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## State monopoly on gambling on the example of the organization lotteries by state-owned banks

### Державна монополія на гральний бізнес на прикладі організації лотерей державними банками

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#### Abstract

The article analyzes the model of absolute state monopoly on gambling on the example of the idea of the Government of Ukraine to organize a lottery market by state-owned banks. The object of the study is the process of assessing the risks and economic benefits of involving state-owned banks to the organization and conduct of lotteries. The methodical instruments of the study were general scientific and special research methods (system-structural, formal-logical (dogmatic), economic, comparative, sociological, statistical). The study period is selected from 2014 to 2021. Based on the research conducted by the authors, the inefficiency and high riskiness of the combination of banks and lottery activities, as well as its economic disadvantage for the state, is proved by the authors. The main risk from the combination of these types of activities is that the bank can use the money attracted from the population not for their direct purpose, in particular: to use funds from the banking activity

#### Анотація

У статті проводиться аналіз моделі абсолютної державної монополії на гральний бізнес на прикладі ідеї Уряду України організувати лотерею на базі державних банків. Об'єктом дослідження є процес оцінки ризиків та економічних вигод від залучення державних банків до організації та проведення лотерей. Методичним інструментом дослідження були загальнонаукові та спеціальні методи дослідження (системно-структурні, формально-логічні (догматичні), економічні, порівняльні, соціологічні, статистичні). Період дослідження обрано з 2014 по 2021 рік. На основі проведеного авторами дослідження доведено неефективність та високу ризикованість поєднання банківської та лотерейної діяльності, а також її економічну не вигідність для держави. Основний ризик від поєднання цих видів діяльності полягає в тому, що банк може використовувати залучені від населення гроші не за прямим призначенням, зокрема: на використання коштів від

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and the needs of the organization of lotteries or payouts, or to use funds of the prize money to goals other than payouts. In addition, the combination of these activities leads to an increase the number of crimes in the banking sector.

**Key words:** gambling, lotteries, state monopoly, banking activities, evidence, crimes in gambling sphere, fraud.

### Introduction

There are three main models of public gambling management in the world: a total ban on gambling (Afghanistan, Pakistan, Saudi Arabia, Iran, Bahrain, Azerbaijan, Iceland, Brazil, Indonesia, Thailand, Algeria, Libya, Sudan, Central Africa and others); free gambling market (Ukraine until 2009, Malta, Gibraltar, Monaco), state monopoly on gambling (all European countries). State monopoly on the organization and conduct of gambling is existed in various forms: absolute state monopoly, state monopoly of a private company, oligopoly, limiting the maximum number of gambling establishments, limiting the permitted types of gambling, etc. Absolute state monopoly provides that the organizer of gambling is one or more state-owned companies; private organizers are not allowed to work in the state.

In Ukraine, several times in bills or bylaws proposed to organize gambling and lottery markets on the principle of absolute state monopoly. In May 2017, the Ministry of Finance of Ukraine published for discussion a new draft for licensing conditions for the conduct of economic activities for the issue and holding of lotteries. The proposal to change the state policy in the regulation of lottery activities, redistributing the market in favor of state-owned banks is new for Ukraine. Today, the license for the issue and holding of instant lotteries in Ukraine has the State Oschadbank, but has not conducted its own lotteries since 2007, its share in the lottery market until 2007 was also insignificant and did not significantly affect both the market and its banking activities.

The Cabinet of Ministers of Ukraine and the Ministry of Finance of Ukraine insist on granting such a right to state banks, motivating their decision by the necessity of organizing a competitive lottery market and increasing revenues to the budget to 2 billion hryvnias. The National Bank of Ukraine strongly opposed this, basing its decision on the fact that lottery activity is risky for banks, and therefore can cause

банківської діяльності та на потреби організації лотерей чи виплат, або використовувати кошти призових коштів на цілі, відмінні від виплат вигравшів. Крім того, поєднання цих видів діяльності призводить до збільшення кількості злочинів у банківській сфері.

**Ключові слова:** азартні ігри, лотереї, державна монополія, банківська діяльність, докази, злочини в сфері грального бізнесу, шахрайство.

damage to the banking system. The Antimonopoly Committee of Ukraine supported the position of the National Bank of Ukraine. Such discussions between government bodies, experts, market participants and academics have been going on for almost two years now.

Due to the lack of a single government approach to the formation of state policy in this area, the presence of opposing positions and arguments of the parties, the problem of the necessity of conducting complex research and risk assessment of attraction of state banks of Ukraine to lottery activity, as well as economic analysis of projected results of implementation such innovations for state banks and for the state.

### Theoretical framework

The history of lotteries as a financial instrument of accumulation and distribution of money is very long. Thomas Gataker in his book *The Nature and Uses of Lotteries* gave the first systematic exposition of a modern view of lotteries, not just as a form of gambling, but as a fair method of division (Gataker, 2013, p. 172-175).

D. O. Getmantsev in his monograph examines the general issues of legal regulation of contracts on games, concepts and types of lotteries, the main principles of regulation of the lottery market in Ukraine and foreign countries (Getmantsev, 2008, p. 40). S. G. Osyka devoted his work to the study of issues of legal regulation of gambling and lottery activity in individual states and at the interstate level (Osyka, 2011, p. 343). These works are very valuable, the general theoretical positions set forth by the authors underlining the research, but since the writing of works in virtually all foreign countries, the state policy on regulation of the lottery market and legislation has changed, which stipulates the need for further scientific research.

V. M. Dorohykh in the candidate's thesis investigates the issues of administrative and legal regulation of gambling business in Ukraine (Dorohykh, 2004, p. 19), however, in 2009 gambling business is prohibited, in connection with which the state policy in this area has changed.

M. O. Lyskov in his doctor's thesis investigates the issues of public administration of the lottery sphere, focusing on public administration means (Lyskov, 2017, p. 272).

Thus, scientists in Ukraine have devoted little attention to the issues of legal regulation of gambling and lottery business. Most of the modern research is devoted to the fight against illegal gambling and to the problems of investigation in the criminal proceedings against gambling (which has been prohibited in Ukraine since 2009).

For example, N. O. Petrychko examines the criminal law and criminological problems of illegal gambling (Petrychko, 2010, p. 73). She focuses on the need to select victims of this crime, because gambling creates gambling addiction, which manifests itself in uncontrollable and often repeating episodes of the game. R. O. Pinyaga devoted his candidate's thesis to the crimes related to gambling (Pinyaga, 2015, p. 21). In this work, the author emphasizes that gambling is a risky activity that is always associated with financial fraud, including in banks and money laundering from this crime. M. A. Pohoretskyi and Z. M. Toporetska consider the peculiarities of the investigation of the gambling business (Pohoretskyi, & Toporetska, 2015, p. 250). In this monography the authors cite modern ways of disguising gambling business for lottery activity, as well as paying attention to the peculiarities of legalization of criminal proceeds from gambling business using the banking system. V. V. Vysotska considers the issue of criminal-legal analysis of the crime of occupation by gambling business (Vysotska, 2016, p. 172).

There are very little scientific works on the problem of holding lotteries by banks in the world, while maintaining a common proper it is forbidden hold lotteries by banks. In separate publications proposed to the banks to conduct promotional draws for bank customers instead of lotteries. For example, creating a deposit program «save to win» with a prize draw allowed banks to more actively involve the population in accumulating funds in the banking system.

**Unsolved aspects of the general problem.** The analysis of the above-mentioned works testified that in scientific researches general issues of choice of models of regulation of the lottery and gambling market in different countries were covered. The considerable attention of scientists is devoted to questions of criminal struggle against illegal gambling. Problems of organization of gambling by state companies and the issue and holding of lotteries by state banks in the scientific literature have not yet been investigated, which, together with the intensification of discussions in the state on this issue, has led to the need for in-depth study.

The **aim of the article** is the study and assessment of absolute state monopoly on gambling on the base of assessment the state idea to involve Ukrainian state-owned banks in organization and conduction lotteries on the basis of studying foreign experience in organizing the lottery market, conducting own empirical studies, as well as own calculations of the effectiveness of such activities for banks and economic benefits to the state.

The **object** of the study is the process of assessing the risks and economic benefits of involving state-owned banks to the organization and conduct of lotteries.

The **subject matter** of the study is the requirements to lotteries in the current legislation of Ukraine; factors, causes of the risk combination of lottery and banking activities; economic indicators of the activity of state banks of Ukraine; activity of banks of foreign countries, which carry out lottery activity.

### Methodology

In scientific research were used general scientific and special methods of research (system-structural, formal-logical (dogmatic), comparative, sociological, statistical). Methods of generalization and logical analysis were used to distinguish and group risk factors of the combination of lottery and banking activities. Using the sociological method of research, the authors conducted a survey of practicing bank employees and clients of banks, which revealed that lack of awareness of bank employees with the specifics of lottery activity, as well as a decrease in customer confidence in the bank in the event of a combination of a bank lottery and banking activity. Economic methods were used in assessing the value of organizing lottery business, assessing the economic performance of banks. Statistical methods were used in the study

of the statistical information of the National Bank of Ukraine regarding the main indicators of banks' activity.

## Results and discussion

### Foreign experience in organizing and conducting gambling

The absolute state monopoly on the organization of the gambling business is to allow gambling exclusively for one company, which is wholly or partly state-owned, exists in France, Austria and Denmark. France is the sole operator of Francaise des Jeux for the state-owned casino, 72% of which is state-owned, Denmark is the state-owned Danske Spil A / S, 80% of which is state-owned, 10% of the Danish Sports Federation and 10% of the Gymnastics and Sports Association, and 70% in Austria Casinos Austria AG, owned by the state (Pohoretskyi, & Toporetska, 2014, p. 73).

In most countries, state monopoly means allowing socially harmful activities within a strict framework that will minimize such harm to individual members of society (Agrawal, & Trandel, 2019). Instead, the compensator of this school is the financing of various spheres of public life through contributions from the gambling business for good deeds (Cheng, & Ma, 2018, p. 235).

Lotteries in most European countries are a form of gambling, and therefore are organized on the principles of state monopoly. Lottery activity in the world is one of the financial instruments of the state on voluntary accumulation and redistribution of funds from the population for social purposes. Finance has a monetary form of expression, since financial relations are not possible without the movement of money. Money is the material bearer of financial relations, and their amount in circulation (money supply) affects the efficiency of the functioning of the financial system (Pohoretskyi, Vakulyk, & Serhieieva, 2015, p. 134). In fact, the lottery is an additional voluntary method (along with taxes) involving the money from the population, their redistribution in the game, and the transfer to the budget (deductions from the operator of gross game income) to finance them at the expense of "good deeds" - culture, sports, cinematography, treatment of complex illnesses, etc continues (Getmantsev, 2008, p. 42).

In accordance with paragraph 2 of Part 1 of Art. 1 of the Law of Ukraine No. 5204-VI "On State Lotteries in Ukraine" from September 6, 2012, a

lottery is understood as a mass game, regardless of its name, the conditions of which it is planned to draw a prize (winning) fund among its players and the victory in which has a random character, the territory of conducting (distribution) which extends beyond the limits of one building (structure), regardless of the way of making money for participating in such a game. The said law allows state banks to carry out activities for the issue and holding of lotteries. In addition to Art. 47 of the Law of Ukraine No. 2121-III "On Banks and Banking Activities" from December 7, 2000 stipulates that the bank is also entitled to carry out activities for the issue, distribution and holding of lotteries.

The authors carried out a research study on the examination of employees of state-owned and state-owned banks (During the study, the authors interviewed 200 respondents (80 employees and 120 clients of state-owned banks of Ukraine LLC by shares "State Savings Bank of Ukraine" and LLC by shares "State Export-Import Bank") for specially designed questionnaires.), which showed that 86% of bank employees did not have the experience of organizing, conducting or distributing lotteries and never worked in the lottery sector, 14% of bank employees distributed (sold lottery tickets and paid winnings) lottery, working in Limited Liability Company by shares "State Savings Bank of Ukraine" or lottery operators, but have no experience in organizing or conducting lotteries.

The survey of clients of state banks showed that only 15% of customers play in the lottery, while 69% of the clients have a negative attitude to giving the right to state banks to conduct lotteries, 16% failed to identify and 15% supported such an initiative (Parra, 2018, p. 30). During the questioning and interviewing of clients of banks, it was found out that the main reason for such a negative attitude is the fear that the funds of clients of banks (deposits) will be used for lotteries, which will make it difficult for them to return depositors.

In order to identify the risks of combining lottery and banking, foreign experience should be explored to enable banks to organize and conduct lotteries.

In any country in Europe, the bank, and even more so the state, does not carry out activities for the issue and holding of lotteries. This position of the states can be understood, since this activity is essentially not banking. In addition, there are high risks of using someone else's funds for other purposes: using funds from the prize pool

(players' funds) to cover bank losses or using the bank's funds to cover losses from lotteries (depositors' funds). Moreover, the conduct of lottery activities because of high financial risks jeopardizes the bank as a whole, and given that such a right is granted to a state bank (system-forming), this poses a threat to the national economic security of Ukraine. There are also high IT risks when integrating lottery and banking software that can be expressed in the vulnerability of electronic banking systems to external unauthorized interference with their work (Pinyaga, 2015, p. 7).

In the USA at the federal level there is a direct prohibition of banks to engage in lottery activities. So in Art. 9 (a) of the Federal Reserve, the US has a direct prohibition on participating in lotteries or other rates for banks (Blair, 2012, p. 11).

In Uzbekistan, the right to hold lotteries was granted to Narodnyi Bank under the 2009 license, with the Ministry of Finance of the Republic of Uzbekistan (51%) and the Central Bank of the Republic of Uzbekistan (49%). At the same time, employees of this bank have recently been prosecuted for the compulsory sale of lottery tickets. The Ministry of Justice reported that, along with the payment of wages, scholarships, and pensions through the bank, the clients were forcibly forced to buy lottery tickets.

In Brazil, the lottery Mega Sena, Quina and Loteca (formerly Loteria Esportiva) are held by the federal bank Caixa Econômica Federal since 1961. At the same time, in 2014 there was an attempt to bank robbery in the amount of 31 million dollars by involving a head of one of the bank branches, which helped open an account for the transfer of a prize to the lottery. Then these funds were transferred to many other accounts.

In Japan, the exclusive right to conduct a lottery is Mizuho Bank. Lottery is allowed for sale for the population only within Japan. The bank began to hold lotteries in 1945 after the war, when the country was destroyed, needed help. The population of Japan is very disciplined and responsible came to this process and actively played a lottery for the support and reconstruction of the country. Lottery Takarakuji (luck) is still held by the bank. In Japan, the only example in the world is the successful conduct of lottery activity by the bank. This is primarily due to the history of lottery and culture, mentality and discipline of the Japanese. In addition, Mizuho Bank has no competitors on the territory of the country, and therefore its activity as a single

market entity cannot be fail.

### **Assessment of the ability of state banks of Ukraine to conduct lottery activities**

On May 05, 2017, on the website of the Ministry of Finance of Ukraine, a draft the resolution of the Cabinet of Ministers of Ukraine "On approval of licensing conditions for conducting economic activities for the issue and holding of lotteries and the establishment of fees for the issuance of a license for conducting economic activities for the issue and holding of lotteries" was published for discussion. The document received quite a few comments from the state authorities, which should be agreed upon, as well as criticisms from the people's deputies of Ukraine, representatives of the expert environment and the market.

For example, in the Report of the Antimonopoly Committee of Ukraine (hereinafter - AMCU) approved by the Committee on 22.02.2018 a number of comments on the right of state-owned banks to hold lotteries were expressed. The AMCU notes in the report: "Banking activity is distinct both from lottery and from activities in any other gambling or additive goods market due to its legal nature and essence. The business model, marketing policy, service standards, etc. on the two markets have significant differences, which excludes the conclusion that the experience of the subject in the banking sector is a guarantee of the latter's ability to work effectively in the market for the issue and holding of lotteries. Taking into account the said combination, a combination of one banking and lottery business will require more resources and efforts to maintain an adequate level of stability and solvency, as well as to maintain a positive reputation and trust from the public, which is a prerequisite for effective work on the banking market". Today there are four state-owned banks in Ukraine. Oschadbank and Ukreximbank were state-owned from the beginning. Ukrgasbank became state-owned as a result of the capital increase. And PrivatBank became state-owned in December 2016 as a result of nationalization and capitalization in order to avoid a systemic threat to the country's economy and minimize losses to the state. Today there are two state-owned banks in Ukraine (created by the state and are 100% owned by it): LLC by shares "State Savings Bank of Ukraine" and LLC by shares "State Export-Import Bank".

Thereinafter, banks need significant economic resources to organize their lottery activities. We will conduct a study of the financial capacity of state-owned banks to organize lotteries (for

example, LLC "Oschadbank" and LLC "Ukreximbank").

LLC by shares "State Savings Bank of Ukraine" has a license for conducting business activities for the issue and holding of instant lotteries, however, since 2007, it does not carry out its own lotteries, but carries out only the distribution of lotteries organized by other operators of lotteries. In addition, in order to resume activities on the issue and holding of lotteries, the bank must comply with the requirements of the current Law of Ukraine No. 5204-VI "On State Lotteries in Ukraine" from September 6, 2012 to the lottery operators.

LLC by shares "State Export-Import Bank" has never carried out lottery activity, therefore, it does not have qualified personnel for the organization of such activities, necessary software, technical support for lottery terminals and does not have the appropriate minimum number of separate units and distribution points.

According to the financial statements published on the website of the National Bank of Ukraine, as well as LLC by shares "Oschadbank" and LLC by shares "Ukreximbank", these banks, carrying out exclusively banking activities, as a rule, worked with large losses or small profits, which cannot yet close large losses of the past years.

**Table 1.**

*Financial result of state banks (according to the National Bank of Ukraine)*

Year	Limited liability company by shares "Oschadbank"	Limited liability company by shares "Ukreximbank"
2021	+ 1,1 bln UAH	+ 2,1 bln UAH
2020	+ 2,7 bln UAH	-5,59 bln UAH
2019	+ 255,1 mln UAH	+ 65,8 mln UAH
2018	+ 132 mln UAH	+ 805 mln UAH
2017	+ 559 mln UAH	+ 765 mln UAH
2016	+ 464 mln UAH	- 977 mln UAH
2015	-12,3 bln UAH	- 14 bln UAH
2014	- 8,6 bln UAH	- 11,2 bln UAH

Source: Official website the National Bank of Ukraine (2014-2021).

In addition, in 2014 LLC by shares "Oschadbank" received funds for state capitalization in the amount of UAH 11.6 billion, in 2016 it was UAH 4.96 billion, in 2017 it was UAH 5.4 billion more. In LLC by shares "Ukreximbank" in 2014 was capitalized at UAH 5 billion, in 2016 it was UAH 9.3 billion, in 2017 it was UAH 4.7 billion more. Pre-capitalization was carried out through the issuance of domestic government bonds. Thus, in 2014-2017, the state expended 22 billion UAH at the expense of increasing the state debt for the capitalization of LLC by shares "Oschadbank", and 19 billion UAH for the pre-capitalization of LLC by shares "Ukreximbank". In 2018, the question of bank capitalization was also considered in 2018. In 2020, the National Bank of Ukraine again recapitalized "Ukreximbank" in the amount of UAH 6.84 billion. due to domestic government bonds.

The difficult situation in state-owned banks is due to a significant percentage of non-performing loans, as well as serious problems that have accumulated in previous years due to crime in the banking sector and the inability to return bank assets seized by criminals as a result

of such criminal activity, which is associated with the difficulty of detecting and proving such crimes (Pohoretskyi, Serhieieva, & Toporetska, 2019, p. 40).

Calculate the bank's basic expenses necessary for the start of the activities for the issue and holding of lotteries, using the method of assessing the value of "bottom-up" (Huang, & Wen, 2018, p. 355) and evaluating the cost elements of their economic content: labor, material (materials and raw materials), costs for the purchase, lease, equipment leasing and production facilities, subcontract (costs for part of the work of external organizations), other costs (administrative fees, license fees, transport, warehousing costs, advertising, etc.).

To operators of state lotteries, the Law of Ukraine No. 5204-VI "On State Lotteries in Ukraine" from September 6, 2012 has set certain higher requirements. Some of them do not apply to state-owned banks. However, a number of requirements of the bank, if desired to organize and conduct lotteries, must comply. In particular, according to Art. 6 of the said Law among the main requirements is provided:

- the operator of state lotteries must have permanently operating separate units in each populated area of Ukraine with a population of more than 500 thousand people, as well as points of distribution of state lotteries in each settlement with a population of more than 5 thousand people, but not less than 5 thousand distribution points;
- the electronic system of acceptance of rates of the operator of state lotteries should include not less than 5 thousand working terminals of the electronic system of acceptance of rates belonging to the operator of state lotteries on the right of ownership;
- the network of distribution of state lotteries of the operator of state lotteries must be not less than 5 thousand points of distribution of state lotteries;
- the operator of state lotteries is obliged to insure the risk of non-payment to prize-winning players in the event of his insolvency and / or bankruptcy in the amount of the prize (winning) fund paid by the operator of state lotteries during the previous calendar year;
- operator of state lotteries ensure observance of financial-economic, technological and organizational norms established by licensing conditions;
- the business entity at the time of application with the application for obtaining a license must confirm its compliance with the requirements provided for by this Law to lotteries operators, as well as observance of other norms established by licensing conditions;
- the head of the operator of state lotteries, persons who perform the duties of the head of the operator of state lotteries in the absence of him, as well as officials responsible for the technological process in conducting state lotteries, must meet the requirements for education, professional experience and business reputation determined licensed terms.

The Draft Resolution of the Cabinet of Ministers of Ukraine regulates the fixed cost of the license in the amount of 100 thousand costs of living adjustment for an able-bodied person (from 01.01.2018 - 1921 UAH), that is, the fixed fee for the issuance of a license amounts to 192.1 million hryvnias. The project also includes an annual non-fixed fee for a license: 100 costs of living adjustment for an able-bodied person (192,100 UAH) annually for each distribution point in which the drawing of drawings of unlimited lotteries is carried out at the terminals of the electronic system of acceptance of bids, and 10

costs of living adjustment (UAH 19,200) for a point of distribution of lotto or 110 costs of living adjustment (UAH 211,310) if both of the above types of lotteries are distributed in the clause.

Given that there must be at least 5000 distribution points in the lottery operator, this amount may be quite large. Of course, the bank may not carry out the specified types of lotteries at all points, but limit themselves to classical lotteries, which still do not bring the operator large profits.

Let's assume that the lottery operator will install only 20% (1000) points of distribution of lotteries with visualization and lotteries. This is the minimum number of distribution points that must be set by the operator to have at least some kind of profit from such activity. Then the cost of purchasing licenses only will be 110 costs of living adjustment (211 310 UAH) \* 1000 points = 211 310 000 UAH every year.

That is, the minimal expenses for the acquisition of licenses in the first year of the bank's activity will amount to 192,1 million UAH + 211,3 million UAH = 403.4 million UAH.

If we talk about the distribution of such lotteries throughout the network operator (5000) points of distribution), then the annual cost of such licenses will be 110 costs of living adjustment for an able-bodied person (211,310 UAH) \* 5000 = 1,056 billion UAH. For comparison: the turnover of the entire lottery market according to the data of the Ministry of Finance of Ukraine, provided at the request of the authors, in 2017 amounted to 1241.5 million UAH (in 2016 - 802.8 million UAH., In 2015 - 1 407.7 million UAH).

Thus, the net profit of LLC by shares "Oschadbank" for 2018 is not enough to acquire a license, therefore, they must be obtained from other sources (either from deposits of the population, or to ask to be capitalized to the state). However, it is profitable to give the bank more than 400 million UAH for the right to conduct lotteries, if he already has a free license, but has not been using it since 2007. LLC by shares "Ukreximbank" must give half of its annual income for the last year only for the acquisition of the right to conduct lotteries.

Let's evaluate the cost of organizing lotteries. Of course, they cannot be accurately calculated, but at least the bank as the lottery operator needs to: open separate units in the cities of Ukraine and at least 5,000 distribution points (renting premises, purchasing equipment, furniture, employing at

least 5000 people, etc.); to establish electronic bidding system (central server, special software, information security programs, computer equipment, etc.); to buy at least 5000 terminals of the electronic system of acceptance of rates; To hire a management that has experience in the issue and holding of lotteries; print lottery tickets; to make advertising of lottery activity, etc.

For example, as Peter Shetty, an investor in the state lottery operator's Ukrainian National Lottery, said he had invested in the development of the company 70 million USD. Even on the basis of the size of 70 million USD, this amount is almost 2 billion hryvnias. However, today the indicated amount may be much higher, as the cost of computer equipment and software changes, the rental cost increases, salaries for employees, etc.

According to the calculations carried out by the authors by the bottom-up method, the basic costs of the bank were calculated, necessary for the beginning of activities on the issue and holding of lotteries, assessing the cost elements for their economic content: labor, material (acquisition of computer equipment, the creation of a central electronic system, purchase of lottery terminals, etc.), costs for the purchase, lease, leasing of equipment and facilities, subcontract (costs for part of work by external organizations), other expenses (administrative costs and, royalties, transportation, warehousing costs, advertising, etc.) costs of the bank will be around 5 billion USD. At the same time, the specified amount of investment does not guarantee the success and profitability of such a business.

Whether it is profitable for the state to give the state banks the lotteries. To answer this question should take into account the economic interest of the state – receiving revenues for the state budget of Ukraine. It is certainly not profitable, because in this case it is unlikely that the budget revenues

from such activity, indeed, the budget will receive from 400 million to 1.2 billion revenues from a fee and a license for one entity, but in fact the state will have to invest for the state Banks acquire this right and further invest about 5 billion UAH in one pot to launch lotteries.

In case of violations in the organization of lotteries, in particular, the presence of signs of money laundering, tax evasion, manipulation of the electronic system of betting, etc., may be grounds for criminal proceedings, which will require investigators (investigative) actions, covert investigative (search) actions in order to establish the circumstances that are subject to proof in criminal proceedings.

It would be economically advantageous for the state to at least preserve the existing lottery market with three operators of lotteries, carry out reforms of the lottery industry in order to ensure favorable conditions of work in the market, investment attractiveness of the market. Then we can talk about annual growth of market volumes and deductions to the State Budget of Ukraine in the amount of 25-30% (indicators of the most successful years for lottery business). Today, in spite of inconsistent state policy in regulation of lottery activity, lack of necessary regulations, delaying the process of issuing new licenses for lotteries, inefficient tax policy, lack of effective measures to combat gambling, and thus masking gambling business in the form of lotteries, loss the population's trust in lotteries, the lottery market still brings the state 100-200 million hryvnias' revenues to the budget. With the correct organization of the lottery market and a stable state policy in this area, state revenues could amount to more than 1 billion UAH each year with a constant steady increase in income, but these issues are not covered by the topic of this article and will be disclosed by the authors in further scientific research.

**Table 2.**

*Indicators of the lottery market according to the Ministry of Finance*

Year	Market turnover (amount of accepted rates), UAH million	The amount of deductions from lotteries	Deductions from the profit tax, mln. UAH	Deduction of military salary from prizes, mln. UAH	Total taxes, mln. UAH
2013	9 069,5	321,0	47,6	-	368,6
2014	12 429,8	318,9	27,7	28,4	375,0
2015	1 407,7	26,4	103,6	12,2	142,2
2016	803,1	64,2	52,1	4,6	120,9
2017	1241,5	55,0	110,5	10,1	175,6

Source: Letters issued by the Ministry of Finance of Ukraine. No. 06010-04-2 / 35049 of 13.12.2017 and No. 06010-10-13 / 9334 dated April 14, 2018, received upon the request of authors.



On September 7, 2018, a Bill № 9067. "On Amendments to the Law of Ukraine" On Banks and Banking Activities" concerning the specification of certain provisions on banking supervision" was submitted to the Verkhovna Rada of Ukraine, which provides for the introduction of a ban on state lotteries for the conduct of lotteries. The Verkhovna Rada of Ukraine did not consider the draft.

### Conclusions

Thus, a scientific study shows that Japan is the only example of a successful state lottery in the world, but this is due to the history, culture and mentality of the country, and not to the activities of the bank. In the United States there is a direct ban on banks for lotteries. In no country in Europe, the state bank does not hold lotteries. This is due to the high riskiness of lottery activity for banks, which manifests itself in the following risks: the use of funds of depositors of banks not for their intended purpose (for payment of winnings); use of prize money funds to cover losses of the bank; program risks in the integration of lottery and banking software; risks of protecting confidential information of the bank, etc.

In case of permission from state banks in Ukraine to carry out lotteries, instead of incomes, the budget of the country will suffer additional losses in the amount of more than 5 billion UAH for one bank, which are necessary for the start of activities for the issue and holding of lotteries by the bank.

Therefore, in Ukraine it should be forbidden to hold lotteries for state banks, instead, it is foreseen the possibility of obtaining a license for several subjects (not less than 3-5), who have experience in the issue and holding of lotteries, as well as the necessary financial and technical basis for conducting them, which will preserve the existing lottery market and ensure a steady increase in budget revenues, but these issues are not opposed to the object of the study of this article and will be the subject of further scientific research by the authors.

Therefore, the best model for Ukraine will be the organization of the gambling market on the principle of state monopoly, which would limit the maximum number of licenses or the maximum number of gambling establishments that can operate in the country, but giving private organizers the right to gamble. Some elements of the state monopoly on gambling are already provided for in the Law № 768-IX from July 14,

2020, On state regulation of activities related to the organization and conduct of gambling.

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