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Between offshore competition and a duopoly: Gambling provision on and from the Finnish Åland Islands

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This paper explores the legal and social status of the Åland-based gambling company Paf. Gambling and the gambling industry have increasingly moved online. Online provision has had implications for policy particularly due to increased competition in domestic markets from offshore gambling. In offshore gambling, unlicensed operators do not follow predetermined legal rules. Yet, there has been little research addressing the definition of offshore provision. Paf is an excellent example of a company that operates several roles: it is a monopoly on Åland, a licensed operator in some European jurisdictions, and an offshore operator in Mainland Finland. This paper uses key informant interviews (N=5) and legislative texts to study the social and legal implications of Paf's offshore operation. The findings show that offshore provision is heterogeneous and legally complex. A company such as Paf can at the same time operate within the legal framework and provide offshore gambling. This possibility has made Paf very profitable for and socially accepted on the Åland Islands.
Keywords: gambling, offshore, monopoly, Veikkaus, Paf

Introduction

Gambling is increasingly moving online. In Europe, online gambling already made up about 42 percent of the total gambling market in 2021. According to market intelligence, the size of the online market had increased by 19 percent in comparison to 2020 (H2 Gambling Capital, cited by EGBA 2022). In Nordic countries, online channels make up an even higher share of the total gambling

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market, reaching up to 60 percent (EGBA 2022). An important, although declining part of the total online gambling market, is operated by so-called offshore gambling companies.

In Europe, an estimated 17 percent of online gambling was directed towards offshore websites in 2021 (EGBA, 2022). The share of offshore traffic differs across sectors depending on the competitiveness and legality of regulated markets (Fiedler 2018). For example, in Finland, with a monopolistic gambling system, 41 percent of online gambling was directed to offshore markets in 2021 (H2 Gambling Capital estimation, cited by Veikkaus 2022). Another estimate produced by Finnish Consumer Authority is that approximately 520-590 million Euros was gambled via online channels for other than Veikkaus' games in 2021 in Mainland Finland (Karjalainen et al. 2023). In contrast, in Sweden, the share of offshore traffic in online form of gambling was 22-28 percent in 2019, i.e., after the country renounced its monopoly system and opened the gambling market for licensed operators in 1 January 2019 (Lundvall et al. 2020; Nikkinen and Marionneau 2021).

The demographic profile of online gamblers differs from the general population of gamblers. Particularly male gender and young age have been connected to above-average use of online and offshore gambling (Lind et al. 2021; Gainsbury et al. 2017; Karjalainen et al. 2023). Online gambling has been connected to more gambling-related harm than most forms of offline gambling (e.g., Costes et al. 2016; Pallesen et al. 2021; although not in all contexts – cf. Lind et al. 2021). Individuals who gamble outside of monopoly games also spend more in gambling, at least in Finland. In 2021, those gambling for other providers than Veikkaus spent up to over 10 000 euros in a year to gambling, compared to an average of 340 euros in a year among gamblers who used only monopoly games (Karjalainen et al. 2023).

Online gambling also differs from offline gambling in terms of its structural characteristics. The digitalisation of gambling has increased its profitability and cut down personnel costs, while improving the customisation and immersion of the gambling experience for the consumer (Liu et al. 2021; Cassidy 2020). In addition, constant availability, the possibility to play anonymously without social control, and higher returns to player encourage prolonged play (Fiedler 2018; Gainsbury et al. 2017; Pallesen 2021). The same characteristics apply to both the regulated and the offshore offer. From the perspective of consumers, there appears to be little difference between gambling on licensed or offshore websites. Issues such as ease of access, brand recognition, and gambling product selection may be of more importance than the level of legality when choosing an online gambling site (Gainsbury et al. 2018).

However, from a regulatory perspective, offshore gambling marks a crucial difference to the regulated market. Cassidy (2020: 127) has described the rise of the offshore industry as a revolution in the gambling industry, in which the "…centre of the industry shifted…to shiny tower blocks in semi-exotic offshore

locations with favourable tax regimes, high speed internet and unlimited secure server capacity." This new reality requires novel policy approaches (Sulkunen et al. 2020; Fiedler 2018). Offshore provision is seen negatively by national regulators, as it is seen to undermine so-called 'responsible gambling' policies and to direct tax revenue away from the jurisdiction (also Gainsbury et al. 2018). Offshore gambling is borderless, making it difficult to regulate with traditional jurisdiction-specific regulatory structures or monopolistic regimes (Marionneau et al. 2021). A key concept in the regulation of offline gambling is 'channelling'. This is a practice in which national authorities attempt to direct consumption back to the regulated market by, for example, blocking of unauthorised offer or payments to unlicensed gambling websites. It may also include making national offer more appealing to consumers using enhanced product development or marketing (see Borch 2022).

The regulation of offshore gambling is further complicated by the highly heterogeneous nature of operations that are grouped together under the idea of 'offshore gambling'. The offshore gambling market consists of a variety of different types of actors that differ across jurisdictions. As an umbrella concept, 'offshore' gambling may therefore be misleading. At the basic level, offshore offer refers to any gambling offer that is not licensed in the jurisdiction. However, there are many variations to this theme. Offshore markets are 'grey', when operation is not specifically prohibited in legislation, or 'black', when gambling is provided outside the law. In some cases, providers do not even actively offer their products in a specific jurisdiction but nevertheless obtain gamblers from them. For this reason, blocking gamblers from certain geographical area may be a prerequisite for license for legally operating providers (Gainsbury et al. 2018).

Offshore operations may also be operated from widely different jurisdictions. Gambling companies often prefer low-tax, low-regulation jurisdictions, such as Gibraltar, Antigua, or Curaçao. For many island nations, offshore operations in gambling and finance are crucial for their economic development (Cooper 2019). At the same time, offshore provision can be operated from other highly regulated jurisdictions, including other countries within the European internal market (such as Malta), or even separate legal entities within the same country, such as the Kahnawake territory in Canada. In some cases, legal and offshore roles may be confounded, as when companies that hold a monopoly in one jurisdiction also provide their products to customers across jurisdictional borders. This is also the case of the Finnish Åland islands, the focus of this contribution.

The semi-autonomous and demilitarised Åland archipelago in the Baltic Sea consists of approximately 6,700 islands, with 30,000 mainly Swedish-speaking inhabitants. Of them, 12,000 reside in the capital and only city, Mariehamn. When Finland joined the European Union in 1995, Åland was given a special status under international law. Article 355(4) of the Treaty of the Functioning of

the European Union (TFEU) references a Protocol concerning the accession of the Republic of Austria, the Republic of Finland, and the Kingdom of Sweden that provides derogations from EU law to Åland. The Protocol states, alongside other issues, that Åland is considered a third country regarding indirect taxation. This enables the sale of tax-free goods to travellers visiting Åland.

Åland also has its own gambling operator, the Penningautomatförening (Paf). Although a monopoly within its own self-governing province, Paf also operates in the licensed markets of other European jurisdictions (Sweden, Spain, and Latvia), as well as by offering gambling on board passenger ships operating in the Baltic and Nordic Sea. Paf is a very profitable company for the government of Åland Islands. In 2021, Paf generated a record gross gambling revenue (GGR, stakes minus winnings) of 34.3 M€, up from 16.7 M€ in 2020 (an increase of 105 percent) (Paf 2022). The increase is exceptional, given that due to COVID-19 pandemic situation, many other gambling operators reported significant decreases in revenue.

Paf does not have a licence to operate gambling in Mainland Finland. The only company authorised to do so in Mainland Finland is the state-owned gambling monopoly Veikkaus. However, Paf does offer its gambling products to consumers in Mainland Finland. In 2021, gamblers from Mainland Finland accounted for 85 million euros of Paf sales revenue (Karjalainen et al. 2023). This is a remarkable amount. Given that total sales of Paf were 135 million in 2021, this means that two-thirds of Paf's turnover originate from Mainland Finland. (Paf, 2022).

It is therefore understandable that Paf has also promoted its product portfolio for patrons located in the Mainland, even though it does not have permit to do so. In 2005, the Supreme Court of Finland sentenced Paf for violating the Finnish Gambling Act by marketing its operations in newspapers and flyers in Mainland Finland. The Paf website also required a Finnish ID and bank account for registration. For the Supreme Court, this was proof that Paf was specifically targeting consumers located in the Mainland Finnish soil (Supreme Court of Finland 2005: 27). Later in the same year (2005), the Finnish Ministry of Interior placed Paf under police investigation again for continued violations of the Gambling Act (Ministry of Interior 2005).

However, in 2016, The Finnish Deputy Prosecutor General decided not to pursue legal action against Paf. According to the Deputy Prosecutor General, Paf's marketing should had been 'more aggressive' in order to provide basis for legal action. The debate over the role of Paf within Mainland Finland is still ongoing, and Paf continues to be amongst the most visited offshore gambling sites among Finns. Approximately two percent of Finns residing in the Mainland had gambled on the Paf website in 2019 (Salonen et al. 2020).

In the current paper, we use Paf as a case example to study the legal and social implications of offshore gambling provision emanating from a special jurisdiction within the country. Based on an analysis of legal texts and key

informant interviews conducted in Åland, we focus on the legal status of Paf in comparison to Veikkaus and the operating environment of Paf in Åland, Mainland Finland, and beyond.

Data and methods

To study the legal and social implications of Åland-based gambling provision to Mainland Finland, we used a mixed methods approach combining legal research and key informant interviews.

Legal data and analysis

The legal analysis is based on legislation on gambling in Åland and official reports. We conducted a systematic search of relevant legislation on Åland by scanning resources available on the official governmental website of Åland (regeringen.ax) and the gambling regulator of Åland (Lotteriinspektionen, li.ax). The main documents we found are described in table 1.

Table 1: Key legal texts included in the analysis

Full name of legal text	**Description**
Landskapslagen om lotterier (Act of Åland on Lotteries) 1966:10	Main piece of gambling legislation containing the basic provisions concerning gambling in Åland
Landskapslagen om Lotteriinspektion (Act of Åland on Gambling Regulator) 2016:10	The regulates on the functioning of the Åland gambling regulator.
Landskapsförordning om Lotterier (Decree of Åland on Lotteries) 12/2016	The decree sets limits on profits from different kinds of games

The legal data were analysed using a doctrinal approach. We conducted a descriptive analysis of legal rules governing gambling on Åland. We also used a comparative approach to understand how the gambling-related legislation in Åland differs from that of Mainland Finland. Our analysis was guided by three overall themes that were identified as being of interest. These were based on the collective expertise of the research team on existing research on gambling both in Finland and Nordic countries (e.g., Nikkinen, 2021; Nikkinen and Marionneau 2021) as well as social debate about Paf in Finnish Mainland.

The themes include the following: (1) Legal conditions that enable the international expansion of Paf, including offshore provision and provision of gambling on board passenger ships; (2) Legal conditions that govern the redistribution of Paf proceeds on Åland; and (3) Legal justifications for upholding (an expansive) monopoly system in Åland, in comparison to the justifications used in Mainland Finland to safeguard the monopoly system.

Key informant interview data

The legal data were complemented by key informant interviews. We conducted five key informant interviews in total, including four participants in Åland and one in Mainland Finland. The number of interviews was rather limited, due to the small number of possible individuals in Åland actively involved in the regulation or operation of gambling. However, as has been argued previously (Muellman et al. 2020), the number of key informants in small communities does not need to be very high, in order to be relevant, especially given the dearth of research about Paf in Åland.

To identify possible interviewees, we used the following eligibility criteria: (1) important role in the community; (2) knowledge about the subject matter; (3) willingness to participate; (4) ability to communicate the relevant issues clearly; and (5) impartiality. The final criterion was difficult to assess, as previous research has shown that interests in gambling include a wide variety of stakeholders within European societies (Marionneau and Nikkinen, 2020). We initially identified six possible interviewees who were then contacted, all of whom agreed to an interview, but one later declined on the grounds that s/he felt s/he was not able to answer the interview questions. One of the interviews (conducted with Paf) had two participants.

None of the participants requested to stay anonymous in the study. However, because the participants represented the views of their institutions, we refer to them using an anonymised identifier in the reporting. The study abided by the ethical standards of the Finnish National Board on Research Integrity (TENK, 2019). Participation to the interviews was voluntary, and interviewees could withdraw at any moment. We also provided participants with information about the study, its aims, and the use of their responses. Based on the guidelines of the Finnish National Board on Research Integrity, the study did not require a separate ethics review. The interviewees and their identifiers are described in table 2.

Table 2: Key informant interviewees

Identifier	**Position**	**Institution**
GOV-1	Government official	Ålands Landskapsregering (The Provincial Government of Åland)
REG-1	Regulator	Lotteriinspektionen (Åland's gambling regulator)
PAF-1, PAF-2	PAF representatives	PAF (Åland's gambling operator)
REG-2	Regulator	Poliisihallitus (The Finnish gambling regulator)

The interviews in Åland took place during late 2021 in Swedish by two research assistants, one of whom was a native Swedish speaker. The interviews were conducted via Zoom due to the COVID-19 pandemic situation, and limitations on

social interactions at the time of the interviews. A further interview was conducted by a representative of the Finnish (Mainland) gambling regulator via telephone. The interviews lasted between 30-45 minutes. The interviews were transcribed verbatim.

The interviews in Åland were conducted using a thematic interview method. The themes were chosen based on questions that arose or were unclear during the legal analysis. The interviews focused on five distinct themes: (1) How ongoing gambling reforms in Finnish Mainland are perceived in Åland (e.g., introduction of payment blocking, safeguarding the monopoly system); (2) International expansion of Paf (e.g., legal grounds for an expansive monopoly, operations online and onboard passenger ships); (3) The monopoly status of Paf in Åland; (4) The importance and legal grounds for operating in the Finnish market; and (5) Redistribution of Paf proceeds to the society of Åland (including principles of redistributing funds and discussion of directing the funds towards the budget, instead of earmarked causes).

The interview conducted with the regulator in Mainland Finland did not use the same set of questions. The discussion was more open-ended and focused on clarifying the stance of the Finnish regulator towards Paf.

In the analysis phase, the interview data were first read carefully by the researchers and then analysed using thematic analysis methods. We used the Atlas.ti software to help analyse and attribute codes to the interview data. Initially, we coded all excerpts relating to themes we found relevant. These were then organised into five main themes that emerged from the interview data: (1) the international expansion of Paf; (2) provision of gambling to customers in Mainland Finland; (3) the importance of Paf proceeds for Åland; (4) the role of harmful gambling as a revenue generator for Paf; and (5) the future of Paf. The three first were also topics identified in the legal analysis. For this reason, the two datasets are analysed thematically in tandem.

Results

In the following, we present the thematic analysis focusing on the five main themes identified in the legal and/or key interview data as described above. As the study is based on a mixed-methods approach, we use both legal and interview data to illustrate the findings.

International expansion and collaboration

Paf holds a monopoly over gambling operation on the Åland Islands. For most parts, the institutional arrangement and legislative approach is remarkably similar to the land-based monopoly of Veikkaus. Landskapslagen om lotterier 1966:10 (Act of Åland 1966:10) contains the basic provisions concerning gambling in Åland. It also resembles the Finnish Lotteries Act (1047/2001) in many ways. Provisions regarding the operation of gambling services are almost identical in the two acts: the main emphasis is on ensuring the legal protection

of participants and preventing all sorts of misuse, crime, and harm. Section 3 of the Landskapslagen om lotterier states that the permission to provide gambling services can only be given to a public association founded by the State Department of Åland. This is similar to section 12 of the Finnish Gambling Act, on which the monopoly position of Veikkaus is based.

However, the monopoly status of Paf differs from that of Veikkaus on two important accounts. First, the monopoly status of Paf was established in the Law of 1966:10 section 3, but the operator of this monopoly is not mentioned by name. This makes the monopoly a principle, instead of company-based unlike in Mainland Finland, where the Lotteries Act of 1047/2001 section 11 explicitly states that Veikkaus is the sole monopoly licence holder.

Second, the Åland legislation does not set pre-defined geographical limitations on where Paf can offer its gambling services. This allows it notably more leeway to operate internationally than is the case of Veikkaus. While Paf itself can only operate in Åland, it can establish subsidiaries that can enter outside markets (PAF-1). Subsidiaries are organised under Paf Consulting, fully owned by Paf. Paf Consulting owns three subsidiaries, including Paf Holding Ltd that owns three more subsidiaries.[4] All of these subsidiaries may have gambling licences. "*Paf for example operates in the Swedish market with good experiences*." (REG-1).

The Åland-based interviewees unanimously viewed this possibility to expand to international markets very positively, as it allows extending the otherwise limited markets. The representatives of Paf also noted that "*Veikkaus should have the possibility to do the same"* (PAF-2).

> The fact that Paf has the possibility to expand its operations to other markets, is a great benefit to the company. The situation of Paf would be much more difficult if it were completely dependent on the small Åland market. We are also constantly looking for new markets to expand our operations, to increase funding for good causes. (REG-1).

Based on the Finnish Maritime Act (1994/674), Paf is also allowed to provide gambling on board ships that have their homeport in Åland. This offer mainly consists of electronic gambling machines (EGMs). The authorisation expands the operating zone of Paf to 33 ships sailing in the Baltic Sea and North Sea. Paf can operate either on ships owned by shipping companies located in Åland, or on ships that stop in Mariehamn (Åland State Department, 2008). Many of the ships on which Paf operates are either Estonian or Swedish owned. In 2022, Paf also

[4] The ownership of Paf Consulting ABP and Paf Holding Ltd are as follows: Consulting holds the Spanish gambling license and its subsidiaries own Pafer A/S in Estonia and Sia Paf Latvija (in Latvia). Holding owns Paf Multibrand Ltd, Speedy Ltd and Speedy Originals Ltd, which are all headquartered in Malta. These three Malta-based companies also hold Swedish gambling licences, controlled by Swedish regulatory authority. In addition to these companies, Paf also owns Programutvecklarna i Norrköping AB in Sweden (a bingo supplier).

provided gambling on a Russian-Italian ferry that sails under Italian flag, and for ships owned by a major Norwegian shipping company (Color Line AS).

Paf also collaborates with other operators in the local Åland market. This is made possible by legislation (Act of Åland on Lotteries 1966:10 section 1) that stipulates that Paf has a monopoly only on EGMs, online gambling, and gambling in passenger ships (REG-1). Veikkaus used to collaborate with Paf by offering its lottery and sports betting ("Stryktips") games also on Åland because Paf did not have the resources to provide these products itself.[5] However, when the monopoly of Veikkaus was strengthened through a merger of three monopolistic companies in 2017, "*…the interpretation of the regulator became so strict that even if Veikkaus had wanted to continue its operation on Åland, it was not permitted to.*" (PAF-2). According the representatives of Paf, both Veikkaus and the residents of Åland would like to bring the Veikkaus products back to the market, but this has not been possible due to the interpretation of the law (PAF-2). This, again, shows the very different positions taken by the authorities of Åland and Mainland Finland regarding the expansion of their monopolistic gambling providers.

Since the departure of Veikkaus from the islands, the Swedish horse racing totalisator board ATG (AB Trav och Galopp) has entered the Åland market, based on a mutual agreement between Paf and ATG. While horse races run in Sweden are also sold to other international markets, these are not marketed under the ATG brand (Marionneau and Nikkinen, 2023). According to the representative of the Åland government, the contract between Paf and ATG appears to have been mutually beneficial.

> The arrangement is a good means for Paf to earn more money. And because ATG operates through Paf, everything is according to regulations. The residents of Åland have a huge interest in equestrian sports. (GOV-1).

Offshore provision of gambling to customers in Mainland Finland

While much of the international operation of Paf is conducted under licenses, the online gambling provision of Paf is also accessible to residents of Mainland Finland and in Finnish. From the point of view of the Finnish regulator, this can be considered as offshore gambling provision.

According to the Finnish Lotteries Act (1047/2001) section 11, Veikkaus has an exclusive right to offer gambling services provision in Mainland Finland. However, in section 4.1 paragraph 8 of the same law, it is stated that merely upholding a website offering online gambling, even in the Finnish language, does not constitute a breach of Lotteries Act. It is also legal for Finnish residents to gamble with other providers than Veikkaus, including Paf. Nevertheless,

[5] Åland has nowadays its own lottery, called Låttå.

marketing of gambling on Mainland Finland is prohibited for other actors than Veikkaus (Section 62.2). As explained by the Finnish regulator:

> Only marketing that targets Finland, including direct marketing, different campaigns, or network marketing for example via a public figure is prohibited when it can be interpreted to be targeted to the residents of Mainland Finland [...] Paf has therefore not operated illegally by providing gambling to Mainland Finland and the Finnish regulator cannot intervene in its activities. (REG-2).

The interviewees in Åland also emphasised that Paf is operating legally as it does not actively market gambling to Finnish consumers. When asked about the Finnish-language content both on the Paf website and in social media, the representative of the regulator noted that there are also Finnish speakers residing in Sweden, and that "*Paf respects the legislation of Finland*" (REG-1). The view was shared by representatives of Paf, the regulator, and the government:

> Paf has its website available in many languages, such as English, Finnish, and Russian. That means that the games are provided also to others than Swedish speakers. Regardless, Paf does not market its services actively in Finland, which would be prohibited. I think Paf is a fantastic company. (GOV-1).

> We respect the Finnish legislation and we do not target marketing at Finnish customers. Because Paf provides its services on passenger ships, many Finns know Paf, but we have not marketed our services in Mainland Finland for 15 years. (PAF-2).

The Finnish offshore market nevertheless appears to be very important to Paf. Offshore gambling is a growing concern in Finnish Mainland, and options for better regulation and control have been discussed. A draft proposal for the update of the Finnish Lotteries Act suggested the introduction of payment blocking to block bank transactions to gambling sites operating from other jurisdictions (Government Proposal 2021, 27).

During the public consultation process, representatives of Paf issued a statement that payment blocking in relation to gambling services would infringe the region's autonomy as well as the personal freedom and privacy. The privacy of the residents of the region would be in jeopardy as the location of the players could be determined. Paf established that if the planned payment blocking provisions were to include Paf, the company would be forced to cease several operations (PAF, 2021).

Member of Parliament and the Former Premier of Åland (2015-19), Katrin Sjögren, also submitted a written question for the provincial government in 2020 regarding the planned blocking regime, voicing concerns about Paf's future (Smeds 2020). The answer given by the parliament in November 2020 states

that it wishes for Paf to be able to continue providing its services to continental Finland, and that if payment blocking is introduced, these would exclude Paf (Ålands lagting, 2020).

In our interview data, similar reservations were not raised against possible payment blocking. Instead, the interviewees highlighted that the "*legislative reform does not have a great importance to us.*" (REG-1). This may have also been because the regulators as well as Paf representatives have been in direct contact with the Finnish legislator during the preparation of the law (REG-1; PAF-2). In the end, the legislator instructed banks and financial institutions to prevent, as of 2023, only the payments of those operators targeting Finnish customers with unauthorised marketing (HE 135/2021). As also noted in the interviews, "*Paf does not market its services in Finland, and if the proposed law remains as it is, there is no problem*" (REG-1). Furthermore, *"…the functioning of Paf is only regulated by the legislation of Åland, and its position does not change following reforms on the Mainland.*" (PAF-1).

Gambling proceeds

International operations of Paf, both licensed and unlicensed, are very beneficial for the company and by proxy, the Åland Islands that allocates the gambling proceeds that it obtains to public good (Act of Åland 1966:10, section 5). Paf delivers its profits to non-profit associations based on Åland. "*The government and Paf have a contract, according to which Paf delivers its profits to the government that then distributes these to the third sector."* (REG-1). The decisions are made based on an opinion of a government board as well as Paf (REG-1). Thus, the gambling company has a certain say on which beneficiaries receive funding.

In 2021, Paf raised over 20 million Euros for these beneficiaries. The main beneficiaries include social activities, sports, and culture (Paf 2022). The value of the redistributed funds corresponds to approximately five percent of the general budget of the Åland Islands (Ålands Landskapsregering 2021a). In comparison, globally gambling proceeds average around one or two percent of state budgets for most countries (Sulkunen et al. 2019). However, in many offshore destinations the share is notably higher (e.g., 25 percent in Gibraltar, in Macau approximately half of GDP, before COVID-19 and recent unprecedented restrictions by Chinese government) (Lyman 2019; Barrett 2021). In addition to the proceeds raised by Paf, Åland also receives a tax return from the Lottery tax paid to Mainland Finland. Before the pandemic, this tax revenue was approximately ten million Euros (Ålands Landskapsregering 2021b, 53-54.)

The interviewed participants highlighted the importance of Paf revenue to the society of Åland and the redistribution system was commended for its good functioning. The bulk of the proceeds are immediately redistributed to beneficiaries, but a part is also shelved for further necessary costs. According to the government official interviewed, *"…the reserve currently has about 14 million*

Euros". (GOV-1). Overall, no criticism was raised over the redistribution system or the direct connection between beneficiaries and the gambling company.

> The redistribution system is really simple and resembles the operating principle of Veikkaus. We often say that Paf is the second cousin of Veikkaus. Like Veikkaus, we are owned by the state, and we have the same goal. While Mainland Finland supports public health with Veikkaus money, the public health of Åland is financed by Paf. The system of Åland might even be simpler than in Mainland Finland, because Åland only has one board deciding on the redistribution, while in the Mainland there are several actors. (PAF-2).

However, the situation in Åland differs remarkably from that of Mainland Finland, where there has been increasing criticism towards the earmarking of gambling proceeds (e.g. Sulkunen 2019). In 2022, the Finnish legislator published a new draft law to transfer gambling proceeds to the general budget rather than to the third sector. According to the interviewees, similar discussion has not taken place in Åland. Instead, issues such as expanding the possibility of applying for funds to for-profit associations as well as the causes funded by the Paf reserve are discussed (GOV-1).

> There are different opinions regarding what kind of activity constitutes a contribution to the society and what is non-profit. Generally, the people of Åland are very grateful to have this opportunity, and to have a wide third sector that would not be possible without this money (REG-1).

Gambling harms

Based on the interview material, critical public discussion on gambling harms appears to be very limited in Åland, very much as is the case regarding public discussion on gambling proceeds. There are, however, stipulations in the law 1966:10 that require taking gambling harms into account.[6] The situation is different again from the Mainland, where Veikkaus has faced increasing criticism for not upholding its task of limiting and preventing gambling harms (e.g., Järvinen-Tassopoulos et al. 2021). In Åland, based on the interview material, "*…similar discussion has not arisen, at least not at the same level, because the system in Åland is simpler…people are quite happy with the status quo."* (PAF-2).

Paf has also profiled itself as a responsible operator, including having introduced loss limits on its game products already before Veikkaus, providing a self-test for gamblers, and emphasising help-seeking. "*A system in which some lose all their possessions is not profitable, even if it supports society*" (GOV-1). For Paf, these limits are not a legal requirement but rather a company policy. For

[6] 2016/11, sections 3a, 4b-d.

Veikkaus, similar limits have been imposed by Veikkaus only when their inclusion into law was announced.

Highlighting responsibility may also make Paf attractive to international customers as a licensed as well as an offshore provider. While better odds rather than better responsibility measures are more likely to determine the choice of offshore operator, the 'responsible gambling programme' does benefit operators in establishing themselves as trustworthy (e.g., Gainsbury et al., 2013). As also noted by the other Paf representative, *"…we would like other gambling companies to set these kinds of limits as well."* (PAF-1). The vision of Paf as an exceptionally responsible company was shared by the local authorities.

> Paf is a really responsible actor: when a player has lost a certain sum, I think 70,000 Euros [sic., the actual limit is set at 20,000 Euros per annum], they cannot play anymore. Paf takes problem gambling very seriously. It does not want its customers to gamble away all their possessions or house or anything like that. That's why Paf has exceptionally strict rules for its operation. (GOV-1).

The future of Paf

Paf operations abroad appear to have been profitable for Åland, and the company *"…keeps surveying the market with the aim of expanding to markets with functional regulation."* (PAF-2). This means that Paf targets markets that have comparatively strict gambling regulations.

A market of particular interests appears to be that of Mainland Finland. While the Mainland continues to operate a full state monopoly in gambling, making Paf an offshore operator, an anticipated shift to a licensing system in the future would be unanimously welcomed by Paf as well as the authorities in Åland, as it would expand the possibilities of Paf: "*Many countries already have this type of system, and it guarantees all gambling providers the same rules.*" (GOV-1).

A licensing system was also described as better for Finland in the long run, as it would enable *"a just and strict regulation that at least [Paf] and Veikkaus would be able to accommodate."* (PAF-2). A licensing system was also seen to outperform monopoly-based operations from the vantage point of consumer protection, and easier, more efficient regulation.

> A licensing system would be a better solution than a monopoly because then all providers would be in the same position. This would, among other things, strengthen legal protection because it would be possible to ensure that gambling is offered only by responsible companies. This is the direction of many European companies, and it is necessary as gambling moves increasingly from land-based to online environments. (REG-1).

At the same time, none of the interviewed key informants suggested a possible dismantling of the monopoly system in Åland. Yet, according to the interviewed regulator in Åland, no gambling products operated by Veikkaus (including the popular lottery) can be re-introduced in Åland without a change in the Åland gambling legislation (REG-1). This could for example mean some sort of a licensing system in the future also on the Åland islands.

Discussion

Paf is a small gambling company operating in the tiny autonomous island region of Åland. Yet, it is very profitable. While Paf does not provide a breakdown of its revenue by geographical locations in its annual reporting, they stem largely from international operations under different statuses: as a licensed company, as a monopoly-holder of gambling provision onboard passenger ships in the Baltic Sea, but also as an offshore provider targeting particularly consumers in Mainland Finland.

Based on the findings in this paper, we draw four main conclusions.

First, the case of Paf illustrates the heterogeneity in offshore gambling provisions. Images of offshore gambling may easily equate it with shady operations in remote low-tax and low-regulation jurisdictions. But the reality is more complex. Offshore provision can also be conducted by companies like Paf that operate under licenses (or even monopolistic regimes in most of their target markets), abide by local laws and regulations, have extensive 'responsible gambling' programmes, and collect revenue for societal causes, instead of private profit. Within the Finnish market, the positions of Veikkaus and Paf could be just as easily termed a duopoly, as they can be termed a monopoly and an offshore competitor. The operation of Paf and Veikkaus is very similar and both have abided by strict 'responsibility' measures that reinforce their acceptability and justification as public health monopolies.

Second, the role of Paf is little contested in Åland. The key informant interviews with both the gambling company and its regulators emphasised the responsibility of the company, its model of gambling operation, and its benefits for the society of Åland. Critical voices were not raised and gambling is viewed as public good serving the fiscal interest of government, without much discussion on whether it advances common good of the society as a whole (cf. Nikkinen and Marionneau 2014). Instead, Paf appeared to be viewed as an integral part of the society Åland (cf. Lerkkanen & Hellman 2021). The finding differs from an earlier study analysing public debate in two Åland-based newspapers (Lerkkanen & Hellman 2021) that found that media reporting did also include criticism towards using gambling proceeds for public causes in Åland.

This difference may stem from the different vantage points of media discussion and officials. For officials, it may not be as straightforward to criticise a gambling company bringing in extra revenue to the community (also

Marionneau and Kankainen 2018). Furthermore, as a significant part of Paf revenue stems from abroad, most social harm caused by gambling is also likely to be exported outside of the jurisdiction. This puts into question the justification of a monopoly. Gambling monopolies are justifiable within the European Union in the public interest of preventing harms (cf. Miettinen 2022). Whether these harms are located within or outside the jurisdiction is not specified. Furthermore, whether monopolies can be 'expansive' and export harms is not clear. Yet, 'expansive monopolies' do exist within the European Union. These provide gambling within other Member States as well as beyond, including the growing gambling markets of Africa (Sichali et al. 2023).

Third, while Paf can be considered an offshore market in Mainland Finland, it abides by existing regulations. Gambling with other providers than Veikkaus or offering gambling in Finnish online is not illegal. Only marketing targeting the Finnish audience has been prohibited by law. Paf representatives as well as officials in Åland also support and promote new, legal, openings for Paf in the Mainland Finnish market (including licensing) while opposing reforms in the Finnish Gambling Act that might narrow its operating environment in the Mainland. Opinions given during the public consultation process of the Finnish Gambling Act draft law proposing payment blocking heavily opposed this reform. The stance of Paf and Åland was similar to that of Malta, another offshore location heavily targeting Finnish (and other European) gamblers. In order to limit gambling operations to a certain population within one jurisdiction, one could consider a personal gambling license that would be a legal precondition to access gambling and collect winnings (cf. permit to carry a weapon, driver's license) (Morse and Goss 2010; Bogart 2011; Nikkinen 2019).

Fourth, Paf has for long had an exceptional position to offer offshore gambling to Finnish consumers. While Paf cannot market its gambling products to the Finnish consumers, its brand recognition is high (cf. Gainsbury et al. 2018). This is a result of a high visibility of Paf products on passenger ships in the Baltic Sea. Paf holds a monopoly for gambling provision on ships sailing between Finland, Sweden, and Estonia. In June 2020, over one million individuals took a passenger ship from Finland to Stockholm, while over 600,000 individuals travelled onboard a passenger ship from Finland to Tallinn (Statistics Finland 2022). This visibility can be seen as a legal form of marketing. Furthermore, even though it is geographically located in semi-autonomous region, Paf is a Finnish company, benefitting a province of the Finnish society. Its image is therefore crucially different from other companies providing offshore gambling to Finland (Lerkkanen and Hellman 2021).

The current study has been limited to studying a particular small jurisdiction. Due to the limited size of Åland, the empirical material has also been limited in size. To fully understand the offshore market, further studies should develop on this diversity of offshore gambling. Further studies should also be undertaken to revisit the different types of monopolies. As suggested by the comparison

between the monopoly systems in Finland and Åland, monopolies may differ notably in terms of their expansiveness to other markets. The question of the limits of monopolies should be explored more thoroughly as a legal but also as a social question. This would allow understanding whether monopolies in the field of gambling are, in fact, a motor for public health.

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