betting is an important factor for one in five Swiss offshore gamblers.

There are many game and gaming platform suppliers globally – e.g. on the ESBK’s approved game list, there are 79 unique suppliers¹⁴. While this is a relatively fragmented space, suppliers generally sell their games and gaming platforms to many different online casino operators across different geographies.

In Switzerland, unlike in other jurisdictions, there are no game supplier or gaming platform supplier licenses. Individual *games* (not game *suppliers*) are approved and whitelisted in Switzerland by the ESBK based on third-party testing lab reports (commissioned by the game supplier)¹⁴. On the basis of this whitelist, online casinos can then select from these pre-approved games.

From interviews with current and previous employees of large, leading game and gaming platform suppliers, we understand that such suppliers historically were active across both regulated and unregulated markets and that “the norm used to be playing both sides” of the market (i.e. the licensed and the unlicensed side). We also understand that serving large, international online casino operators (who may be targeting Switzerland as an unlicensed provider) is economically attractive for such suppliers, compared to the relatively small size of Swiss online casinos.

Nonetheless, we also understand that multiple leading suppliers have taken steps in recent years to move out of the unregulated or unlicensed part of the market. Specifically, two large suppliers that are relevant in the Swiss context explained to us that they voluntarily block players with a Swiss IP address when they register such an IP address trying to access their games through an international, non-licensed operator^m. They provided various reasons for doing so e.g. public ownership and therefore being subject to public scrutiny, or large business volumes with Swiss terrestrial casinos.

3.4.4 Role of search engines, online advertisers and affiliates

As discussed in Chapter 3.3.6, internet search engines and online advertisements (often brokered through search engines operators) act as important channels for unlicensed online casinos to make Swiss gamblers aware of their offering.

As part of this study, we tested which online casinos we could find by “naïvely” searching for typical search terms an interested gambler might useⁿ. In terms of direct operator offerings, we were predominantly displayed results of licensed Swiss online casinos – however, not exclusively.

Generally, the top search results were the licensed Swiss online casinos. For example, three top links when searching for “online Poker spielen” on 8 January 2024 were pokerstars.ch (licensed by Casino Davos), Swisscasinos.ch (Swiss Casinos) and jackpots.ch (Grand Casino Baden). Similarly, the top three links when searching for “online casino” on the same day were Swisscasinos.ch, Casino777.ch (Casino Davos) and mycasino.ch (Grand Casino Luzern).

However, in many instances, affiliate websites^o also showed on the top page of searches. These websites would then in some instances make references to offshore, unlicensed websites. In some, limited, instances, direct links to unlicensed, offshore operators appeared. This is clearly at odds with the prohibition for advertisements of non-licensed operators of the Federal Gambling Act.

To better understand the role of search engine operators and online advertisers, we interviewed both online casino operators who use their services (for paid advertisements, or for search engine optimization), as well as a search engine expert with direct knowledge of how online gambling advertising customers of search engine operators are handled.

Overall, we understand that the leading search engine operators are in fact applying specific processes to check the background and the legitimacy of online gambling advertisers, including whether such advertisers are licensed in the jurisdiction in which they would like to advertise in. However, we learned that such screening processes have known loopholes that are being exploited by some parties. For example: These screening processes are only designed to keep unlicensed players from placing *paid*

^m Whether this is feasible technically for the game or gaming platform suppliers depends on the degree of integration between the operator (i.e. the online casino), the gaming platform, and the individual game.

ⁿ E.g. “online casino Switzerland”, “online poker”, “play poker”, “live poker”, “online slots”, “casino games”, “gamble for money”, “online gambling”, “real money gambling”, “best Swiss online casinos”, etc. – in German, French, Italian as well as in English.

^o An “affiliate” website is a website of a third party (i.e. not the operator itself) that links to different operators, e.g. via traditional link, pop-up window, video or otherwise. Typically, these would be websites / blogs that discuss “the best online casinos in Switzerland” and then direct interested gamblers further from there (earning a commission from the operator in the process).



advertisements. They do *not* stop them from conducting clever Search Engine Optimization (SEO) – the process of optimizing a website, including the strategic use of keywords, to improve its visibility on search engines and increase the likelihood of appearing in relevant search results. As one ex-employee of an affiliate told us: “We typically did black-hat organic search engine optimisation^p with keywords that would go through the compliance checks for six to nine months before being caught – and then we would change them”. Similarly, some advertisers may attempt to get past screening processes by applying for a paid top search placement using their main website hosted in another European country, using a license in that country, where they may be a reputable, licensed operator – and then re-directing incoming Swiss traffic from there.

Most of the affiliate websites we encountered in our own tests predominantly advertised the services of unlicensed offshore operators. This observation is in line with a finding in the YIELD SEC report separately mandated by the Swiss Casino Association, which tested 118 affiliates during 2022 and found that 90% of them only promoted unlicensed operators⁷.

To better understand the roles of affiliates, we spoke to a seasoned industry expert who has held executive positions within the gaming sector, having extensive experience working with both operators and affiliates. Importantly, we understand that the economics for affiliates serving the unlicensed market are significantly better than for affiliates serving the licensed markets, as unlicensed players on average command a higher GGR per player at lower – if not zero – tax rates, enabling them to pay affiliates higher commissions for new users directed to their websites, in particular also through variable revenue sharing models.

As discussed in a subsequent chapter, the ESBK has recognised the role of affiliate websites in directing traffic to unlicensed websites and has started blocking their websites accordingly since early 2023¹⁵.

3.4.5 Role of Internet Service Providers

Internet Service Providers (ISPs) enable access to the internet. In this capacity, they are the only party that can technically block access to certain websites. Swiss ISPs are asked by the ESBK to implement such restrictions within 5 working days following the quarterly update of the ESBK block list^{13,15}.

^p Black-hat search engine optimisation refers to manipulative practises used to increase a website's search engine ranking by exploiting weaknesses in the ranking algorithms.

4. Rules and their enforcement

4.1 Overarching regulatory framework

In all online gambling markets, the specifics of the regulation are key factors shaping the market environment.

Compared to the two largest gambling markets in Europe, the UK and Italy, Switzerland was relatively late to regulate the online gambling market⁹, although somewhat earlier than other major markets that only introduced their online gambling acts recently e.g. Germany and the Netherlands[†]. As a consequence, the current regulatory framework has not yet had enough time to fully play out its effects on the Swiss market landscape.

However, broadly speaking and in international comparison, the key features of the Swiss regulatory framework are the following:

- Online casino games can only be offered by Swiss license holders i.e. the 21 currently existing terrestrial casinos. This is more restrictive than in jurisdictions such as the UK, Italy or the Netherlands, but more liberal than in some other jurisdictions such as Norway, where online casino games are not allowed at all (only betting is), or Austria, where there is a state monopoly on online casinos;
- The Swiss regulation splits supervision of online casino games to ESBK and betting/lotteries/bingo to GESPA. It does not allow Swiss online casinos to offer betting/lottery/bingo products (and vice versa), unlike in countries such as the UK, Italy and Sweden where operators may offer a broader range of gambling products;
- The Swiss regulation includes an advertising ban for unlicensed offerings, which is a feature of most regulatory regimes;
- The Swiss regulation allows for website blocking of unlicensed websites, as does regulation in some other jurisdictions e.g. Germany and Italy;
- The Swiss regulation does *not* allow blocking of financial flows, as opposed to some jurisdictions like Italy, Germany, Sweden, or the Netherlands¹⁶;
- The Swiss regulation involves a casino tax rate that progresses from 20% to 80% of GGR⁵;
- The Swiss regulation involves tax-free winnings below CHF 1m stemming from licensed operators^{17,18};
- The Swiss regulation does not involve a licensing requirement for game and gaming platform suppliers, unlike regulation in the UK and in Sweden, for example;
- The Swiss regulation mandates the maintenance of a player blacklist. Operator-level player blacklists are common across other European jurisdictions and there are efforts in some jurisdictions (e.g. UK) to move towards cross-operator blacklists similar to the one maintained in Switzerland;
- The Swiss law intentionally does not seek to punish gamblers/consumers for playing¹⁵.

The overarching goals of this regulatory framework are player safety and protection, while raising tax revenues for the benefit of the old-age, survivors' and disability insurance (AHV) and for charitable purposes².

4.2 Key rule enforcements of the Swiss regulator

To better understand the enforcement of the Swiss rules and the corresponding considerations by the regulator, we had the opportunity to speak to the ESBK in the context of this study. This chapter summarises our understanding of the key activities of the ESBK to enforce the Federal Gambling Act and the Federal Gambling Ordinance, as well as the experiences the body made and the challenges it encountered in this context.

⁹ Swiss Federal Gambling Act in 2019 came some 14 years after the UK (2005) and 13 years after Italy (2006).

[†] Both Germany and the Netherlands regulated online gambling in 2021.

4.2.1 Website blocking

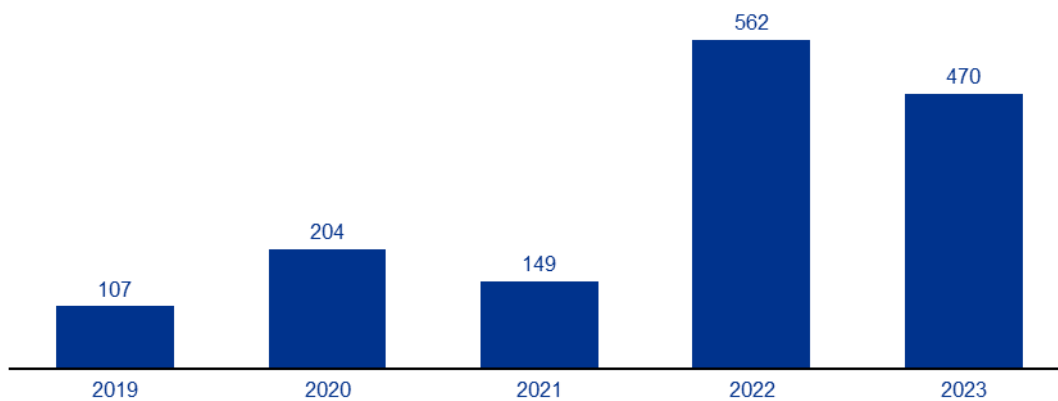
The Federal Gambling Act (2023, Art. 86) allows the blocking of websites. It makes the ESBK responsible for maintaining the respective list and the ISPs for implementing it. We understand that as per current practice, the ESBK updates such a list on a quarterly basis¹⁵.

The ESBK does not actively search for unlicensed operators targeting the Swiss market but relies on the Swiss online casinos and other third-party sources to report such unlicensed operators to the ESBK.

According to the ESBK, since 2023, it has started including not only unlicensed operators, but also affiliates advertising primarily for unlicensed operators on its block list, as it recognises the role of such affiliates in driving traffic for unlicensed operators¹⁵.

As of December 2023, the ESBK’s block list featured 1,492 domains, with a significant increase in the number of domains added since 2021 (see Figure 11).

Figure 11. Number of websites added to the ESBK block list, by year



Data source(s): ESBK¹⁹

In terms of the effectiveness of these blockages, the ESBK has encountered multiple challenges.

First, website blockages are a “game of cat and mouse”. The “true” black market actors simply change their website URL after being blocked (for example, by changing “offshorecasino.com” to “offshorecasino1.com”). We have been told of providers who even e-mail their clients informing them of a change of URL shortly after being put on the block list. The ESBK’s block list shows this phenomenon clearly: For some providers, there are more than 20 mirror URLs through which Switzerland has been targeted historically¹⁹.

Second, implementing blocks requires the ISPs to implement the block list technically. There are approximately 200 such ISPs in Switzerland²⁰. According to the ESBK, the implementation of this remains a challenge. Larger ISPs generally implement the updated blocking lists quickly and reliably. However, the ESBK does not have sufficient resources to comprehensively monitor the implementation by smaller ISPs, effectively resulting in a situation where websites that should in theory be blocked may not practically be blocked for all internet users in Switzerland. We understand from the ESBK that it is currently working on getting direct technical access to the ISPs to be able to test automatically whether the required blocks have been implemented, to close this loophole¹⁵. We performed our own checks as part of this study and found indeed that via one of the top 3 ISPs in the country, we could access less than 30% of websites on the block list, while with a smaller ISP we tested, approximately 70% remained accessible despite of being on the ESBK’s current block list, effectively confirming the challenge described to us by the ESBK.

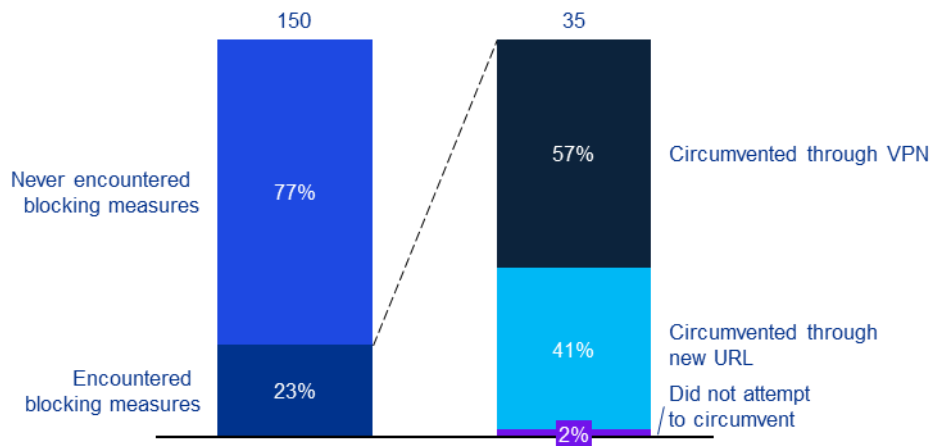
Third, there are technical ways to circumvent website blocks by consumers, such as Virtual Private Networks (VPN) or peer-to-peer connections that dedicated gamblers can use to access their favourite websites even if they are blocked. The online survey we conducted for this study indicates that approximately 21% of gamblers on unlicensed websites have used VPN before to circumvent a block, indicating that this is a method that is being made use of – albeit only by a minority of gamblers at this moment⁹.

Fourth, DNS blocking is not as effective as IP-blocking. While IP blocking targets the server’s numerical address directly, DNS blocking only targets a specific domain name (with potentially multiple domain names redirecting to the same content).

According to the YIELD SEC report mandated by the Swiss Casino Association, the increasing use of the ESBK’s block list had a constraining impact on the unlicensed market during 2021⁷.

However, in a noteworthy finding of our online survey, 77% of respondents who had used unlicensed websites in the last 12 months, i.e. during a period where the ESBK had been making active use of the block list, indicated not having encountered any blocking measure in the past (see Figure 12). In combination with the fact that many of the same respondents indicated not being aware of the illegality of unlicensed operators (see Figure 6), this implies that a further tightening of the effective handling of the blockage (e.g. active and perhaps tech-powered search of unlicensed operators targeting Switzerland, automated checks of block list implementation by ISPs) may indeed have a further desired impact.

Figure 12. “Have you ever encountered such a measure (e.g. blocked website) when trying to access an international online casino/poker provider?” (n=150)



Data source(s): KPMG online survey⁹

4.2.2 Advertising prohibitions

As mentioned above, the Federal Gambling Act (Art. 74 and 131) bans advertising for all unlicensed gambling activities within Switzerland². Based on our interview, we understand that the ESBK executes this ban by contacting the responsible ad publisher and requesting them to take down such marketing communication¹⁵.

Similar as in the case of website blocking, the ESBK does not actively search for such advertisement, but relies on the Swiss online casinos and other third-party sources to report suspicious marketing activity.

Besides the ESBK acting as the executing authority, advertisement platforms and affiliates also play a key role in putting such an advertisement ban into practice (as discussed in Chapter 3.3.6).

In addition, influencers on social media and streaming platforms also wield significant influence. While jurisdictions such as Germany and Norway already tackle this channel, especially to protect the younger users, by contacting such platforms and informing them about their illegal practices¹⁶, the Swiss regulator is not yet active in this space to our knowledge.

We understand from various industry experts that in the context of advertising prohibitions the “devil is in the detail”. For example: According to the ESBK, advertising for an offshore operator per se (e.g. “brand-building” advertisements) are not punishable unless if those operators indeed enable Swiss users to register on the platform and if funds can actually be paid in. Furthermore, some unlicensed casinos have managed to successfully sponsor Swiss sports teams whose main events/competitions physically take place outside of Switzerland, but which are broadcasted to Swiss audiences. In some of



these instances, we understand that the ESBK does not consider sponsoring to fall under the definition of advertising.

Regarding the efficacy of advertisement bans, numerous challenges should be considered.

First, as Figure 7 in Chapter 3.3.6 shows, 51% of respondents who had used unlicensed websites in the last 12 months first became aware of their currently used offshore online casino(s) via search engine key word lookups. However, the Swiss advertisement ban does not come to force in relation to organic search results.

Second, many online advertisement providers reside outside of Switzerland which makes it challenging to enforce legal actions in case of breaches of the advertisement ban. Particularly if the country's legislation does not prohibit advertising unlicensed online casinos (which is the case in many of the relevant foreign jurisdictions), the Swiss regulator may not be supported in enforcing such bans. The same challenge applies to internationally broadcasted sports events, for example, where online casino operators that are considered offshore and unlicensed in Switzerland are promoting their offering.

Third, similar technical challenges as for the website blocking also apply to the advertisement ban – for example, VPN can be used to access blocked sites of affiliates, for example.

Nevertheless, as Figure 7 also shows, paid online advertisements (e.g. via social media platforms) are the second most important recruiting tool of unlicensed online casinos. This underlines that further building on that measure might have a significant impact on awareness of unlicensed online casinos in the Swiss market.

4.3 International market opinions

Compared to other European jurisdictions, Switzerland's regulatory regime can be described as being "middle of the road" – less liberal than some other jurisdictions who allow private competition from foreign online casinos, e.g. UK, Netherlands, Italy, and Sweden, but decidedly more so than countries with monopolies or outright bans of certain categories of online gambling, e.g. Norway.

Since all gambling regulation must consider the trade-off between player protection/control and economic benefit, the degree of "channelisation" (i.e. the percentage of gross gambling revenue made through licensed operators, as opposed to unlicensed ones) is one important KPI many international regulatory experts use as a sign of the success of a particular regulatory regime. By this measure, countries like the UK (channelisation of over 90% according to H2GC) or Italy (approx. 90%) have been quite successful in concentrating online gambling activities within the licensed market⁶. One characteristic that these two countries have in common is that they regulated the industry *early*. According to the international market participants and regulatory experts we spoke to, this legal clarity enabled operators to develop a mature offering within the respective legal framework over many years – while in jurisdictions where online gambling was not clearly regulated at that time, international operators moved in anyway (in the absence of technical or legal constraints) and were able to build a customer base which continued to play with these operators later, even if such operators by then had become outlawed.

Additionally, international observers noted that the more liberally-regulated countries – i.e. those allowing the presence of multiple operators (as opposed to a monopoly), private operators, and even foreign private operators – tend to have higher channelisation rates, presumably due to a more diverse and engaging offering. Again, the UK and Italy are two such examples – but also some other countries in Europe that have changed their regulatory approach over time provide interesting lessons learned. Sweden, for example, has moved from a very restrictive to a rather liberal regime. Until December 2018, online gambling was monopolized (Svenska Spel). By 2018, channelisation of online casino and poker games was only 2.8% according to H2GC, implying that over 97% of online casino games were played in the unlicensed market instead of with the state monopoly. Subsequently, in January 2019, Sweden allowed the entry of foreign private operators (subject to being granted a license by the Swedish Gambling Authority), which had an immediate positive effect on channelisation. By 2022, channelisation had reached over 86%⁶. By contrast, Norway continues to operate a highly restrictive legal framework, with the state-owned Norsk Tipping and Norsk Rikstoto holding the exclusive rights to offer gambling and horse race betting, respectively, and any other entities providing gambling services being prohibited. This also leads to significant product restrictions (e.g. traditional casino games such as blackjack, roulette and slots are not currently offered by the state monopoly and can thus only be supplied by



offshore operators)⁵. According to H2GC, Norway's channelisation rate is well below that of the other, more liberal examples mentioned above (62% in 2022, although it has increased from about 50% in 2015)⁶.

According to H2GC, channelisation for Switzerland is approximately 70% - i.e. lower than in the more liberal regulatory regimes mentioned above, but higher than in more restrictive ones, such as Norway⁶. Note that our own estimate for channelisation on the basis of this study is lower (approx. 60%), as shown in Figure 2, but we did not attempt to make such an estimate for any of the international comparison points.

Importantly, overall, the international market participants we spoke to in the context of this study described a perception that the Swiss market had over the last years become "more license-oriented", that the "block list was becoming denser" and that "regulation is increasingly paying attention to what's happening in the unlicensed space". While in the past, many experts perceived Switzerland as an attractive target for international online casinos without qualifiers, they now feel that one has to be an increasingly "bad faith actor" to continue to target Switzerland's unlicensed market, as there is an increasingly restricted "grey area" to operate in. This general perception by the market participants is supported by the fact that the ESBK has made several recent moves to become stricter in its enforcement of the existing rules, e.g. through more frequent updates of the website block list, by increasingly moving to block bad faith affiliates, and by working towards testing whether ISPs' implementation of the website blocks is indeed done¹⁵.

However, looking forward, the international market participants also independently mentioned the possibility that "the player blacklist in Switzerland is very strict" and that this might result in a decrease of the addressable market for the licensed operators over time – to the benefit of the unlicensed foreign operators. This is based on their understanding that the current blacklisting practice is potentially resulting in a high number of "false positives", i.e. people who can afford to gamble but are unwilling or not responsive enough to share sufficient information on their income or assets to avoid being blocked. Once these players are blocked, they are a potentially attractive source of income for the unlicensed actors targeting gamblers based in Switzerland. In the context of our analyses, we could neither confirm nor reject this hypothesis as this would require access to case-by-case data on players who were blacklisted and removed from the blacklist again, including significant access to personal data, which we do not have.

⁵ Exceptions are in place for non-profit organisations.

5. Potential regulatory considerations for Switzerland

During the course of our enquiries and in the context of the market conversations we conducted, we have encountered several ideas for improvements in current enforcement practice, as well as potential changes in the legal framework governing the Swiss online casino market. In combination with the independent analyses we performed as presented in the previous chapters of this study, we have identified eight considerations that might potentially result in improvements to the Swiss online gambling ecosystem.

Some of these recommendations concern current implementation practice and could theoretically be implemented without any amendments to the Federal Gambling Act. Others would require a change in the law. Regarding the latter, it is important to note that such considerations should not be perceived as formal policy recommendations, but as elements of analysis to support discussions at the political level. Ultimately, the merit of these considerations depends on the interests and perspectives of the parties involved.

As a preliminary remark, it is important to acknowledge that it is unrealistic to assume the unlicensed market can be reined in completely. This has been shown historically by restrictive regulatory regimes elsewhere and it is clearly recognised by all the stakeholders we spoke to, including the Swiss online casinos and the ESBK. However, based on the analysis above, we do believe that further channelisation improvements could be achieved with some of the considerations below.

5.1 Doubling down on current efforts

In our view, the ESBK's current measures (e.g. website blocking, advertising bans) are indeed critical. According to the YIELD SEC report, website blocking in particular has had a measurable negative impact on traffic to unlicensed websites during the pandemic when it was difficult for operators illegally targeting Switzerland to adapt to new server or mirror locations in the face of lockdowns, although it also shows that some operators are still successful at circumventing the block list⁷. Similar measures are also in place in other jurisdictions and are proven tools to rein in the unlicensed market.

However, our analysis above has shown that such measures still have room to be implemented more effectively, e.g. by ensuring that all ISPs effectively implement it for all websites on the block list (which the ESBK is already working on), or potentially by considering the use of new technology to help proactively identify bad actors (e.g. new operators, new mirror sites, advertisers, etc.).

This suggests that a continuation of these efforts should yield positive results for the licensed online gambling market.

No changes to the Federal Gambling Act are required for this measure².

5.2 Improve consumer awareness

As discussed in our analysis, there seems to be a significant lack of consumer awareness about the illegality of unlicensed platforms (see Figure 6).

One way to change this is through website blocks or warning messages – but this requires full block list implementation by the ISPs as discussed above. However, this only captures websites that are on the block list, and there will always be some that are not (yet).

Therefore, in addition to the blocklisting practice, it may be worthwhile considering the merit of consumer awareness campaigns to educate consumers about the risks of engaging with black-market operators and to encourage them to choose licensed and regulated platforms.

No changes to the Federal Gambling Act are required for this measure².

5.3 Investigating the prevalence of “false positives” triggered by current social concepts

All Swiss online casinos we spoke to unilaterally supported the blacklisting of players with potential addiction problems.

However, as outlined above, they fear that the currently applied social concepts may result in a large number of “false positives”.

As mentioned above, we were not able to confirm or reject this hypothesis.

However, we do understand that the social concepts in place were developed by the Swiss online casinos themselves, separately, and approved by the ESBK. From the Swiss online casinos, we understand that once such concepts are approved, it is difficult to change them.

Unless this has already been done, it may be worthwhile initiating a project to independently review the ratio of false positives triggered by the current social concepts.

No changes to the Federal Gambling Act are required for this measure². We understand that even if social concepts were allowed to be changed as a consequence of such a review, this would not require a revision of the law either.

5.4 IP-blocking instead of DNS blocking

From a technical perspective, Switzerland is currently blocking websites based on “DNS-blocking” only, DNS blocking targets a very specific domain name (e.g. “offshore-casino.com”), but can be easily circumvented by setting up a new domain name (e.g. “offshore-casino1.com”), redirecting to the same content. On the other hand, IP-blocking does not target the domain name only, but the IP address of the server where the content is stored. From a technical perspective, IP-blocking would be more effective than DNS-blocking and would make the URL-mirroring process currently used by the unlicensed casinos targeting the Swiss market more tedious. However, IP-blocking comes with a significant false-positive risk: With many online services now being stored on cloud resources, a legitimate website may share the same IP address as an unlicensed online casino operator and might therefore be inadvertently blocked should IP-blocking be implemented.

We understand that it is for this reason that the ISPs, the ESBK and the GESPA (for betting activities) are currently considering IP-blocking as a disproportionate measure¹⁵.

5.5 Impact of the separation of online casino and sports betting offerings

In comparison to international competitors, Swiss online casinos are already inherently limited in their size due to their geographic coverage (Switzerland only, a country of 7.2m adults). Moreover, while both online casino offerings and sports betting offerings are legal¹, the operator landscape is further divided through a strict separation by law between online casino offerings and sports betting. This is not the case for many large international operators, who offer both online casino games and sports betting.

As presented in the results of our online survey (see Figure 4) such an integrated offering with sports betting and online casino games is a relevant selection criterion for about 1 in 5 gamblers currently using unlicensed offerings. Furthermore, the YIELD SEC report has shown that sports betting is used as an acquisition channel for the online casino offerings hosted by international sports betting and casino platforms⁷.

Against this background, it may be worthwhile re-considering this structural limitation to the scale of Swiss operators as a measure to drive further channelisation.

Based on the Swiss Constitution (Art. 106)¹⁴, the regulatory remit for casinos (including online casinos) rests with the Swiss Federation, while the regulatory remit for sports betting rests with the Cantons. Within this existing framework of the Constitution, the current regulation of the Swiss Gambling Act² (Art. 61 and 62) does not enable a combined business model.

5.6 Financial transaction blocking

Some countries such as Germany or Italy have implemented the blocking of financial transactions (e.g. when a gambler tries to fund their online gambling account using a wire transfer to an unlicensed provider, the financial institution is asked not to execute that transfer). Some interviewees we spoke to suggested such measures.

However, such measures were already considered in the Swiss political process at the time of the discussions around the 2017 Federal Gambling Act, but were explicitly discarded from the list of potential measures.

¹ Provided that they are offered by a licensed Swiss operator.

¹⁴ Art. 106 states that sports betting is to be licensed and supervised by the Cantons.

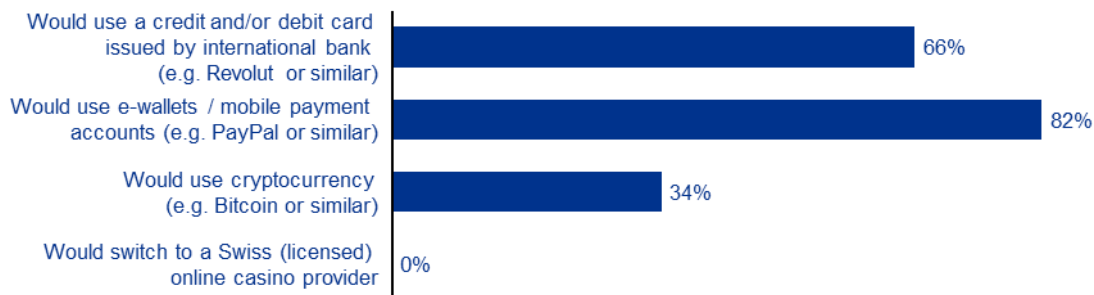
We understand such measures would create additional costs, efforts, and complexity for the banking system and the regulator.

In our survey, we asked consumers playing on unlicensed websites not only how they prefer funding and withdrawing funds from their accounts (see Figure 5), but also what their reaction would be if transactions were blocked going forward. Not a single respondent indicated a willingness to switch to a licensed online casino as a result – instead, they claim they would use alternative payment and withdrawal methods (see Figure 13).

In our view, this makes payment blocks a measure that might indeed have an unfavourable cost-benefit mix.

We do not have any further detail on the specific experiences made with payment blocks abroad.

Figure 13. "What would you do if payments to international gambling platforms were restricted?" (n=150, multiple choice)



Data source(s): KPMG online survey⁹

5.7 Licenses for game and gaming platform suppliers

Game suppliers and gaming platform suppliers do not currently require a license under the Federal Gambling Act.

However, the game offering is a key decision factor for gamblers, as presented in Figure 4. Moreover, game suppliers, especially those who also provide integrated gaming platforms, have the technical means to restrict access based on the location of a player (IP-based) and some suppliers are doing this as a voluntary measure already today (see Chapter 3.4.3).

Several (ex-)employees of large suppliers we spoke to raised the idea of potentially attributing licenses to game and gaming platform suppliers (as is done in certain other jurisdictions like e.g. Sweden and the UK¹⁶). The underlying hope would be that the regulator in the context of the licensing process would check whether these providers are active on the unlicensed market and revoke their license in such event. This is opposed to the current process which focuses on ensuring the fairness of the games (e.g. payout ratios). According to the people we spoke to, the hope would be that this might help drive game and gaming platform suppliers to the right side of the market, because it would make them unable to do any business with the licensed Swiss casino sector if they were in breach. In addition to this (economic) argument, being revoked a license also results in reputational damage to a supplier.

However, we understand from conversations with other experts that such a regime would also give rise to the possibility of unintentionally driving suppliers to only work with the unlicensed sector if they are forced to make a choice – as working with some of the large, international unlicensed operators may be economically more attractive. If this happens, it might result in the unintended effect of leaving the licensed Swiss casinos with less choice of available games, which would lead to a significant competitive disadvantage given that the choice of games is a key decision factor for gamblers. We understand that several Swiss online casinos believe this is a real risk and that they do not support such a potential measure. It is for this reason that the current Federal Gambling Ordinance (Art. 8) explicitly mentions that game suppliers or gaming platform suppliers may also be active in unregulated markets¹³.

Introducing a licensing requirement for game and gaming platform suppliers would require a revision of the Federal Gambling Act².



5.8 Player taxation or punishments

From our understanding of the political discussions at the time of the 2017 Federal Gambling Act, we understand that further taxation or punishing consumers for making use of unlicensed offerings is out of the question in the Swiss context.

Appendices

A. List of market interviews

Interviewee profile	Organisation
Head of online casino	Leading Swiss online casino
Head of online casino	Leading Swiss online casino
Head of online casino	Leading Swiss online casino
CEO Head of online casino	Leading Swiss online casino
Commercial director	Leading international game and gaming platform supplier
Ex-chief legal officer	Leading international game and gaming platform supplier
Account strategist	Leading search engine / advertiser
Non-executive chairman	International affiliate
Ex-employee in charge of growth (incl. targeting Switzerland)	Offshore online casino operator
Head of Secretariat Head of Supervision	ESBK

B. Sample description of our online surveys

We conducted two online surveys to support this study. The first survey was conducted among 1,000 respondents representative of the Swiss population. Weighting was applied to the survey results to ensure the representativeness of the sample^v. The table below shows the sample characteristics.

The second survey was conducted on a smaller sample of 150 individuals who had indicated being active users of unlicensed international online casinos. This survey is by nature not representative of the general Swiss population, but a sub-sample of active users of unlicensed gambling websites.

The tables below present the characteristics of our survey samples.

^v Weighting is a statistical technique used to adjust the importance of individual data points within a sample based on specific characteristics (here: age, gender, region, and income based on official statistics from the Federal Office of Statistics).



Survey 1 sample description (n=1,000 – representative of the Swiss population)

Description of the survey sample		
	Count	%
Age group		
Less than 18 years old	-	-
18-24 years old	101	10%
25-34 years old	168	17%
35-44 years old	172	17%
45-54 years old	193	19%
55-64 years old	149	15%
65 years old and older	217	22%
Total	1,000	100%
Gender		
Man	490	49%
Woman	510	51%
Other / non-binary	-	-
Total	1,000	100%
Region		
Eastern Switzerland	138	14%
Zurich	179	18%
Central Switzerland	95	10%
Northwestern Switzerland	136	14%
Espace Mittelland	219	22%
Lake of Geneva region	192	19%
Ticino	41	4%
Total	1,000	100%
Income bracket		
Less than CHF26'000	135	14%
CHF26'000 to CHF52'000	154	15%
CHF52'001 to CHF78'000	258	26%
CHF78'001 to CHF104'000	177	18%
More than CHF104'000	175	18%
Prefer not to answer	101	10%
Total	1,000	100%



Survey 2 sample description (n=150 – sample of Swiss gamblers who play on unlicensed online casino websites)

Description of sample survey 2 (n=150)		
	Count	%
Age group		
Less than 18 years old	-	-
18-24 years old	5	3%
25-34 years old	77	51%
35-44 years old	61	41%
45-54 years old	6	4%
55-64 years old	1	1%
65 years old and older	-	-
Total	150	100%
Gender		
Man	140	93%
Woman	10	7%
Other / non-binary	-	-
Total	150	100%
Region		
Eastern Switzerland	10	7%
Zurich	58	39%
Central Switzerland	15	10%
Northwestern Switzerland	21	14%
Espace Mittelland	38	25%
Lake of Geneva region	8	5%
Ticino	-	-
Total	150	100%
Income bracket		
Less than CHF26'000	1	1%
CHF26'000 to CHF52'000	5	3%
CHF52'001 to CHF78'000	75	50%
CHF78'001 to CHF104'000	50	33%
More than CHF104'000	19	13%
Prefer not to answer	-	-
Total	150	100%

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