
# KPMG eSummit

## Gibraltar

**March 2017**

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# A Word from our Sponsor

**As a principal sponsor of the 7th annual KPMG eSummit in Gibraltar, we're very proud to present this report. Held in March, the eSummit was once again a huge success and brought together a host of industry representatives to explore the many issues facing the sector. Highlights of the day included a panel session discussing the outlook for Gibraltar, a focus on technology with presentations by Featurespace and GeoComply, the best way to reduce harm in online gaming, and a look at potential new territories, notably Africa and the USA.**

The jurisdiction has faced multiple challenges over the past year – largely as a result of Brexit, placing a degree of uncertainty around Gibraltar's role in Europe. However, as the summit proved yet again, the eGaming sector is incredibly resilient and responsive to change. It continues to flourish here in Gibraltar, with the number of licenses increasing by 3 over the past 12 months and the total number of people employed in the sector exceeding 3,350. One major factor underpinning this success, and which has existed from the start, is the incredibly strong private-public sector bond in Gibraltar.

At Continent 8 we have invested heavily in our global private network to bring Gibraltar's operators closer to their customers than ever before. With a heavy focus on the Asia Pacific region, we have recently completed our biggest network expansion yet, connecting our European points of presence directly to Asia, and connecting the Far East into the North American west-coast point of presence in Los Angeles. This capability, coupled with a multi-terabit network capacity, gives the industry the most comprehensive and scaled network capability available.

We very much hope you'll enjoy the report, and look forward to welcoming you at the next summit in the Isle of Man in September 2017.

Michael Tobin

CEO & Co-founder, Continent 8 Technologies


# KPMG Gibraltar 2017 Summit Opening Address

## The Hon Albert Isola

Government of Gibraltar

**"Good morning ladies and gentlemen. At these KPMG summits, together we discuss the issues facing us, and the opportunities that lie ahead. Seven years on and still they manage to attract a large number of attendees and a very high quality of speakers – it's an enormous credit to Micky and her team. From all of us at the Government of Gibraltar: thank you very much. I also thank my own team at the Gambling Commission. I never hear of complaints – not even about Phill! – which is quite remarkable. I thank every one of them and particularly Lorraine, who's been Head of Licencing for 8 years, and is moving on shortly. I also thank the liaison team that work with your HR departments on the issues you have when interfacing with government, with special thanks to Lizanne and to Tanya. Finally, I would like to thank you, the operators. Year on year, the time that you give me to better understand the issues and the challenges that you face, and the opportunities that could be around the corner, is extremely welcome. There's no question that government will continue to work as closely as possible with you to ensure your continued success here in Gibraltar.**

When we met last year, it was just before the EU referendum. I compared the British government exiting Brussels with a good deal as being akin to a man coming home one evening and telling his wife he was leaving, but would she mind carrying on doing his laundry. Who would have thought that 12 months on, we'd be within a week of that Brexit trigger being pressed, with Donald Trump in the White House! It's been a remarkable year. For us, we did our bit with a 96% vote in favour of remaining in the European Union. Like any responsible government, you accept the cards you have been dealt and work with them. Since the 24th of June 2016 we've been working extremely hard with the UK government to explore the possibilities, and to seek the benefits in the various challenges and how we are best to exploit them. In our discussions with Her Majesty's government across the entire spectrum, whether it's regarding the fluidity of the frontier, or the future of the Financial Services sector (assured in a statement last October), or indeed of the Gaming sector, we're engaging in a healthy, constructive and positive vision for what the future may hold. People say there are issues with service, and there could be issues with frontier fluidity. Of course, there could be many issues, but two things are certain: one is we don't yet know what the issues are; secondly, we don't know how they're going to take shape. Consider the issue of service: if people surmise that the UK government will stand back and let the EU dictate, "Your companies won't be allowed to operate in Europe unless your servers are in Europe or the EEA." Will the UK allow those companies to access the UK market? Unlikely. I think the EU misunderstands the political atmosphere in which we are in, which itself brings different opportunities as to how people may wish to access the UK market. It's early days, but a lot of work and thought is going on.

My thanks extend also to my Brexit Gaming Working Group for their collaborative work, as we build a framework that will enhance the way we interact with the UK as our market place. The relationship we currently enjoy with the UK government is an extremely good and close relationship, and not just at a political level. It's also filtering through to the officials, which is a challenge, which we recognise and thus ensure that at every possible opportunity the politicians are encouraged and invited with us present to extend the message to the officials. A debt and an obligation is owed to Gibraltar and its people; some of you will have observed last Tuesday in the House of Lords debate on Gibraltar, the enormous warmth in which we are held by the UK parliament.

With regard to the gambling review paper, last year we got a bit side-tracked. It's still a work in progress, and today's environment will enable us to pick up on all the issues, Brexit among them. We'll produce a better gambling review to place us in a good position for the next 10-20 years. It's not forgotten but it has been pushed further down in our list of priorities. For those who contributed in the early days, with your comments, we offer our thanks, and a promise to revisit you, as we see what transpires over the next 6-8 months.

In terms of FinTech, at this summit 2 years ago, there was much talk about Blockchain and Bitcoin and the area of virtual currencies. We issued some consultation documents, one on the idea of introducing this to Gibraltar; and another, on a


proposed regulatory framework. We've made huge progress and by May we expect to put out a consultation document on the final framework. We'll be seeking your engagement, together with that of the FS sector, because the technology overlaps both sectors. It will be made public in the next couple of months.

If we consider our progress since Brexit, in the Gaming space, we've had three new licences come in, with three more waiting, so the interest continues. Over 3,350 people are employed in the Gaming sector as at the last quarter. In terms of numbers and business being conducted in Gibraltar we continue to grow, despite Brexit. Which isn't to say we're not aware of the many challenges facing the sector. In Financial Services the growth is also there. Since the 24th June we've had 20 additional firms being licenced by the Commission, with 20 more in the pipeline. That's across the entire spectrum: banks, insurance firms, insurance brokers, trust and company providers. When you look at the economy of Gibraltar, despite the 24th June - and let's not underestimate the enormous hit it was - we continue to do well and to punch above our own weight. I would expect companies to make plans for what will happen in certain eventualities – you may have heard about relocation plans for 888. But every Financial Services or Gaming firm must consider their future, and it's our intention to see how Brexit impacts your business, and what support we can offer.

Lastly, there's one man here who's spent nearly 10 years working very closely with you, Mr Phill Brear, the Gambling Commissioner. Phill has been a marvel in engaging with you and understanding the business in the way that he does. He's moving on at the end of this year, and we'd rather he stayed, but he won't, so we've begun the process of looking for his successor: it's a public recruitment exercise. Some people have already expressed their interest, and if you're aware of anyone who you think would be well suited to that position we'd be delighted to hear from them. But I hope that in the new Gambling Commission, to be set up towards the end of this year, Phill will still play a leading role in a different capacity, enabling us to have continuity and a decent and proper handover. I ask you now to put your hands together and thank Phill for his many years of service.

I'd like to close with one very simple message. The support that this sector enjoys from the government is unequivocal. We will do whatever it is that we must, to support and encourage you and to ensure that you remain as profitable as possible during your stay in Gibraltar. You're an important part of our economy and I see this very much as a simple partnership. It works well for you and it works well for us. We will continue to work in partnership with you, meeting those challenges and exploiting those opportunities. Thank you all again for being here. Now, you've got a very busy day ahead.

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# State of the Sector Address

## Clive Hawkswood

Remote Gambling Association

**A State of the Sector Address was provided by Clive Hawkswood of the Remote Gambling Association. Thanking the Hon Albert Isola of the Government of Gibraltar for his "unequivocal support for the industry", Mr Hawkswood proceeded to outline the role of the RGA in the UK, which is the largest gambling jurisdiction in Europe in terms of the online sector. A London and Brussels-based trade association formed in 2004, the RGA has an extensive list of members who are licensed for gambling purposes in Europe. Its membership includes most of the world's most respected internet gambling companies, including multi-channel operators BetFred, William Hill, and Ladbrokes Coral; big software companies such as Microgaming, IGT, Playtech; specialist online brands such as Bet365 and 888.com, and newer brands such as Sun Bets and Meridian Sport. The RGA is committed to promoting a regulated and non-discriminatory environment for responsible licensed operators in the world's remote gambling markets.**

> "For the RGA and everybody here, how the Directive is going to be implemented across Europe will be a key challenge this year."

Mr Hawkswood listed the key topics for his presentation: crime & money-laundering; regulatory and social responsibility issues; perceptions; taxation (including the UK horserace betting levy); Europe; and the state of the industry. Beginning with the assertion that the UK, as the largest and most mature market in Europe, is a very good indicator of where other markets will go in the future, Mr Hawkswood was keen to stress the difference between established markets, such as the UK and Gibraltar, and newer markets currently emerging across Europe. With the advent of the 5th Anti-Money Laundering Directive (the 4th already in operation), many of these newer smaller markets will come under scrutiny.

"For the RGA and everybody here, how the Directive is going to be implemented across Europe will be a key challenge this year. A recent decision by the UK government not to extend it to other parts of the gambling industry is welcome news: they have highlighted it as low risk. Sadly, our own regulator, the Gambling Commission, doesn't agree with that assessment. Anybody involved in anti-money laundering knows it is a constantly changing environment. Organised crime is always one step ahead but it's worth noting that gambling is not an attractive market for money launderers. When regulators find fault, and where we find issues, it's not in money laundering in the traditional sense of cleaning money, but about the proceeds of crime. We must try to do more and keep challenging ourselves: - are we doing our utmost? Despite our best efforts, there are still weaknesses."

In response to this, the RGA launched an initiative in the UK last year, the Gambling Anti-Money Laundering Group (GAMLG) chaired by Keith Bristow, in the hopes of building a more cohesive working party, across online and terrestrial gambling. They plan to ultimately liaise with other sectors too, and thus be a model for other jurisdictions to follow.

The Gambling Commission is "committed to the public spanking of companies that they find fault with. Fines are imposed – 'voluntary settlements' – which now run into millions every year. Most of the money goes to the charity GambleAware which is good, but even that is


being reviewed by the Gambling Commission. All this feeds into regulation, in fact all these things are interlinked." Mr Hawkswood continued, "In the UK, the regulator (the GC) is looking for a change of culture with us, based on their mantra of placing the consumer at the heart of everything. The GC query our culture and the use of certain terminology, for example, the phrase 'bonus abusers' - a valid term which describes exactly what some people are. We've come under fire for not approaching things in the right way. It's reflected in some of their actions: having consulted our new plans, they've suggested a new strategy for enforcement where again culture now appears alongside the licencing objectives. For any regulator, regulating on the basis of culture is going to be difficult, and it makes it difficult for us to comply with. They are looking at enhanced provision around dispute resolution and this also feeds into putting the consumer at the heart of everything. We probably can do a bit better on that."

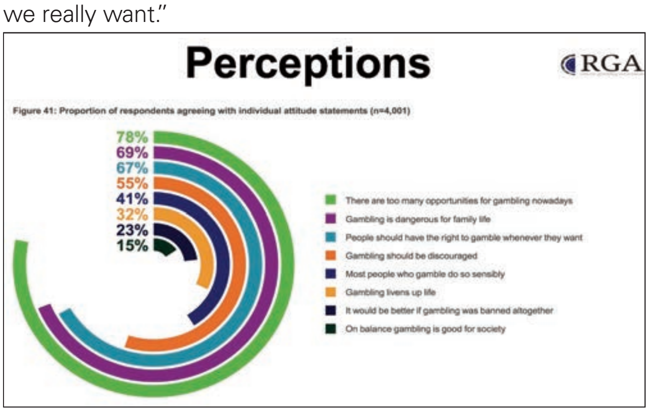
Another area of focus is to pull together the wider social responsibility aspects, through the Annual Assurance Statement (AAS) process. It ran as a pilot scheme last year, involving over forty of the largest companies in the market. The GC is considering rolling that out to everyone, but that seems unlikely. It covers issues like dealing with money laundering but the real focus is social responsibility. "The crux of it is, the GC want us to put a figure on how much revenue comes from problem gamblers. In practice, we know that's nigh impossible, but they're still pushing for us to find some metric to do it. Underlying it, they want proactive new social responsibility measures, which is not a bad thing. Linked to that also is the CMA enquiry, undertaken at the behest of the GC through the CMA into terms and conditions. By way of clarification, that wasn't one single enquiry, but nine separate ones. We're expecting some sort of consolidated view to come out either from the CMA or the CMA jointly with the GC in the next month. Depending on the result, it may affect the way we approach bonuses and incentives in future. One other comment in relation to how the GC sees the industry just now: when the CMA inquiry was launched, the Chief Exec of the Gambling Commission publicly used the phrase 'the industry is bamboozling its customers'. That one word made our job, of getting into a position where the GC trust what we are doing and have faith in our efforts to improve things, much harder."

Mr Hawkswood went on to discuss the other new initiatives being trialled on social responsibility. "But there's a risk of overload. We must evaluate, before moving on to new initiatives. But our approach to social responsibility may be what the industry is judged on finally, so we have to be open to it." Moving on to the NOSES scheme (National Online Self-Exclusion Scheme), to be introduced at the end of this year, Mr Hawkswood said "We don't like the name so it's being rebranded. When it goes live, the licence condition to belong to a self-exclusion scheme will come into effect. To all the non-RGA members, there's an outreach programme in place to explain what it is, how it'll work, and what it'll cost. It's expensive but the costs will be met proportionately so the ten biggest companies will pay 80% of the costs and for smaller operators it may be up to £1,000 pa. It will provide a one stop shop for all self-excluders."

There's a second initiative related to remote: "In online gambling, there's an assumption that player analytics is something the sector can do better than anybody else, being an account-based system. Taking all the customer information, operators can identify through markers of harm, potential problem gamblers, and interact with them as soon as possible to stop a problem developing. We set up a player analytics group last year. On the markers of harm there was a good deal of consensus. More work needs doing on assessing what the best interventions are; whether it's phoning up customers, staging pop-ups, or dedicated messages, and how many messages. The GambleAware project will deliver this much-needed piece of independent research. We've committed to the GC to try to bring forward some form of industry guidance based on minimum standards for people to aim for. Although analytics can be a finely-honed tool, we need to be clear it's not a panacea to all the problems."

Mr Hawkswood moved on to discuss the DCMS review. "It's part of something called the Tri-Annual Review, whereby the stakes and prizes on gambling machines are reviewed every 3 years. Actually, it's overdue - but they expanded it to include a review of social responsibility measures and gambling advertising. There will be a consultation paper out; with DCMS aiming to publish this April. It will announce plans on the high-profile issue of FOBTs (fixed odds betting terminals) in betting shops, and include social responsibility measures." Mr Hawkswood was surprised at the addition of a review of advertising to the Tri-Annual Review, "We had a major review of this in 2014/15, resulting in the industry code only being changed and implemented with revisions from February 2016. Why have they called for another review less than 12 months into the implementation of the changes of the last one? Different ministers possess different views, it appears. It wasn't just the 9pm watershed, with comments about protecting children, and concerns about gambling being normalised, which concerned ministers. It was a question of the density and tone of the advertising that is around live sporting events irrespective of what hour it is. Too many adverts are too shouty! The tone of adverts is dealt with by the advertising regulatory, the ASA, and the amount of advertising is a competition issue. There's work going on between ourselves, the advertisers, the broadcasters, other industry groups to try and put forward a package which will satisfy the ministers, without doing any significant damage. However, there will still be advertising before the nine o'clock watershed.

It's also become clear that the regulators have different priorities. The three of concern are bonus T&Cs, which link back into the CMA inquiry, social media (particularly for the younger demographic), and the role of affiliates. The current view held by the GC is, if an affiliate does something wrong, the licensed operator they are linked to will suffer and they must take responsibility. But we all know the affiliate sector is huge, and probably not regulated to the same standards as anything else. I personally have warned people in the affiliate side to try to collectively get organised, because it's coming. There's a concern that what we're seeing is a move away from evidence-based decision making and policy-making which is odd given that the DCMS review is known as a 'call for evidence'. Despite evidence being put in front of them and they are disregarding it and saying yes, but this is what we really want."

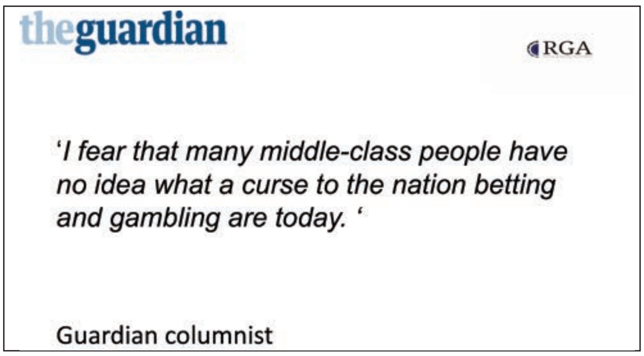



Mr Hawkswood moved on to the issue of perceptions. "In every country, there's a different view about gambling. Quite often it's driven by long-standing cultural or moral views which exist and we can't ignore those. But in a recent survey by the GC, 67% of the general population felt people should have the right to gamble whenever they want (the light blue circle). About four of those perceptions are negative and four positive."

"Compare that to an info graphic also produced by the GC which shows four negatives, including the fact that 78% of people think there are too many opportunities for gambling, and 69% of people think that gambling is dangerous for family life. Where's the balance? Is it a self-fulfilling prophecy where the regulator is contributing towards that negative perception? Info graphics are designed to be easily accessible and deemed more influential."

Mr Hawkswood also pointed to the media as being anti-gambling. Quoting an article from The Sun newspaper entitled 'All Bets Are Off' which claimed that 'almost half of British people admit to gambling'. "In politics and media, words are important. Those messages resonate with the general public. The whole tone, as if we're supplying something illicit, and people should be ashamed of what they're doing. It is very scary." As recently as March, an article appeared in The Times newspaper about the SNP in Scotland and its links to the gambling industry. In fact, the woman MP had only accepted £400 worth of hospitality from one bookie, and attended the opening of a couple of betting shops. "But she'd also spoken up about the responsible gambling work the industry is doing, and her thanks for this is to be completely vilified in a national newspaper!"

When people ask why politicians are reluctant to get behind the industry, it's because there's precious little upside for them and lots of potential downside. Vilification of the gambling industry by the media contributes to how the wider world sees it. This all feeds into perceptions. Many non-gamblers have a negative view of gambling, but a lot of people who do gamble, actually share that negative view; the question is how much of that is justified when you're looking at the UK."




"As you can see from the above, if problem gambling was going through the roof, of course we should be criticised, but when you pull it all together, the average across the UK comes in at about 0.7% of the population who are classified as problem gamblers. True 'addicts' – as the tabloids refer to, compose a different sub group. This wider group is problem gamblers. The first of these studies was done in 1999, it came up with a figure of 0.6%. Since when it's hovered


around 0.7, 0.5, 0.6. Really the message to take away is, that since 1999, the rate has not changed. In fact the growth of, advertising, and online gambling, has had no impact whatsoever on the problem gambling rate."

"But problem gamblers do exist, and we must try and minimise the problem. Considering their macro environment – the families, employers, and others around the problem gamblers – is one way to help. Internationally, the UK rate of 0.7% is very low. Despite that we still face this challenge from regulators, politicians and the media. Perhaps the issue then is the overall amount of money lost by punters? But in a 2016 survey, Britain appears far down in a league table in terms of loss per head, of the population. It is not an amount per head that any government should be worried about. The reason that industry perception is an uphill struggle for us is down to a mix of culture, morality, and easy news stories. In fact, if you look at British newspapers, it's hard to find one that doesn't take gambling advertising or have gambling on its website but still their editorial approach is negative. There isn't an easy solution, just a manageable problem."

"On tax, and point of consumption, none of us welcomed it but it's here now and the UK government are delighted in terms of the revenue take. They planned a first-year revenue of about £300 million: it's now double that, with more growth forecast. In August, the taxation of remote gaming free plays will kick in, taking another £60-100 million pounds out of the industry every year. That rapid increase, from their target of £300 million to close to £700 million shows how lucrative this industry has become for the British government. Another tax point is the potential application of VAT across the EU. Europe is giving member states a lot of leeway on how they apply VAT, but for us this could be a complete game changer. If member states start applying VAT on a cross border basis, on a turnover basis, it will close down markets. We're involved in this big area of work, with a wider cross section of the industry to help us to push back on it. It'll be a big battle this year. And in newer jurisdictions, we're trying to communicate that this isn't just about gambling tax, but about the total tax burden. A jurisdiction can have the lowest tax rate in the world, but if all the other taxes are high, it can still make the market unviable. Hence the enduring appeal of jurisdictions like Gibraltar: it's still very attractive because the overall environment is positive."

"Regarding the British horse racing levy, legislation going through now is a secondary piece of legislation so amendments can't be made: Parliament will accept or reject it. The whips will likely get it through, and on that basis it'll come into force in April. It's an additional tax burden on the horse racing business of 10%. Why is DCMS doing this when the betting industry pays so much in commercial payments, intellectual property rights, and sponsorship deals? Historically the levy seems to have existed forever and no government is bold enough to abolish it. Also, in the House of Lords, just about everybody owns a race horse or is related to a trainer, so they have a built-in majority. We've argued that the levy in any form is not justified now because of the size of the commercial payments that exist. We've lodged a state aid challenge, it may be the only thing that can stop this piece of legislation now. Watch this space! If it goes ahead, the existing levy board will take it forward and contact you, shortly after it becomes law. As collectors, they'll be gone by the end of the year, after which the GC will take over. But the GC as collector for the racing industry? It doesn't feel quite right."

"Coming back to Europe, from our perspective the European Commission has pretty much been a paper tiger. We've never benefited from the internal market, which was a major disappointment a few years ago but something we all coped with. Now, we've moved to a situation where you need to apply for licensing in just about every country which is again gathering momentum. So people can choose which of the jurisdictions are worth pursuing but still we have lots of EU

member states who are clearly not compliant, and the EC has done nothing to make them compliant. There may be the odd nudge behind the scenes but we still have a long list of notifications, infringements outstanding for many years, and promised action by the Commission. We've reached the stage where, with other partners, such as the GBGA and the EGBA, we've had to go jointly to the EU Ombudsman to try and get something moved. We accept some political bottlenecks at the Commission but it's just not working for us. Otherwise, at a high level, what we have in Europe is a mix of new licence jurisdictions taking their first steps: we try to get existing regulations to hold out hands and help them make their way. Their key target is to raise revenue, which is understandable but we're also saying to them don't forget about social responsibility, or sports integrity, and so on – because you need to deal with them at an early stage. The more established jurisdictions such as Malta, Gibraltar, and UK, can help those newer regulators and share their experiences; they'll get much more from other regulators who by their nature will be more credible to new jurisdictions."

"Regarding Brexit, as a sector we're in a better position than most industries simply because we've never benefited from the internal market. Like everyone else, it depends on the terms of the exit: we'll just have to wait and see what the general ramifications are."

Now, you may feel like the world is against us and sometimes it does feel that way. But there's one big saving grace that we mustn't lose sight of: this is a hugely successful industry. Bearing in mind all the headwinds I just discussed, it's a huge credit to the people who have worked in it for a long time, that we've got as far as we have. In this extract from a recent report by Morgan Stanley about the UK, they are projecting 12% market growth in 2017, and 9% or 10% in 2018-20. That is roughly 10% year on year! Hugely encouraging. In a mature market, if we're looking at those levels of growth then the levels of growth in other markets should be even better. It's testimony to how good people are at their jobs. Commercially, companies shouldn't be ashamed of the fact they are businesses. They're there to make money. Do it with compliance, and in a socially responsible way, but the function of business is to make money, and as a sector, we are extremely good at this"

Mr Hawkswood offered a quick recap on the state of the sector. "Revenue is still growing, bearing in mind now the UK online market is bigger than the National Lottery, bigger than betting shops and getting bigger than casinos, arcades and bingo all together. That growth is going to continue. It may cause us to attract more attention, we risk becoming the media's next plaything, but it comes with the territory. Trading conditions are becoming tougher but it's all relative, and sometimes it's a good idea to look outside of our own sector and see how tough others are finding it. If you sat down with any of the land based operators, you'd see they're finding it much harder than we are. There are more regulated markets now, which brings certainty but also brings cost, and taxation costs have gone up. Regulatory costs go up, and this has a knock-on effect because we have more mature markets, the costs, which lead to increased competition and M&A. This is all the natural progression of a maturing industry but at least it is of a successful maturing industry! Hopefully it will also drive further innovation and products to keep us at the top of the queue for consumers."

"Regarding Brexit, as a sector we're in a better position than most industries simply because we've never benefited from the internal market."

# The Outlook for Gibraltar

## Moderator: Jon Tricker

MD, KPMG in Gibraltar

## Panellists:

### Peter Howitt

Ramparts

### Peter Isola

ISOLAS

### Peter Montegriffo QC

Hassans

**As Britain moves towards its triggering of Brexit, the future of Gibraltar may hang in the balance. But many issues are of concern to the Gaming sector in the jurisdiction, not just Brexit, as explored by Jon Tricker of KPMG in Gibraltar and his esteemed panel in this section.**

Jon Tricker began by introducing himself and his panel. "It's great to be joined again by three very senior Gibraltar gaming lawyers: Peter Howitt from Ramparts, Peter Montegriffo QC from Hassans and Peter Isola from ISOLAS. There's plenty to discuss and I'm keen to hear the panel's views on Brexit and its impact on Gibraltar. Last year we did a poll on Brexit which identified some issues but then, we were of the view that it was very unlikely to happen. Firstly, in your experience, how have things panned out since the June vote, Peter Montegriffo?

**Peter Montegriffo QC:** We're in a space we didn't expect to be in and making the best of it but nothing speaks more loudly than the facts on the ground. Industries and operators naturally react to political decisions, but the fact is, we've never been busier than since that June vote. Not just in Gaming, but across the board and in Financial Services. It's defied our own perception of how we thought a vote of this type might play out in Gibraltar. It's partly mirrored by what's happening in the UK, where the economic indicators are more bullish and stronger than perhaps "Remainers" feared. In Gibraltar, since June we've had an increasing interest in relocation of business and individuals wanting to use Gibraltar as a platform for residence. Businesses already established here see the opportunities as well as the challenges that come with Brexit. Critically, it's easy to forget one thing when you're looking at matters from a geographically centric position. And that is the question of the relative volatility outside the jurisdiction. Brexit may give us particular issues, but the world at large is a difficult and volatile place. Therefore, Gibraltar, is perceived as a beacon of stability, as a safe investment and solid operational base. The government's strong support for these key industries, the level of engagement we enjoy because we're smaller and regulators are therefore accessible, the fact that the tax system is one that has broad buy-in from the community – for example, we do not have the sort of disparity as exists in the UK with regard to the status of non-resident domiciliaries. Here, there's buy-in politically to our economic model. All of which is very important and explains why in relative terms Gibraltar is proving so continually attractive.

Of course, it's only natural and necessary that operators in all sectors plan for the different variables that Brexit might give rise to. We're neither surprised nor distressed by this fact: it would be reckless of operators not to consider those issues. We see it as a case of ensuring that operators remain nimble and that those in Gibraltar especially, can respond quickly. Some information about operators' moves


is public: Playtech is establishing a significant presence in Gibraltar, as are others. These are live applications, which speaks volumes. In fact, before the Brexit vote in June operators were already responding to this new environment. After the Brexit 'trigger' next week we may know more what Brexit will mean exactly. We share a huge interest with the UK - we both want as much access to the single market as possible. Theresa May talks about a hard Brexit but the truth is she also wants single market access as does all of the UK. If the UK gets single market access, we're going to piggy back on that, so that will deal with the EU access even though it's less important in the Gaming industry than in other sectors. Our portal to the UK is critical and we're working hard to make sure that it is not just maintained but indeed enhanced. The most important thing is the invitation made by the Minister, to keep in contact with both government and advisers. We'll be better placed to seize opportunities that emerge once we've navigated the unchartered choppy post-Brexit waters if good lines of communication are maintained.

**Jon Tricker:** Peter Howitt, do you share that positive outlook for Gibraltar since Brexit?

**Peter Howitt:** Yes. Peter Montegriffo has outlined the issues facing Gibraltar very well. It's true that Gibraltar's attractiveness is in a sense amplified by the macro uncertainty in the world. You could liken us to a port in a storm. Living in a world where the degree of uncertainty and unpredictability that businesses and people experience, makes Gibraltar attractive, for financial services, and particularly for the Gaming industry. The Online Gambling sector has grown up in an environment with regulatory and jurisdictional hostility. But Gibraltar has continued its efforts by the government and the regulator, all the way down the chain, saying that we support you, we're not ashamed of this industry, we want proper and good businesses. If that message keeps being delivered internationally it will ensure that Gibraltar maintains its strength. In other sectors, such as crypto-currencies, where you have some similar conditions, some jurisdictions are not willing to put enough effort into regulating them properly. They're seen as a bit of a distraction or as challenging their existing banking sectors. Gibraltar has got an ability to keep looking outwards and encouraging innovation in sectors which aren't mainstream, where you do need the government and the regulator and the industry to pull together.

**Jon Tricker:** It's reported that probably the biggest threat is a change to the status quo at the border. In the scenario of a hard Brexit, what could we expect to see at the border, Peter Isola?

**Peter Isola:** Yes, the border is a concern. But to return to your previous question, in my experience I find that Gaming companies in Gibraltar have many issues. Brexit is one but firms are more concerned about bigger issues such as taxation, the cost of doing business and profitability. Gibraltar is in a good position despite Brexit. Look at taxation, jurisdictional issues, the ability to go into territories and licencing: those are the main issues that gaming companies are tackling. Moving on to the frontier - the previous Spanish foreign minister was vocal on this, but the present minister is more pragmatic and diplomatic. Spain's official view is, we joined the European Union in 1986 and therefore had to open the frontier. In a post-Brexit scenario, we're no longer part of the Union - or Britain isn't - and therefore we no longer must retain the frontier open, we can impose restrictions. Legally that isn't quite correct, and in many ways what we have today is an EU external frontier. The threat of the frontiers is a very real one for Gaming, and for FS, but for both practical and legal reasons I think that perhaps the concerns are overblown. I doubt Spain will introduce any form of punitive measures, because it harms them as much as it does us. For the 10,000 people crossing that frontier every day, including Spanish residents, slowing it down would decimate the linear economy; I just don't see it happening. The general economy would suffer tremendously and it's not a fascist government, it's a developed democracy.

Another area where there's excellent cooperation is with the police and the control of traffic through the straights (including drugs). Between Britain and Spain, Gibraltar and Spain, there is good cooperation and I don't see Spain wanting to jeopardise that. Democracy in Spain has developed in such a way that a closed border now is highly unlikely. I've looked recently at EU directives and one in 2016 was to establish a European border and coast-guard to ensure European integrated border management. This is a comfort for us because its predominant view is to manage the crossing of the external borders efficiently. It's committed to the safeguarding of the free movement of persons and the processing of personal data in accordance with EU directives, all of which should respect the principles of necessity and proportionality. The present work of the frontier is geared towards this, and a European agency will look at equipment, infrastructure, staff, budgets and the financial resources being put into those external frontiers. The regulations specifically say that European countries need to deal with their neighbours and of course in our case that's us. We can take comfort from that. There's a local border traffic regulation of 2006 and the House of Lords and EU committee supported its basis to allow for transient workers crossing the frontier. This could be a good way of dealing with the frontier going forward. I don't think the issue of the frontier is as big a threat as we might think.

> "It's only natural and necessary that operators in all sectors plan for the different variables that Brexit might give rise to."

**Jon Tricker:** One follow up - Theresa May so far has declined to come forward and guarantee the rights of EU workers in the UK. What is the position in Gibraltar on that?

**Peter Montegriffo QC:** Constitutionally labour matters in Gibraltar are the competence of the Gibraltar Government, so I think Government will respect, not just existing arrangements with regard to EU workers, but indeed maintain the regime which is flexible and welcoming to both EU and non-EU employees that have traditionally enriched and developed our industries. Gibraltar is an excellent example of a jurisdiction which has embraced external expertise. We wouldn't have grown the Gaming industry here, even less a financial services sector if we hadn't welcomed external expertise. It's a matter within the competence of the Gibraltar government, not for the UK, and the Minister can confirm I'm sure, that the government will want to maintain those arrangements. We have an accommodating attitude that should prevail and would, I think, be respected.

**Jon Tricker:** In the last couple of years we've traditionally talked about the Gaming Act and last year a review was announced. What's the status of the review and its changes?

**Peter Howitt:** I think it was overtaken by bigger events, with the focus on the uncertainty created by the referendum. My understanding is it's still under consideration but the key here is not to put resources into a whole scale review, and implementation that doesn't take account of what might fall out of the current Brexit process.

**Peter Isola:** I don't fully agree with Peter on that. It's important we keep moving forward with the review. We have the additional challenge of replacing Phill Brear, but there are aspects of the review that we need to continue with, and some need adjusting to the present climate, but we should press forward with it.

**Peter Montegriffo QC:** That's right and the Minister did indicate in broad terms how the government plans to proceed. I would point to how the review looks at the way regulation is undertaken in Gibraltar in terms of the governance structures. This isn't because current arrangements don't work - they work very well and with good standards - but because we're moving to an increasingly regulated world. The UK will present its own challenges so we need to make sure that our regulators are seen to be well resourced and equipped when viewed by outside observers. That's a big chunk of the review and it's important. The second point is how we want to diversify this industry. As we know, we have a single remote gambling licence at present. We've been nimble enough to accommodate B2B and B2C work within that single licence, but the review looks at broadening the scope of what we could bring within licencing and regulation to levels that are appropriate for each industry. This is a significant aspect of the review. You mentioned Blockchain: it's of huge interest to add such elements into this growing industry and provide a better and established framework for regulation. In my view the main reason Gibraltar became attractive to the online gaming sector in the late 1990s and early 2000s was because the government was committed to putting in place a regulatory system that would embrace this industry. If we're able to do that with new fledgling industries, that are on the periphery of the currently licenced sector, it should allow us to repeat the success we enjoyed 15 or so years ago.

**Peter Isola:** On the topic of the gaming review, I'd like to add that as a jurisdiction it's important for regulators to be given the proper enforcement powers as well. I've come across situations where the regulator is almost forced into a draconian position and must frighten the licensee to act, when in fact if the regulator had more powers he could have steadily increased pressure as he went along, and the situation would have been more equable. Also, on the topic of the Gambling Commissioner, of course we'll miss Phill Brear when he leaves this year – but ideally we need to replace him with not one, but three commissioners, as the industry grows and we build up the GC. In giving the GC enforcement powers and capability, it'll help us as a jurisdiction. There are aspects of the Gambling Review that we need to continue with, such as looking at the licencing arrangements which are already developing in terms of B2C and B2B. But I think we need to move on to cater also for the changing nature of the gaming industry.

**Jon Tricker:** With regards to the GBGA's case around the point of consumption tax: there have been some developments; what's the latest there, Peter H?

**Peter Howitt:** The Advocate General's opinion has been read by most people and we've seen that it came down quite firmly against the challenge, so the question now is whether the challenge will proceed all the way to a judgment or whether it's withdrawn. It's a question for the GBGA but it was always going to be politically sensitive, as it's challenging the UK on a matter of domestic taxation which it considers to be within its control. It's now a matter of do we continue and see if we get a full judgment, could the judgment differ from the Advocate General's opinion or is it wiser to withdraw now?

**Peter Montegriffo QC:** I have two comments on this case: firstly, as you probably know, the Advocate General's opinion was that for the relevant purposes of Article 56, we are the same member state as the UK, and therefore competition law, or at least European competition law, is not be engaged between us and the UK. But circumstances have changed and a ruling that says we're the same member state as the UK in this area has its positives in a post-Brexit world. It allows us to leverage with more political credibility the notion that we should piggy back on arrangements the UK negotiates for itself. The court's judgement would give credence to the notion that we are UK for these purposes and therefore there should be no distinction between what the UK gets and what we get. So, there's a potential silver lining to that outcome if the case concludes on that basis. Secondly, the reality is that the effects of the point of consumption taxation has been successfully absorbed by the industry. As we all know, the way that the point of consumption regime and taxation panned out, helped us. It meant more traffic to Gibraltar. Operators and business would rather be regulated from Gibraltar vis-à-vis a worldwide footprint than the UK, so yes of course you could accuse us now of putting a brave face on what looks like a reverse, in the case of a judgment based on the Advocate General's opinion. But the reality is that the outcome has been not just less calamitous than we feared, but actually genuinely positive.

**Peter Isola:** There's an interesting point here with a tale about 32Red. As we're looking at the post Brexit issues, 32Red has actually grown despite Ed Ware's resistance to the point of consumption tax. I think he now sees it as a positive because being regulated in that space has proved beneficial, as others have dropped out.

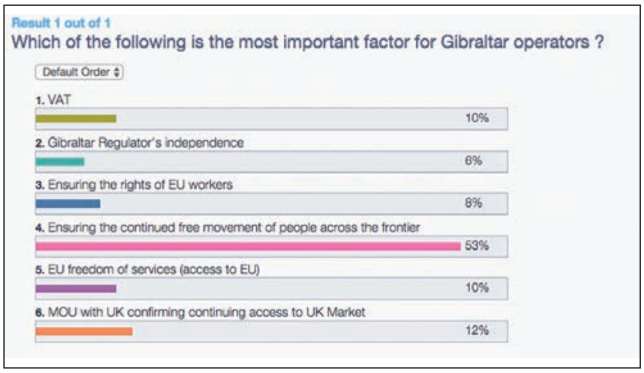
**Peter Howitt:** On that issue, although taxation played an element, it really goes back to the importance of the relationship between a government and a sector. Although some UK operators were originally supportive of the changes to taxation, the way in which the UK went about implementing licencing and taxation meant that it destabilised the confidence of the sector. Gibraltar's attractiveness became all the more apparent. That's why the dialogue between a government and the sectors it wants to attract and keep is so crucial.

**Jon Tricker:** Building on that point around Gibraltar's attractiveness, we ran a poll last year asking which factor was the most significant in Gibraltar's strength, and the audience determined that it was the attitude and approach of Phill Brear and the gaming regulator. Can we see any changes going forward in the way the regulator does business in Gibraltar, post-Brexit, and a possible new relationship with the UK?

**Peter Isola:** As the minister alluded to earlier, that relationship with the UK is extremely important. In the event of a hard Brexit, EU gaming companies couldn't expect to have open doors to the UK if there weren't open doors to the EU in consequence. In the case of FS, there could be opportunities for Gibraltar and we need to build on our relationship. We're working very hard in that area within the Brexit gaming group to ensure a good and growing relationship with the UK, that can benefit operators from Gibraltar, as ironically we would be in the same member state should there be a hard Brexit.

**Peter Howitt:** It's interesting because the GBGA challenge on licencing made it clear when we gave evidence in committee, in parliament, we thought creating a regime where you licenced anyone in the world was absurd in our view. We may be seeing the UK beginning to realise that could be true, partly because of Brexit, but also because quite frankly you either have a regulatory and licencing regime which is a paper exercise and solely about getting the licence fees in, or you have a regulatory environment where the regulator understands the sector and speaks to its people regularly. Gibraltar has been very fortunate in having Phill Brear because he and his team always go out there and make sure they understand the sector from within: how it works, the various commercial pressures, even the technological dimension. They've been a real support.

**Jon Tricker:** Let's have our poll. Which of the following is the most important factor for Gibraltar operators?




VAT? The independence of the Gibraltar regulator? Ensuring the rights of EU workers? Ensuring the continued free movement of people across the frontier? Access to the EU through freedom of services? Or is it the Memorandum of Understanding with the UK confirming continued access to the EU market? Meantime, what is Gibraltar doing to mitigate some of the threats posed by Brexit?

**Peter Montegriffo QC:** Gibraltar is taking stock of both the immediate threats and the potential opportunities. Our current talks with the UK government range from the highest levels right down the ministerial chain. The engagement is unparalleled and there's a recognition of our three main priorities: Gibraltar wants is a free-flowing frontier, access to the EU market (although this is less significant in this industry) and an enhanced relationship with the UK. On those matters the message is understood and we've established exactly the right sort of framework with which to develop this agenda. More generally I think Gibraltar needs to look at how we diversify: this is gathering relevance and urgency now. Peter mentioned Blockchain and other initiatives that Gibraltar may introduce, but we can't do everything, Gibraltar is a small place. We need to bring in people and there's limited space. It is challenging to relocate expertise so we must use great care in identifying those sectors which will allow us to leverage from the existing expertise we have here and from the strengths that we enjoy. Some of these will be industry driven. We didn't generate our success in motor insurance in the UK ourselves. But we had a basic platform which external advisors identified as an opportunity and helped us grow with the local authorities. We need to establish new facilities and openings which will allow the diversification of this economy to take place.

**Jon Tricker:** A couple of you met with the junior Brexit minister Robin Walker recently. What attitude did you see towards Gibraltar coming out of those meetings?

**Peter Howitt:** It won't surprise you to know that is was very supportive. The UK continues show Gibraltar its full support: we won't be left hanging in any negotiation. They continue to send the right messages about Gibraltar. In addition, they're looking at how to ensure that the Gibraltar/UK relationship maintains its strength. In that meeting, a few people mentioned to the junior minister that we need to make sure that with the uncertainty around Brexit, we have enough resources in Gibraltar and the UK politically and in the civil service, to keep some focus on things that are outside of that process, so that the political capital and the human capital is also put into things where it is not in the gift of the negotiations with Europe. I think that's really crucial too. There were positive signals from the UK that they're doing that and looking at things that are within its gift that fall outside of the Brexit process. I think the quicker that is done and communicated to the business sectors in Gibraltar and the UK, the better.

**Jon Tricker:** Let's reveal the result of the audience poll: the overwhelming majority voted that ensuring the continued free movement of people across the frontier is the most important factor for Gibraltar operators. So, the frontier is the main issue and it's been very useful to hear Peter's comments and positivity on that point. Thank you, all three Peters. It's been extremely interesting. Thank you very much for your contributions today.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# GAMLG Update

## Keith Bristow

Keith Bristow, Chairman of the Gambling Anti Money Laundering Group

**Established in the UK in January 2016, the Gambling Anti-Money Laundering Group is led by Chairman Keith Bristow, former Director-General of the UK National Crime Agency. Comprised principally of the RGA (Remote Gambling Authority) and the ABB (Association of British Bookmakers), the sectors the GAMLG represent account for over 70% of the UK Gambling Market. Its chief aim is to improve the gambling industry's ability to combat money laundering, and it will do this primarily by producing, in collaboration with the regulators, industry good practise guidelines.**

"Across Europe, there's a strong anti-money laundering regime, and the one in the UK in particular, tackles much of the problem."

Offering some background to the GAMLG's current work programme, and future direction, Mr Bristow began his update: "Clearly, our group's focus is on improving the Gambling industry's ability to combat money laundering. We can have many debates about the risk of money being laundered through the industry, versus the risk of criminal spend. But my job is to focus on reducing the risk of the industry being exploited. To my mind, it's about the industry being exploited rather than the industry doing the exploiting. We work closely with law enforcement and with regulators. It's not always an easy relationship but so far there's been a willingness on their side to engage with us. We're also working with many professional firms that offer services in this space." Although UK based, the online operators who belong to GAMLG are generally also licenced in Gibraltar, so, across part of what they do, there's some effective reach in Gibraltar.

It's a sad fact of the modern world, avowed Mr Bristow, that criminals do need to launder money. "Across Europe, there's a strong anti-money laundering regime, and the one in the UK in particular, tackles much of the problem. Criminals must find new ways in which they can clean up their money. Typically, they do one of three things: set up 'front businesses' to claim that's where the money came from; or, they buy assets and launder the money through the purchase of the assets; or thirdly, they establish a money-in money-out process, and it's this third option where gambling provides them with opportunities. Criminals are not regulated, they don't comply with rules, they're cunning and determined. And with organised crime, their motive is money. There's no exact figure on how much criminal money is laundered every single year through the UK via financial services in London but, these are not small sums. It runs to billions rather than millions. Also – and I speak from experience, having spent most of my working life dealing with criminals – these people are not nice individuals. They tend to be bullies, and like to exploit people who are vulnerable for their own benefit. The media's depiction of criminals as likeable rogues, is completely false."

Mr Bristow spoke about the group's aims with intent: "The setting up of the GAMLG is not some sort of window dressing exercise. Gambling is a business that generates revenue, keeps people in employment, it's a legitimate pastime for people. I don't make any judgments. The way in which I chair the group is to focus on delivering an effect on money laundering. It's a real credit to the industry that the group was formed, and we may thank Clive Hawkswood, as it was his vision, and Phill Brear, and some CEOs of the bigger operators. This is a serious proposition to do something serious."


Reflecting on the way in which the world is changing generally, Mr Bristow commented that, "Traditional boundaries between public and private, with regard to national security and organised crime, have changed substantially, compared with 10 or 20 years ago. It used to be simple: the private sector generated the wealth to pay for the public sector to keep nations and their citizens safe, and to tackle crime and terrorism. Now, we live in the age of the internet, in a world that is hugely interconnected. Nations must take a close interest in communication service providers, as well as all business sectors, including the Gambling industry and Financial Services. The reality now is if you want to keep your country and citizens safe, you must find ways of working with the private sector from a state side. I would also argue the private sector has responsibilities to ensure the security of the nation state."

In fact, the creation of the GAMLG is a good example of an industry admitting there's a risk that money is being laundered through its processes, and that it's taking proactive steps. "That puts us all in a very strong space. We've focused on a few key things during the past year: one, the way that the industry gets buffeted around by regulators, by the media, by politicians, by commentators, yet, we don't seem to have a strong evidence base to push back. In response, our first task was to write a risk assessment. As a group of operators, and others around the table, representing 70% of the gambling industry in the UK, we felt we needed a risk assessment we could stand behind. The people who know where the vulnerabilities are in a system, or what the problems are, are normally the people running the system, not the people who make judgments from outside. There was a need to write those down in an open and transparent way, to map what controls we have in place, and look at what the residual risk was, which would shape our work programme going forward. What we've produced is a work programme underpinned by a rational understanding of what it is that we're trying to tackle rather than getting buffeted by events."

Mr Bristow compared the risk assessment by the GAMLG to a sort of gap analysis. "A year on, led by people from within the industry, we've got a robust risk assessment, shared with a law enforcement expert, and a former regulator, and with a law firm. Next week we'll go through it with UK Gambling Commission: their feedback is important because we want to work collaboratively with them. Next month our risk assessment will be finalised. Then we'll launch a version open to the public – open and transparent about what the risks are, how we calibrate that risk before controls are applied, how we calibrate the risk after the controls are applied. Finally, a work programme will be shaped around that risk assessment."

The second work project for the GAMLG concerns the whole issue about proof of wealth or funds, suspicious activity reports (SARS), and the exiting of customers. "Looking at it through law enforcement's eyes, information sharing plays right into the centre of this: there are real risks in the way that this particular issue is dealt with just now. Applying different methodologies to assessing whether someone does legitimately have the funds to pay for gambling has its own risks. It's even more risky when you choose to decline that customer and then submit a SAR, and if that is routine practice, one could argue that it is tipping off. If you then exit the customer and you're unable

## "The creation of the GAMLG is a good example of an industry admitting there's a risk that money is being laundered through its processes, and that it's taking proactive steps."

to share information, the customer can go to another operator who is applying a different set of rules in a different place and still manage to succeed. Currently, if you submit a SAR you must bar a customer absolutely – this isn't helpful to law enforcement most of the time. Again, led by industry practitioners, we asked, what tools do operators use to assess source of wealth and funds, what's the best practice, how can we have an escalating set of interventions on the back of that, that enable us to work and to respond in a consistent way? We've developed this, and will launch it this summer."

Most consumers nowadays are not surprised when a service provider asks questions – in Banking and Telecommunications, this is common practise. So why, in Gambling, are consumers surprised when queried about their source of funds? Mr Bristow continued, "There's a customer education piece here. People should understand why questions are being asked, the obligations that the operator has, how it is that they can prove what it is they are doing and where the money has come from, and that it is all clean. The GAMLG is developing those products and the information that can help customers or prospective customers make good judgments, combined with a consistent approach across operators for how they assess that using similar tools. Information sharing is the bit we can't crack. Regulators sometimes criticise operators for not sharing information but I can't see a legal basis via which you could share the information. If we're committed to dealing with money laundering, this is a big issue that we must overcome."

The UK government and those who write the policy are engaging with the GAMLG to understand this problem. Even so, information sharing between operators is a huge challenge. Seeing how this is dealt with in other sectors may help, "Years ago, I was involved in a joint money-laundering intelligence initiative, between financial service institutions where they used legislation by the National Crime Agency to enable information exchange between law enforcement and the banks. If we can find a legal means to do something similar for Gambling, it would be significant."

Mr Bristow confirmed that the GAMLG has had approaches from different jurisdictions to ask if they could join the group. But, "We want to deal with the current challenges we have in the UK. There might come a time where it is useful for other jurisdictions to have membership of a similar group if that is what they want to do, given jurisdictional geographic boundaries."

Mr Bristow praised his team at the GAMLG: "The people who've joined the group have enabled us to create a non-competitive space. Usually, when bringing together organisations that have different commercial interests, and competitive commercial interests, asking people to work in a collaborative way is quite difficult. But I've sensed that people's values are in the right place. Of course, they want their company to succeed, but they're absolutely focused on working with their colleagues to resist the risk of money laundering and that's a real credit to those people. I've been very impressed with their competence. These people understand the detail, are very credible amongst their peers, beyond Gambling too but also within the whole anti-money laundering community. They are genuinely trying to do the right thing. The chief execs I've met who oversee what those people are doing are impressive. At the start, we didn't have a very strong evidence base to start to assess ourselves and to set out our programme of work. Now we have a risk assessment that all the people sat around the table are happy with and that we feel confident enough to go public with. When the UK government were making their decision about the EU Fourth Anti-Money Laundering Directive they referenced the role of the group, as a very good example of the industry not only being low risk from a money laundering point of view but committing to doing more to be even lower risk, and that is incredibly positive."

Summing up, Mr Bristow declared, "I'm not a cheerleader for this industry; equally I'm not a critic. My job is to work with the industry to make us better at resisting those who want to launder money and exploit the industry for their own purposes. A year on I think we're in good shape. I'm pleased too with the support that we've had across the industry. If we can put commercial advantage to one side for a few minutes, the reality is, we're trying to stop bad people from succeeding in doing horrible things to decent people. The industry should be proud of how it's tackling that particular issue and we're making very real progress."

**Delegate question:** "As someone working in the US Gaming market, I regularly hear from state and federal government officials, and sometimes regulators, how online gaming is the home of money laundering. The reason given why various states shouldn't go online is because of the rampant money laundering that goes on in Gaming. Are there cases you've encountered that support that? Are you willing to share your findings with some of the less knowledgeable state and federal officials in the US?"

**Keith Bristow:** "Thank you for the question. However, I wouldn't want to undercut the team that have pulled the risk assessment together by sharing it today. Our risk assessment does confirm the view that the industry is low risk, although we can do better and reduce it further. I've not seen rampant money laundering activities in online environments. There will be occasions where an individual or group are vigorously laundering money through online gambling, but that's different to a systemic problem. We're just not seeing that. Our own risk assessment contains detail about where the vulnerabilities are in the industry, but there will be a public version." In addition, Mr Bristow invited delegates to challenge the content of the public RA: "In short, we should be sharing it with those people that are giving a commentary, and we should listen to them. If we have got it wrong we need to adjust our risk assessment. If we have got it right we should stand behind the risk assessment and challenge them."


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# Riding the Wave: M&A Activity in the Gambling & Betting Sector

## Moderator: Russell Kelly

Group MD for KPMG in the Isle of Man and Gibraltar

## Panellists:

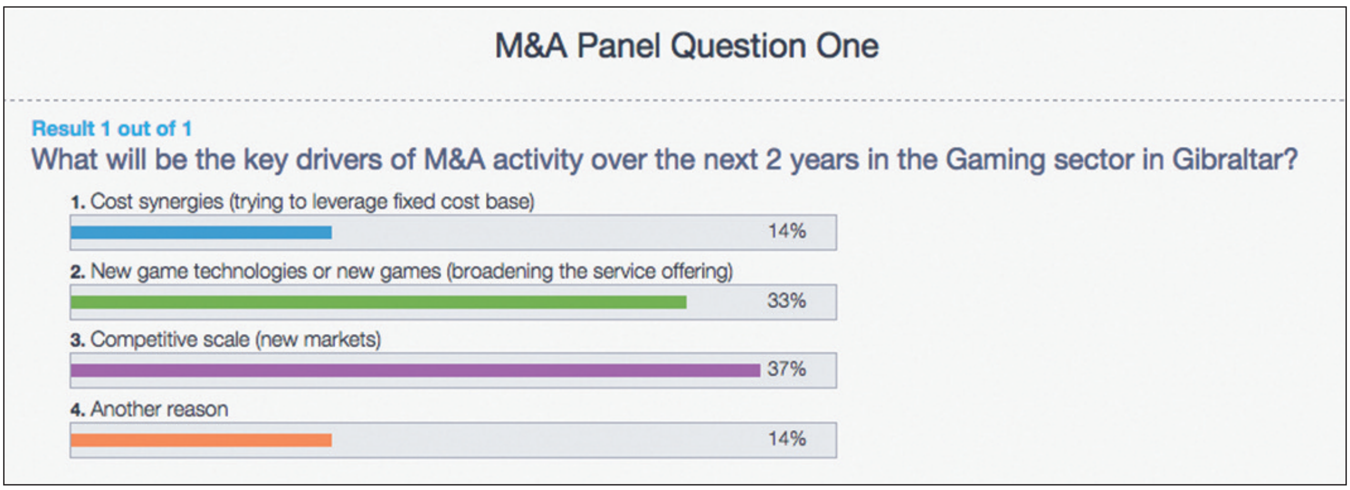
### Paul Richardson
Rank

### Susan Breen
Mishcon de Reya

### Steven Caetano
ISOLAS

### David McLeish
Wiggin

**Following a dynamic year of merger and acquisition activity in the Gaming sector, there was much to discuss during the following panel session. Exploring the key themes and principal drivers behind the M&A, the panel was led by Russell Kelly, Head of Deal Advisory for eGaming between the Isle of Man and Gibraltar. Mr Kelly opened with a poll question, which asked delegates, why people undertake M&A and what their principle objectives in doing so were. Taking a few minutes to make their choices, the poll results were as follows:**




Mr Kelly then put the following question to Mr Paul Richardson, as the sole operator on the panel "When you're doing M&A or when you're looking for opportunities, what are the drivers for you?"

**Paul Richardson:** It depends on the time when I'm looking, but four key things are looked at in any acquisition we make. The first being, will it bring us new product or new brand? That leads us to market presence – will it take us forward in the market and fill a gap which we currently have, as a perceived need in the business? The third thing is, will it bring us new customers? At Rank, we have a large database of retail customers and we're in the process of converting them into digital customers. But we're always looking to add scale, and to acquire customers. One way of doing that is by step changing the business in that direction. The last one is geography and new markets. Increasingly, we see regulatory risk as a key motivator for M&A and are looking to diversify that regulatory risk. So, moving into new markets is a big focus for us right now.

**Russell Kelly:** As Paul was saying just now, our poll result ties in to that. New games, new geographies, and new customers, is absolutely key as to why we're doing the M&A. When the last round of M&A activity began here in Gibraltar, with the BwinParty merger, it looked to be the wave of consolidation the industry had been waiting for. But it stalled until 2 years ago, and we've had Paddy-Power/Betfair, Amaya/PokerStars, GVC/Bwin and just now, Coral/Ladbrokes. Here in Gibraltar we've had Unibet and 32Red. Much of that M&A activity is here, involving Gibraltar licencees. This jurisdiction is at the heart of this wave of activity, and those deals were done for different reasons at different times. There's new phenomena coming into the sector, with private equity taking a wider interest: CVC is starting to invest. It began with Skrill, the payments business, which was then sold; and there's been PE backing in the German Sportsbook Tipico. Interest from PE changes the dynamic, bringing greater confidence for people wanting to invest. We're also seeing emerging trends for the type of deals being done. It's not all gaming company to gaming company or operator to operator. We see the affiliate market becoming interested in the M&A space with increasing value on affiliate deals, which is both operators buying affiliates and also affiliates trying to increase scale, increase channel and buy each other. As someone familiar with new trends, particularly around affiliates, what's your view on our poll results, versus what you see in the sector, David?

**David McLeish:** On the affiliate side, 2-3 years ago the value of those deals was at £2-3 million. More recently on deals involving purchasers like GIG, Catena Media and XL, the numbers are much higher – one was close to €50 million Euros (albeit with a heavy earn out). The consolidation drivers behind those deals has been specialist marketing techniques, strong teams within the target organisations and geographical focus. But in some cases, they don't necessarily have the scale to really make the most of what they do so there's a lot of drive around there. If we look at GIG, which is buying up affiliates but is also an operator itself: is this becoming a trend? It'll be interesting to see over the next 12 months whether there's potential for some of the larger operators to further invest in their suppliers, or in their affiliates.

**Russell Kelly:** It's a challenge because it could damage the player flow if an affiliate is owned by an operator – there may be a conflict. Which way will that one go: will we get super-affiliates developing over time? Looking at some of those points around competitive scale and regulation, do you see regulation as a key driver for M&A, or do you see the drivers being around affiliates, or around scale, Susan?


**Susan Breen:** I'm not convinced that regulation is a key driver. Tax and compliance are natural drivers in themselves, because they're a function of growth in a regulated market and something that operators and businesses have an eye to. They accelerate your strategy on business outlook and help you to focus on what's around to buy or how to grow against the backdrop of increasing regulation, so it does have an impact. I don't think any operator sets out to acquire somebody because they have a tax problem or because of increasing regulation. On the subject of scale, by being able to grow a business will be able to absorb the costs of an incredibly complicated market place. You're able to do that better if you have the bandwidth, if you can drive customer acquisition, if you have a synergistic opportunity in front of you and you can lead in a particular market, or a particular vertical. It also gives you opportunities to look outside of that, to other territories, as Paul mentioned.

**Russell Kelly:** Steven, from your particular client base in recent deals, what's really driving people to do M&A? Are there any real specifics?

**Steven Caetano:** As Susan and David have said, there's a wide variety of reasons driving the activity but certainly the main ones are: scale, brand acquisition, customer acquisition, and entry into new markets. As mergers take shape, and as a by-product of that, operators gain the ability to overcome the constant barrage of regulatory challenges. As Clive Hawkswood alluded earlier, the list of regulatory challenges is endless. It's year on year and discussed at every summit. In theory, the larger the operator the better the ability to overcome these challenges and combine resources. It's very present in their minds when they plan consolidation which should continue to take place during the course of this year and the following.

**David McLeish:** Another truism here is that deals create more deals. People feel under pressure to do deals, especially at the PLC level. That's sometimes why bad deals are done because there is a perceived need to do something and not get left behind.

**Russell Kelly:** In all sectors, there's a potential risk of people doing deals to mask the underlying trends in their own results, or in their organic revenue so it's a possibility. Much M&A activity has been focused on Gibraltar, owing to its central position in the sector. Have you noticed specific challenges around these high-profile deals, Steven?

**Steven Caetano:** Yes. Just yesterday I heard a senior colleague say that Gibraltar is the heartland of gaming and I certainly agree with him. We act on the side of a Gibraltar company as the acquirer, or on the side of a Gibraltar company as a target, and we continue to be very busy in this area. The challenge of Brexit is one of those motivating reasons for restructuring and consolidation because access to markets which exist now might have to be reconsidered. Deals may need to be done to preserve that market access, if it cannot be continued from here. Gibraltar is ready to support the industry and do all it can to continue being the heartland of gaming. It certainly is a challenging time but I'm confident we'll be here next year discussing how we overcame all this.

**Russell Kelly:** Clive referred earlier to the tri-annual reviews coming along during the year which may lead to people changing strategies or ideas, or becoming more vulnerable. Paul, as an operator, what key issues might the tri-annual shed light on?

**Paul Richardson:** It's always dangerous to predict an outcome when it's in the hands of a third party. The media is full of what's going to happen to the retail bookies and the machines they operate. Clearly, they're in for a pretty torrid time. The two big listed vehicles, Ladbrokes Coral and Hills, are both quite exposed to that change, which will make their life difficult in the next 6-12 months. However, they're two industry giants, not small enough to be easily acquired, even after whatever happens to them by the government.

**Steven Caetano:** Returning to the Gibraltar perspective, we'll need to adjust to the new data protection regulation which will apply directly here, by 8th May 2018. Also since 2011 we've been striving to gain membership of MoneyVal and we've just recently been accepted into it. It's a regulatory challenge which Gibraltar has effectively asked for but it's a good one to ensure Gibraltar remains at the forefront of regulation. So, those two developments, the compliance with new data regulations and membership of MoneyVal, are inevitably attracting attention and planning on the ground.

**Russell Kelly:** We touched briefly on the tri-annual reviews and what that means: its impact on the retail bookie. But aren't people thinking about the ease of betting on slots on your phone, or iPad, or online? What's down the track on regulation limiting, how much people can bet or how frequently they can bet on a mobile device on a slot game?

**Paul Richardson:** In my experience, things begun in retail often switch to online or vice versa. That would put a lot of businesses under considerable pressure, especially those slot-focused suppliers who don't have a diversified portfolio of verticals to fall back on. There may be less activity at the bigger end of the deals over the next few months, as the outcome of the tri-annual review is pending. There may be some movement, but I should think people are looking at the big businesses who could be severely disrupted by that, and thinking that there's too much uncertainty to price this just now.

**Susan Breen:** Yes, I agree. The tax on free bets and bonuses may have an impact in one of two ways. One is to adopt a "wait and see" approach to assess what the impact might be, and the other is to drive innovation. Many companies (including some of our clients) are actively looking at ways to anticipate the changes, and shift the way in which they create products, to neutralise that impact.

**David McLeish:** It will certainly impact on cash flow, so people with significant debt burdens or wanting to take on additional debt to do M&A will have to look long and hard about what their cash position is, post these changes: that again can drive change through the sector at any time.

**Susan Breen:** One of the most interesting characteristics of this sector is its unpredictability. If you look at pure money as a driver, there are some private equity plays and some listed company plays that might on the surface look illogical. These may be American or Canadian driven and it's because the driver there is perhaps skewed more towards the pot of investment money that must be spent. Finding a platform is the first stepping stone towards getting into a market. Then trying to develop that market, on the back of saying I've enough money to withstand the pressures that come with that market. Whether we'll see some cracks from so called illogical deals, or a re-analysis of the strategy, and whether the strategy worked, is yet to be seen? What did the big players and the small players learn? My point is that the activity is basically coming from everywhere in the market and vertical and for many reasons. There's a lot there for everybody to play with in a huge market. However, I see some of that activity is backed up for the next couple of quarters while operators take stock, for example with the Triennial review.

**Steven Caetano:** It also brings a variety of different cultures. For example, you have private equity, where you must spend this huge war chest, diversify the portfolios, and take perhaps a more ruthless approach than an operator just combining synergies. In addition, you have the net effect of a business breaking up, as the constituent parts of that business try to find another partner, which leads to consolidation at a small to medium level. That again has a knock-on effect further down the line. The variety is so huge that it's hard to pinpoint one dominant driver for forthcoming M&A activity.

**Paul Richardson:** An upcoming challenge is growth for the industry. Right now, it's looks good and the 888 results in the news this week have been spectacular. Taking the industry as a whole, and including retail, it's not really grown for about 15 years. Online is taking market share away from the retail businesses. A time will come when people won't move across from retail to online anymore because they're after an experiential rather than a transactional gambling experience. The question will be, where does your growth come from now? The UK in particular is probably 12-24 months away from that, which in turn will stimulate a new round of larger deals in the same vein of Paddy Power Betfair. This will occur because growth comes through from synergies, as you can see with GVC already, which announced 12% revenue growth but 26% EBITDA growth. They're taking profit through from their synergies. Once that profit has been harvested where do they go next? It'll have to be another transaction.

**Russell Kelly:** So people may be slowing in time, the move from retail or offline, to the online channels. Is this happening in poker, where people seek the experiential experience and the more social aspect to the play? Could recent reports of fairly flat poker numbers, compared to other verticals, make some poker operators potentially vulnerable or less attractive than they have been to date?

**Paul Richardson:** From a wider perspective, poker isn't contributing in the way it was five years ago (with the exception of PokerStars). That bubble has burst because liquidity has been the driver of everything there.

**Susan Breen:** But even Amaya's numbers are down on poker compared to sportsbook and casino. If it's happening at that level, what's it going to be like across the small to medium business space?

**Paul Richardson:** Grosvenor runs the biggest retail poker game in the UK. Every summer we run the Goliath, it's massively oversubscribed so we qualify people to play with it online, to come and play in the physical environment They want to come and challenge themselves over a table, not just over a screen.

**Steven Caetano:** The emergence of social gaming is a cultural thing. Some people are just looking for quick access to an entertaining game for fifteen minutes at most. It's possibly a passing trend. Hard-core poker players will carry on playing as before; the newer players coming to the market will want a quick, interactive experience and don't have the patience or commitment required for a full poker game.

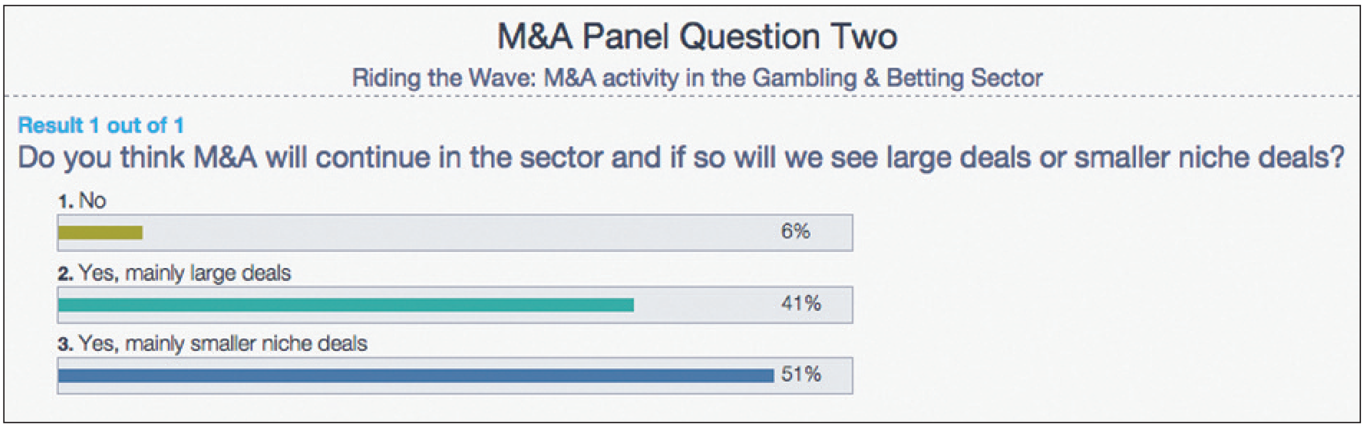
**David McLeish:** I think in some of the newer verticals such as eSports and fantasy sports, there will be some consolidation. The GC has been looking closely at these. But companies are learning lessons on the social side from five years ago, some of the acquisitions in that space were overpriced. Some people start small, by trying to grow organically and diversify their offering through bringing in teams to start the product up internally. Large companies like PokerStars are setting up their own fantasy offering. There's an increased interest in secondary lotteries and messenger lotteries as ways to diversify offerings. In all those spaces people are coming through with new models, within even more niche markets, to try and disrupt the traditional approach.

**Russell Kelly:** Are major operators deciding to take the plunge and go heavily into eSports or daily fantasy sports, or will they move organically as it's a lower risk option?

**David McLeish:** Most likely it'll be organic. My comment on the FanDuel/DraftKings merger is, anyone taking those guys on together will need a huge marketing budget to push in that direction unless they have a product which really sets them apart.

**Paul Richardson:** That business model is entirely at risk of American regulation change so, if they legalise sports betting for real money that's dead overnight really. The brand may survive but the business is going to have to reinvent itself quickly.

**Russell Kelly:** In the US, already there exists a legal challenge around the activities of FanDuel and DraftKings – whether it is, or isn't, gaming. We'll see how that plays out in the American courts. Moving on to our second poll. As M&A activity continues, will it be big deals or smaller niche deals, i.e. people buying for protection of shares, or protection of innovation? Let's see what everyone thinks. What deals could happen in the sector?




“The emergence of social gaming is a cultural thing. Some people are just looking for quick access to an entertaining game for fifteen minutes at most. It’s possibly a passing trend. Hard-core poker players will carry on playing as before; the newer players coming to the market will want a quick, interactive experience and don’t have the patience or commitment required for a full poker game.”

**David McLeish:** In the past year, we’ve seen some deals aborted and some big players, such as William Hill, Amaya, 888, still looking to act. In terms of regulation and the need for scale, those marketing budgets are in place to compete with the people who are really pushing it in the online space at the moment.

**Susan Breen:** I agree with David, we’ll likely see one of those big operators make a move. And in the middle bracket which includes Kindred and Betsson, these guys, there must bethe active players right now. PaddyPower/Betfair will be hugely interesting. But it won’t be a substitution for the continuation of a whole raft of small to mid-sized deals in every territory and y vertical. Some may be defensive but many will stand on their own merits in terms of logic and synergies.

**Steven Caetano:** I hopefully see Gibraltar remaining at the centre of this activity. As we’ve just expanded our M&A department, and there is always some space in the market for niche players.

**Russell Kelly:** You’re safe Steven, you’ve made a good investment. Paul, from the operator’s perspective, you could do the deal, or be the subject of an approaching deal. What are your thoughts: industry giant or niche operator?

**Paul Richardson:** It would be a bit of both. It’s hard to value the sector just now with so much regulatory change coming, although Kindred managed to value 32Red spectacularly high, which moved the whole needle as far as smaller deals are concerned. There’s an element of waiting for the dust to settle around the current Scandinavian spending spree. The outcome of the Triennial, and RGD on bonusing will make a difference, so the latter half of this year, early next year, things will start to move.

**Russell Kelly:** Just off topic, how are capital markets viewing the gaming sector now? It seems to me, the way that gaming stocks react to market movement is a bit volatile.

**Paul Richardson:** Yes, they’re cynical just now. There’s no new money going into the gaming space; it’s being moved around, but the CVC/Skybet IPO for example is on permanent hold seemingly. Even for an asset of that quality there’s no new money, at the price CVC wants anyway so it’ll be an interesting challenge. Capital markets are mostly looking for money to come out of the sector, and to reinvest it back in, just now.

**David McLeish:** I agree. In just the last twelve months the game analysts have changed their views on regulated versus unregulated. Two years ago, they said, don’t touch these countries, now they say, go ahead, touch them. The differential in terms of the multiples in the Nordic listed companies and the UK listed companies is creating an interesting dynamic. It’s allowing the Nordic companies to raise money, equity and debt, and is driving some of the spending sprees that Paul referred to. Yet that picture isn’t quite transferring over to companies listed in the UK.

**Russell Kelly:** Probably because it’s a slightly smaller scale than the UK listed market where we see most of the Gibraltar operators at the current time. Any questions?

**Delegate:** There seems a lot of interest in listed and private companies in the UK, i.e. takeover bids from other parts of the world, such as Asia, America, Canada, as a result of the weak pound. Has the panel noticed this?

**Paul Richardson:** Yes, already we’re seeing Americans over here right now looking at what we’ve got across the spectrum. I suspect they’re thinking ahead to sports betting being legalised, knowing they haven’t got the skill set in house. They’re biding their time, but the pound isn’t moving any time soon; it has changed their attitude to value.

**David McLeish:** American buyers have a very traditional view on regulatory risk which causes them difficulty when approaching new markets. Some businesses will only touch regulated markets, at least in the short term. I think they need some education to better understand how you can achieve a solid revenue and regulatory mix.

**Russell Kelly:** It’s a recurring topic in these discussions: what will happen to the US market? A change in leadership and an even bigger change in leadership style: will it do anything to the US gaming market or has Trump got other priorities?

**Paul Richardson:** A conspiracy theorist would say that Sheldon Adelson’s support of Trump came at the expense of US online gambling and that change – or a ban - will come through at some stage. I think that’s unlikely, and I don’t foresee a sudden shift in the approach to the US gaming market.

**Russell Kelly:** Many thanks to my panel for their input today and thank you everyone for participating in the polls.

# Hiding in the Web: How Location Fraud Enables Cyber Crime and How to Fight it

## Presentation by David Briggs

GeoComply

**Mr David Briggs of GeoComply provided a fascinating look at how location fraud is an enabler to cyber-crime, and offered solutions to help combat this. Mr Briggs is a veteran in the eGaming industry, having worked for many years as MD of Ladbrokes eGaming (one of the early remote operators to open an operation in Gibraltar). He founded GeoComply with his wife in 2011, and the company has rapidly become the market leader in geolocation technology, with customers such as Caesars Palace, MGM, IGT/GTECH, PokerStars and Draft Kings. Recently, GeoComply has expanded its offering beyond simple geolocation compliance into areas such as payment and fraud analytics. In addition, Mr Briggs has set up GeoGuard, a European division of GeoComply, to service the European market.**

Beginning his presentation with some reassuring news on the US eGaming market, Mr Briggs enthused: "There's some interesting progress finally, not just at a state level but at a federal level too. I accept there's still some pessimism about the Republicans coming back into power, and what will happen under Trump. But I don't foresee any more prohibitions, and I really think there could be some good progress in the next 2 years." Mr Briggs then gave a brief history of his company and outlined the current context of the US eGaming market.

In 2007, GeoComply began their work in Washington DC by working on a project to take the DC lottery and put it online. The laws in the US pertaining to gambling and gaming, whether online or terrestrial, are highly complex. As Mr Briggs explained, "One requirement is to make sure that a player is really inside the State they are supposed to be in to wager legally. As State Lines change from one side of the Street to another in a State like DC, this is no small challenge. Adding to that an obligation to ensure that no location spoofing tools (such as VPN's) are in use and you have a technical challenge that was historically insurmountable to most eGaming platforms. And if an operator fails to locate the player accurately, the penalties are 5 years in a Federal facility for the Operator and the payment provider used by the player.


## "One requirement is to make sure that a player is really inside the State they are supposed to be in to wager legally."

Prior to UIGEA everyone talked about the US market as a single market for the online operators. Post-UIGEA, what happened is the market moved into a state by state opportunity and each one of those states has taken its own perspective with online gaming."

The UIGEA is the Unlawful Internet Gambling Enforcement Act of 2006, which effectively turned the US into a market of independent states with a widely differing approach to what one can, and can't, do in gambling. It defines 'unlawful internet gambling as to place, receive, or otherwise knowingly transmit a bet or wager by any means which involves the use, at least in part, of the Internet, where such bet or wager is unlawful under any applicable federal, or State, law in the State or tribal lands in which the bet or wager is initiated, received or otherwise made.' Gambling is now legal in most US states, whether it's land-based or lotteries or race tracks.

In the States of Delaware, New Jersey, Nevada and Georgia online gaming (of one kind or another) is legal and GeoComply possess 100% market share in supporting the operators in ensuring geolocation compliance.

Lotteries now starting to go online are offering instant win scratch games (from vendors such as NEO GAMES) alongside the conventional draw games. Further legislation is coming up across Pennsylvania, New York, Michigan, Connecticut and Massachusetts. If they all move online, the market could grow, "From the current low of US $30 to $40 million a month, across the US, to significant multiples of that. So for those operators who are currently exposed to the US market, they looking at a significant growth opportunity." – Mr Briggs.

Is it worth taking a stake now, then, in the US market, before it opens up? Mr Briggs warned, "The wild card is the federal sports betting situation. The only state to allow single bets on sports currently is Nevada. Other states are prohibited due to the federal PASPA (Professional and Amateur Sports Protection Act) which is a prohibition on any States starting to offer/expand sports betting. New Jersey is leading a challenge to this Act, which is on the cusp of reaching the Supreme Court. They must decide whether it's constitutional that the federal government can prohibit some states but not Nevada. If the outcome is that yes indeed PASAP is unconstitutional, then New Jersey and other states who want to get involved in this, will ultimately have the opportunity to offer sports betting too."

If PASPA is repealed, explained Mr Briggs, then sports betting in the US will become "the biggest growth market in the global eGaming business that I can see right now" and "people will be rushing to take the US eGaming market seriously." But the legislative process is long and complicated and there's a lot of opposition to online. Mr Briggs asserted that two, perhaps, of the five states involved in the challenge to PASPA, will pass in the next year. But that exciting development "could take the US market to close on US $100 million per month in gross win across the legal states which means the operators who have invested in being a part of the early US eGaming market stand to really profit from their early involvement."

A primary function of GeoComply is to ensure that contiguous states are suitably protected, so the operator and payment provider do not incur sanction if a player outside of the jurisdiction goes online. Under UIGEA, this is currently a federal crime which carries the ultimate penalty of five years in jail or unlimited fines. When GeoComply first began, IP geolocation was the only


"The reality is IP geolocation has been great for the industry for a very long time, but things are changing and systems need to change with them."

method used by the potential operators in the US, but it is not supremely accurate. So, Mr Briggs created a company that had the capability of both very strong accuracy as well as the ability to see if someone is trying to fake location using a VPN or other method.

In fact, the concern in New Jersey over player boundaries was such that the regulator sought a definitive solution, as Mr Briggs elaborated, "When the New Jersey market opened, many operators faced a backlash in the media for trying to go live in New Jersey. There's a clear delineation, which is the Hudson River, you have New Jersey on one side, New York on the other. New Yorkers were concerned about New Jersey going online – maybe an infringement of New York's rights, and an infringement on their sovereignty? From an operator perspective, about 30% of New Jersey residents live within 2-3 miles of a state border. With typical geolocation systems such as IP, many players would be blocked because the buffer zones inside the state borders would be 10-20 miles long, which would wipe out more than 50% of the total player base. Players come in across a variety of devices: iPhones, PCs and Macs. GeoComply set about building the capabilities for the New Jersey regulator to monitor in real time, every single transaction coming in from every operator, via which device, which programmes are running, the user ID, the Mac address. We basically built a map for them, running 24/7. They can click on every single transaction and go straight to that operator's back office and when regulators from neighbouring states come to see them, the NJ regulator could say look, this is how we protect your sovereignty." The resultant goodwill that has built up since the New Jersey success, has helped GeoComply to launch in other states, because they've seen that geofencing works.

The map created by GeoComply for the NJ regulator was effective, said Mr Briggs, even being used in several State and even Federal hearings on eGaming in the US. Fundamentally, effective geolocation protects States Rights as it ensures that sovereignty of each State's rights to choose to have or not have eGaming is respected. Without a system in place to do that, I think it is fair to say that the US eGaming industry would probably not have survived the challenges it has had to contend with thus far.

In addition to the 100% market share in New Jersey, Nevada, Delaware, and Georgia, GeoComply handle about 80% of all DFS transactions in the US. In Europe, they also work with PokerStars and Draft Kings amongst others to help fight fraud as well as support location compliance. From the Gibraltar perspective, they support the US operations of local operators GVC, 888 and Gamesys across New Jersey, Nevada and Delaware.

What relevance has this in Europe, where geolocation compliance standards are different, and "nothing like as aggressive as it is in the US", claimed Mr Briggs? Germany and France, Belgium and Netherlands etc don't seem to mind a little bit of blurring of the borders. But the last three years has seen an increase in the subversion of traditional IP Location measures, according to GeoComply, which runs on 250 million unique devices around the world. "People know that good content is available on the web, via BBC iPlayer or Netflix for example. But it might not be available in their country, so they fake their location to get it. Recent research suggests that 24% of global bandwidth is being used for piracy of some kind, mostly content streaming; but as broadband increases, so has the ease with which people can fake their location. Most systems in the digital economy haven't upgraded their abilities to see if someone is faking their location or not. VPN usage in some markets is now at 44%. One in four internet users frequently uses their VPN. 60% have it on every week and in the UK and emerging markets, people are starting to get VPNs bundled in with their browsers."

Moving on to the topic of VPNs, Mr Briggs mentioned that some streaming services come with a VPN which automatically switches on, such as Google. "VPN usage is getting to a level at which it no longer can be considered a niche activity done by technical hobbyists. Even my mother, who still loves to travel at the age of 83, and wants to watch her BBC and Sky Sports, knows more about DNS proxies and VPNs than most CTOs that I speak to these days!"

A poll question was put to delegates, asking, 'How many use the IP address of the player coming in as some sort of tool, either for geolocation compliance, or for assessment of POC tax as part of your KYC audit, or as risk assessment to associate whether you should be taking that customer or not taking that customer? How should you treat that deposit?' Delegates made their choices. The results revealed that 71% those polled used IP addresses as a tool in their KYC compliance.

The reason for the poll question was clear: most of these VPNs now sit between the device and the gaming site. On this complex issue, Mr Briggs continued, "For a long time, the digital economy has worked under the principle that when an IP address arrives from a device, it's the IP address of that user's connection, but VPN proxies can get in the way and they obscure that assumption. If you want to obscure your IP address, you use a data centre. There are 884 data centres globally. That's nearly 300 million individual IPs held by data centres and growing. According to analysis you can be 99% certain that an IP address that hits your server coming from a data centre, is not a user. It's a programme of some kind, a VPN protecting the user, or a bot, but it is certainly not a real user." Owing to the ever-growing use of the internet there is an increasing need for IP addresses; with IPV4 (the old form of IP addresses that has been around since the beginning of the digital economy) there are only 4.29 billion addresses, which are now all used up. The industry's response has been to come up with IPV6 – to increase the universe of available IP addresses to 340,282,366,920,938,463,463,374,607,431,768,211,456 or (2128 ≈ 3x1038) IPV6 addresses. This obviously significantly increases how many more places there are to hide an IP address in the future.

So, at the point that IPV4 finally is deprecated and IPV6 takes over then the message for operators is that anything that relies on IP geolocation for KYC, or for AML, or compliance geolocation, could be compromised because managing that sort of database environment, and trying to work out where somebody is, will be a lot more challenging.

And to make matters even more precarious mobile data traffic is set to rise from 8% of all internet traffic in 2016 to 20% of total IP traffic in 2017. But that traffic doesn't carry any IP location data that you can actually use, because it counts the IP address of the mobile network carrier, and not where you're roaming. "It's tough – you're trying to treat a customer right, they're in the right territory, but they're roaming and it's throwing your systems out. Then there's credential stuffing – which is a mass attack where people use different usernames and passwords on any website hoping to find somebody that has used the same username and password on multiple sites. The attacks could come from a botnet army of devices that have been compromised, but more likely someone has put a bot onto a server in a data centre and is running these attacks. One example of credential stuffing is when Yahoo was hacked, and it lost 1.4 billion IP usernames and passwords. These were sold on the dark web to anybody who wanted to try and commit a fraud. Most firewalls are not configured in such a way to recognise traffic coming from data centres. This means that when somebody conducts a credential stuffing attack to hijack users' accounts, unless you notice that the IPs are coming in from data centres, you have no protection, until the customer logs into their account and finds out the money has gone. The very nature of monitoring IP addresses coming into systems is changing rapidly."

Credential stuffing appears to be on the rise and its effects are felt also in reputational damage to brands, such as when BA suffered an attack a couple of years ago and accounts containing Avios points were hacked.

Providing a case study for location faking, Mr Briggs cited Pokémon Go. "That marked a tenfold increase in Google searches for location faking. Pokémon Go made players want to fake their location to get the monsters – without leaving their sofa. But on an android device, historically you couldn't fake location without rooting your device, which few users would want to do. After Pokémon Go's launch craze however, an influx of apps on the Google Playstore appeared, helping you fake your location. Less than 1% of devices had such apps on them, now it's 8-9% and growing." Indeed, young people are rapidly learning how to fake location. They see no reason why they should be restricted by IP geofencing because technically it's so easy to beat.

It's a small step from that, to watching Premier League sports, and faking your location to do so. Enter the Kodi box – an open source media player application device. Although legal as a set-top box with pre-installed software, the Kodi can be modified to gain third-party add-ons, that offer illegal streaming. "This sort of technology has impacted Sky Sports in the last year with over a million users disappearing in twelve months, and the main reason they believe is location spoofing through tools such as Kodi. There is a move to clamp down on the sale of these devices. The premier league has managed to stop it at some retail locations and have asked data centres in the UK to report if anybody goes to a stream from Kodi. What they can't do is stop someone turning on a VPN, or switching to a Mobile connection and then using Kodi, which is basically what's happening."

A multi-level solution is needed to address the issue, said Mr Briggs. "The reality is IP geolocation has been great for the industry for a very long time, but things are changing and systems need to change with them. The New Jersey solution is probably too much for the European market right now, but a sub-set of that, even just being able to see if a data centre is making a connection or a VPN, is going to be increasingly required."

**Delegate:** How specifically does all this affect us here in Gibraltar?

**David Briggs:** Any fraudster knows how to turn on a VPN, and this can lead to bonus abuse, which may mean an increase in your fraud costs (particularly now that UK charges tax on bonus money). What's striking is when risk managers are looking at these transactions, they're not seeing a flag come up when a VPN is used. Flags are sometimes put on during the registration process but not in the ongoing transactional process so it'll affect these guys in their lost profit, increased frauds and the compliance costs. If you pass someone through AML or KYC and they were faking their location and their identity, and you could have stopped it but didn't, it's an issue.

# Harm Minimisation in an Online World

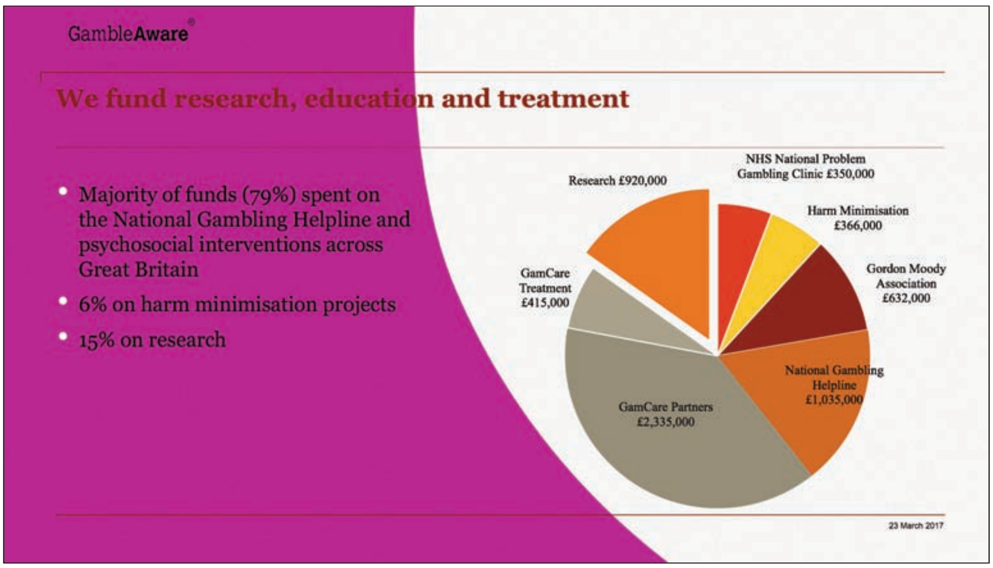
## Iain Corby

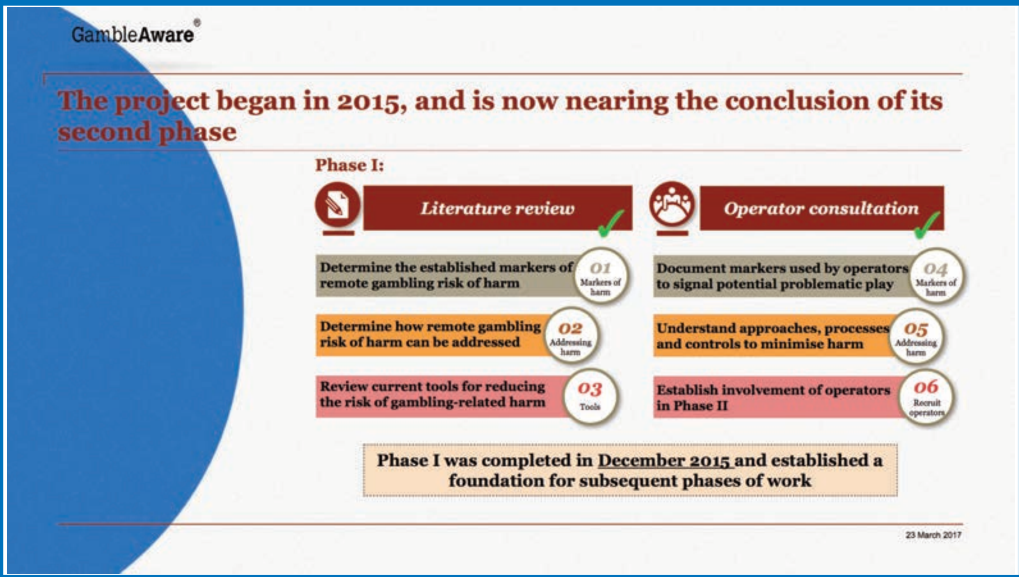
GambleAware

**Reducing the potential for harm in the online world was the topic explored by Mr Iain Corby, Deputy Chief Executive of GambleAware, in his presentation after lunch. Previously known as the Responsible Gambling Trust, the newly-branded GambleAware works in a tri-partite arrangement with the Gambling Commission and the Responsible Gambling Strategy Board. It operates a consumer-facing website dedicated to the research, education and treatment for people who require advice and support in relation to their gambling (BeGambleAware.org). Registered as an independent national charity, GambleAware relies on donations from industry operators, and asks companies to donate 0.1% of gross gaming yield, to fund their research into problem gambling and to treat those addicted. Composed of a board of thirteen industry trustees, of which eight are non-industry, GambleAware recently appointed a new chair, Ms Kate Lampard CBE.**

Speaking on the source of funding, Mr Corby said: "Most of our money comes from the industry and from some of you, in the remote sector. That should be the largest contributor because you are by far the largest sector, once we exclude the National Lottery. So ideally, we ought to be raising around £10 million. But we're below that amount." In fact, the charity achieved a total of £8.3 million in 2016/17, including voluntary settlements. Mr Corby went on to say how "The Gambling Commission is very live just now to the concept of a statutory levy, as part of the current policy review, so there's a reminder for those of you who haven't made a contribution for this financial year to do so."

For operators who plan to donate in the next financial year, Mr Corby stressed the importance of "letting us have your pledges early so we can report positively to the Commission that this voluntary system is working effectively." The majority of donations are spent on providing treatment throughout Great Britain, via GamCare and a network of fifteen local charity partners. GambleAware also funds the Gordon Moody Association for residential treatment, and a specialist NHS clinic based in London.






GambleAware have been working in partnership with the Remote Gambling Association to try and help spot problem gamblers as early as possible. Early identification is crucial, said Mr Corby, because it puts the operator "in a position to intervene if you choose to do so." Building on their previous success with retail betting, GambleAware have adopted the same approach with remote gambling, and are in the process of compiling a report detailing their findings on harm minimisation within the sector.

Currently undergoing peer review, the collaborative report is ongoing: "Our goal in this project is to improve the way that operators detect and support problem gamblers online by examining their patterns of play. We're delighted to have had the support of certain operators who've provided us with access to their data – William Hill, Ladbrokes, SkyBet and Bet365. One of the good things about this model for doing gambling research, is that it's an engaged voluntary model where operators are happy to work with us and our researchers, to take forward our goals to reduce gambling related harm."

Mr Corby stated that his ambition, when he joined the charity two years ago, was for the gambling industry in Great Britain to be known around the world as caring for its customers. "One way to pursue this is through the ideas that will emerge from this particular piece of research. We began in 2015 and undertook a literature review, then looked at all the different operators who were already trying to spot problem gamblers online." Phase 1 of the report is available on the GambleAware website. Working on the report, Mr Corby sensed a need for greater collaboration, "Lots of people were trying to do things independently; clearly there was an opportunity for the industry to work together on something that everybody needs to do anyway, and avoid duplication on expenditure and investment. To date we've spent nearly £500,000 on the research (out of a £1.5 million research budget)."

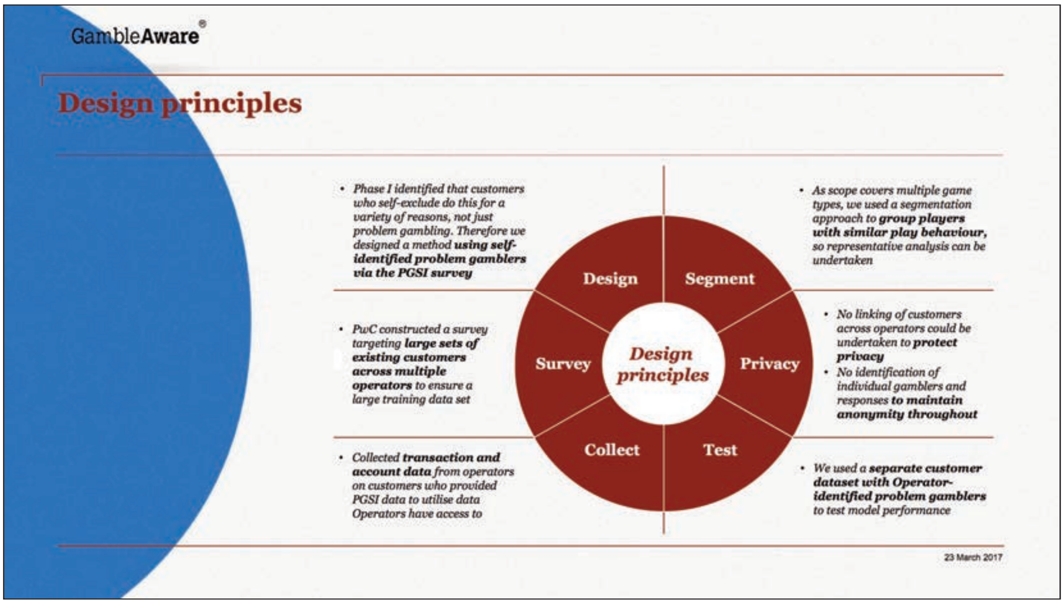

> "Our goal in this project is to improve the way that operators detect and support problem gamblers online by examining their patterns of play."


"Conducting a large survey of real customers, and identifying a cohort of problem gamblers, was the aim of the exercise, explained Mr Corby, because it enabled a look back at their previous history of gambling."

Moving into the second phase, four specific questions arose. Can we identify problem gamblers using transactional behaviour? Can different markers of problem gambling be identified for different types of gambler? How soon can you identify a problem gambler? What markers are practical to implement especially given the level of false positives for those predicted as problem gamblers?

we're now moving to the stage where we can validate the work we've done on other data." The survey went out to 160,000 customers, and over 10,000 responses came back, making it the largest study of real customers to date. Questions came up on the PGSI screen for problem gambling, "So we could work out who the problem gamblers were. We asked for some basic demographic data as well and

selective nature of the population that we were able to poll. We worked with nearly 1.5 billion data points to do this analysis." It was essentially a three-step process, explained Mr Corby, but with a complex structure. "We started simply with behaviour and the demographic markers of age, sex, etc., then added in behavioural markers, such as how people played online, and finally looked at daily triggers,




Conducting a large survey of real customers, and identifying a cohort of problem gamblers, was the aim of the exercise, explained Mr Corby, because it enabled a look back at their previous history of gambling. "We could see whether their history helped us to spot which of those people we now know are already problem gamblers. The data was kept anonymous of course, so privacy was properly protected – and

then from the operators we matched the data the operators held to the returns we had on those surveys. Out of 10,000, about 6%, or 600 people, identified as problem gamblers."

However, this doesn't mean that across the underlying gambling population as a whole, 6% are problem gamblers, urged Mr Corby: "That would be misunderstanding the

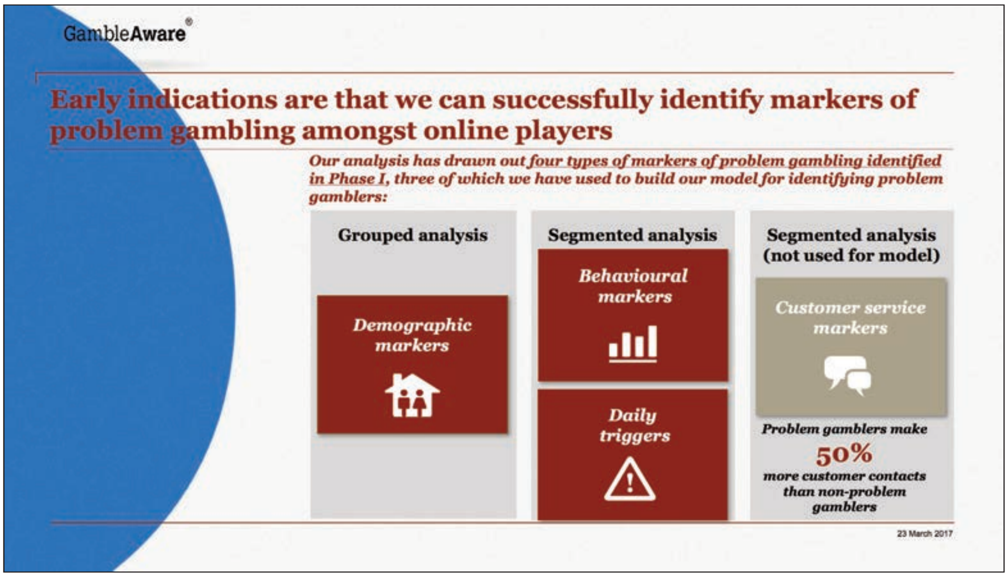
so could you spot problem gamblers actually in the moment when they were gambling? We tested the quality of the model across three different concepts of accuracy, hit rate and precision. You want to have a high percentage across all of them because as you throw your net out looking for problem gamblers, the wider your net the more chance there is that you are going to pick up false positives, so you're trying to find as many of the problem gamblers as possible whilst avoiding misallocating other people who shouldn't be in that category."

"Certain markers were most likely to give us a signal as to who the problem gamblers were: people with an account open for either more than a year or less than two months; age, it turned out, wasn't very helpful but sex was, as was marital status, and employment status. We got to a position where we were spotting about 79% of problem gamblers accurately but the hit rate and the precision figures weren't very good. We wanted to improve the model, so we looked to these behavioural markers and again, which were the clues in the transaction data that got you closest to spotting who the problem gamblers were." Explaining further, Mr Corby went on to say, "If you take the proportion of deposit days by betting days, and how often you're putting the money in, and the proportion of bets you make on a Saturday - typically, a sports better will just bet on a Saturday whereas if you're developing a problem you start betting at two o'clock on Tuesday morning. Adding in those markers allowed us to improve the model, taking us up to 87% accuracy, and you get a much better hit rate and somewhat better precision. Finally, we tried segmenting the gamblers into different groups and we found we could improve the model even more. You could have a sports gambler or people who prefer to play games. By looking at those groups differently we found we could improve the model. So here we have got 74% accuracy and 77% precision. "

Using and developing the model over time will allow the researchers to continuously improve and keep analysing the data, disclosed Mr Corby. "Another area we considered were daily triggers, such as how people react to wins and losses. Again, this was a good way for us to spot potential problem gamblers, while they were actually gambling." A total of 61 different markers were used across the whole model. Within one week, the effectiveness of the model went from 75% to 88%, then it reduced, but the volume of data produced after six months would be enough, in terms of ability to spot whether people are, or will likely become, problematic in their gambling.

The challenge facing the industry, revealed Mr Corby, is what to do with the amassed data. "The remote sector has been given a bit of a pass from regulators because it has access to all this great data. But are we doing the right thing with it? Hopefully this analysis will allow people to make commercial decisions about the extent to which they're willing to sacrifice some customers in order to protect problem gamblers. That's a commercial choice for the industry to make, if they want it, or just hold out until the GC forces them to do so? If you decide to go ahead, how far do you go? Two considerations here – one, how many customers are you willing to sacrifice, and the other is, how accurate would the model be? If you're looking for the obvious problem gamblers you'll be excluding a much smaller percentage than if you throw your net wider, but then again you're going to be excluding false positives which is unfortunately inevitable."

Concluding his presentation, Mr Corby told delegates that Phase 3 of the GambleAware project was underway and involves looking at how to develop interventions to reduce harm minimisation, and how effective those interventions might be. "It could be an email, a text, a phone call from customer services, or putting limits on the amount you allow somebody to gamble. We know young unemployed men have an extremely high chance of being problem gamblers. As an operator, you could say, 'You can bet with us but not more than £100 a month' for example. These are choices for the industry to make. We continue to work closely with the RGA and operators to develop some of those options for intervention. It fits neatly with work we're doing with the IGRG (Industry Group for Responsible Gambling). One project with the IGRG is looking at interventions in play messaging, at the sort of terminology and the language you should use to be effective with problem gamblers in the moment. We'll strive to combine the findings from this project (the results of which publish in June), then we'll be piloting on a large scale in various places around the UK. We hope to use those best practice ideas for intervention and messaging, on the back of the analysis, which will be available as open source information."



KPMG

# Effective Risk Management in Gambling


## Jeremy Harding-Roberts

Featurespace


**A stimulating presentation on effective risk management in the gambling sector was provided by Mr Jeremy Harding-Roberts of Featurespace. Having recently joined the company as its Gaming Subject Matter Expert, Mr Harding-Roberts is ideally suited to the role: "After university I joined Betclic as Head of Fraud and Payments for five years, before moving to Featurespace. With the compliance revolution going on within the industry, and MLRO, PML holder and so on, an operator's life has become a harder. But the good news is, we're here to make life easier. Featurespace is the world leader in adaptive behavioural analytics risk management software, with global clients across the banking and eGaming spectrum."**

Mr Harding-Roberts began by drawing a clear line between risk management, and fraud: "I'm thinking of the wide, different types of risks that modern gambling companies need to deal with, whether it be gamblers at risk of harm, anti-money laundering threats, or other risk issues. The traditional way of managing risk within gambling companies is outdated – I'm talking about exception reporting, exception alerting and finding problems within your customer base using these legacy techniques. They're outdated because they only look at a small sub-section of a customer base in any one moment; so there's an assumption that huge portions of the customer base are absolutely fine. But, with new emerging risk threats, gaming organisations must look at the whole customer base at once. Featurespace enables gaming organisations to do this. Our technology is a spin-off from the University of Cambridge Engineering Department, built by experts in the fields of data science and computer science."

Providing a brief explanation of adaptive behavioural analytics, Mr Harding-Roberts said it's not just big data. "Big data takes large amounts of unstructured data and tries to form patterns of behaviour retrospectively. Adaptive behavioural analytics is real time, and looks at how customers interact with an organisation across every event and channel to build individual behavioural profiles. The profiles update automatically in real time as each new event is received. Behaviour data can come from a variety of sources - from the way people interact with a website, to complex, subtle things such as the way someone moves their mouse on a desktop, or how they hold their mobile phone. What adaptive behavioural analytics achieves with that data in real time is to detect the anomalies and similarities between accounts and activity."


Featurespace's award-winning ARIC platform – which delivers the unique adaptive behavioural analytics approach – was created for the gaming sector in 2008, in response to a challenge from Betfair to help them spot emerging fraud threats. ARIC stands for Adaptive, Real-time, Individual, Change-identification. "I was involved in the implementation of the ARIC platform for Betfair, which is now also used by the banking and payments sector to spot and block emerging risk. The ARIC platform enables companies to detect fraud happening across every event and channel, in real time, from transactions to website activity," Mr Harding-Roberts revealed, before continuing:

"It's an approach recently adopted by Playtech to integrate into their counter-fraud technology stack - Featurespace is providing the ARIC platform to apply real-time machine learning data science to their risk detection. William Hill is also a key client. On the responsible gambling side, Featurespace is working with Camelot, amongst other companies. Our ARIC Responsible Gambling product looks for unusual behaviour in real time, enabling gaming companies to intervene directly with players at risk of harm, for example either targeted CRM or direct contact. Allow me to briefly explain to you how adaptive behavioural analytics works. What is extremely important in risk management is understanding how individuals behave, in real time, and spotting the exact moment that behaviour changes. Being able to do this at scale, in real time, across every event and channel is what makes adaptive behavioural analytics unique."

To apply this approach, Featurespace's ARIC platform takes in all interactions between a customer and a website – such as registrations, deposits, withdrawals and game play – to build a behavioural profile. "With those individual profiles of behaviour, we spot the anomalies at the moment they occur. If someone normally behaves one way, then starts behaving in a different way, however subtle, then ARIC detects that change and, importantly, understands its significance. Additionally, the ARIC platform identifies behavioural similarities – both for an individual and for their peer group. This enables the platform to identify the 'markers of harm' that give a gaming organisation early warning signs that a player may be at risk."

So how does one act on this player data? The great advantage of adaptive behavioural profiling is that it can be used to prevent and manage all types of risk. When unusual activity is identified, the system automatically updates itself with this new information – minimising manual input needed to quickly and efficiently spot and prevent new types of risk.

"Take bots, for example," said Mr Harding-Roberts. "By tracking mouse movements on a page, you spot many registrations of a certain type. Someone wishing to create many accounts very quickly, before a transaction has even occurred, will look suspicious. For traditional fraud management, it is only possible to feed this chargeback information back into systems retrospectively. The ARIC platform, on the other hand, picks out the common attributes of those accounts and enables an operator to protect those customers in real time."

Mr Harding-Roberts went on to explain how behavioural analytics works with anomalies. "In a modern gambling environment, with the mobile revolution and regulatory complexity, there's increasing pressures on technical teams to adapt their products quickly with each new product release. The ARIC platform's anomaly detection works to spot faults. Small players on traditional approaches will not suddenly have huge balances, for example. Behavioural analytics looks across your entire database at once so you can notice these exceptions and be able to deal with them quickly."

But data science is not the total solution for risk management. "Managing risk is like a game of chess,


and to be a successful chess player you need both strategy and tactics. Within the gambling context, you need a high-level rules and model strategy to alert you to issues, and data science as your tactics, which can analyse large volumes of data and identify unusual interesting behaviour, without over-loading risk agents with false positives.

"Featurespace has produced the APIs to ingest a huge range of types of data, from profile data, to location, deposits and device characteristics. The behavioural analysis is delivered via a sophisticated risk management platform which enables you to apply rules and models to that data to spot and prevent risk in real time."

Featurespace has implemented the ARIC platform for Camelot to create a safe environment for players. "By identifying known markers of harm of players, the ARIC platform is able to spot the early warning signs of a player at risk of harm, enabling intervention to protect the player. Featurespace won an E-Gaming Review award for that system, which has been implemented for Camelot and several other UK-based operators."

"In 2008, Betfair came to Featurespace with the challenge of helping identify emerging fraud threats on their unique platform for the betting exchange. Back then, no traditional counter risk engines considered things like game play, it was a case of spotting rogue users and barring them. Featurespace's machine learning platform detected and automatically blocked the bots in real time. We enabled Betfair to control their operational efficiency, while gaining superior risk management."

"In an environment with increased regulations and taxes, balancing resources with profitability is never easy. But machine learning systems which employ adaptive behavioural analytics have low false positive rates enabling teams to manage their operational efficiency. Risk teams can rely on adaptive behavioural analytics to detect accounts which appear unusual within the main stream of activity." – Mr Harding-Roberts.

A client from the banking and payments industry which Featurespace is working with is TSYS, the US-based payment processor. They provide card issuing and card acquiring platforms to banks globally, and are implementing the ARIC platform to manage risk for their clients.

Featurespace is proud to have recently won the Deloitte Fast 50 award for their unique technology, and continue to attract new clients in the gaming, banking, payments and insurance sectors.

"In an environment with increased regulations and taxes, balancing resources with profitability is never easy. But machine learning systems which employ adaptive behavioural analytics have low false positive rates enabling teams to manage their operational efficiency."

“In an environment with increased regulations and taxes, balancing resources with profitability is never easy."

# Approaching Africa: Understanding the Opportunity for Gaming


## John Kamara

Global Gaming Africa


**There followed a fascinating presentation by Mr John Kamara of Global Gaming Africa. Mr Kamara is a leading consultant in the global gaming industry, having amassed expertise across several continents including North America, Asia and Africa. He began his talk by asking delegates which among them had visited Africa. Many had, though mostly in tourist hotspots such as South Africa, Morocco, Zimbabwe, and Kenya. But commercial opportunities lie across the continent, particularly for gaming, as Mr Kamara outlined, Africa being composed of 52 countries. Taking each part in turn – East, West, North & South Africa – Mr Kamara explored the reasons behind the recent growth and identified those states with a particularly fertile market for the future. The rate at which gaming is being taken up in Africa has risen incredibly quickly over the past three years. One of the drivers for this is the extensive use of mobile with 67% mobile phone penetration across the continent, which translates into approximately 1.13 billion users.**

As Mr Kamara explained: "The economy of Sub-Saharan Africa is expected to decelerate this year and growth prospects will continue to weaken on the back of low prices for raw materials. This, coupled with multiple domestic challenges, is keeping the region's growth rate below its potential. In August this year, several experts at the African Union downgraded SSA's outlook for the fourth consecutive month and they now expect the economy to expand 2.0% this year, which is down 0.2 percentage points from last month's estimate. For 2017, they expect the SSA region to regain momentum and expand to about 3.6%. So, from our perspective, the major growth countries for 2017 are: Kenya, Mozambique, Tanzania, Rwanda, Senegal, Botswana and the Ivory Coast in particular. Countries like Nigeria, South Africa, Uganda and Egypt saw a decline in growth via GDP, infrastructure development and other reasons. Nigeria is a special case because, despite the lack of major FDI it has managed to internalise the downward decline, and still produce some of the continent's top eCommerce, payment and manufacturing businesses in 2016. Traditionally when people refer to gaming in Africa, they focus on four or five countries, but several other countries have growth, which increases people's spending power, which in turn provides them with more opportunity for entertainment, i.e. gaming."

Another important factor to highlight which has aided the growth of gaming in Africa is the telecoms industry. In Africa, telecommunications is a dynamic concept, and you can't do much without it. Spanning the entire continent, these companies wield huge power, with their massive data banks and information stores; they have also become payment and logistics businesses. Mr Kamara, "For example, MTN was a small brand in South Africa 10 years ago. It decided to enter Nigeria to do business and invited companies to come and bid for licences. Vodafone went to Nigeria too. But when Vodafone went to Ghana, they said 'Well the GDP in this country is tiny, there's no way we can make any money. We probably won't get more than a million customers in 10 years.' So they left. But MTN went to Ghana, prepared to take risk and do business in Ghana. Twelve years later, MTN has 42 million customers. That is the size of many different countries put together. MTS's last profit was over $10 billion, year on year, just from one country, Ghana. They've expanded into other parts of Africa as well."

## Payments as a Key Factor in Gaming

Key partner sectors include the following:

Payments solution is a critical part of the gaming market for all online companies and its also becoming huge for retail brands. The need for a cashless method of making payment has driven innovation in African payment space to compete with the rest of the world.

**East Africa:** Mpesa the first mobile payment solution owned by Safaricom has shown the whole world how to run a mobile payment company. The Mpesa wallet accounts for over 50% of all transaction in Kenya via their mobile wallet. We also have other mobile money solutions by banks and various other parties as well. The key here is that East Africa is very progressive in terms of payments and online banking system.

Most operators in the sportsbetting space i.e SportPesa, Betway, Betin, Mlotto, Bet365 etc are all able to trade locally and internationally using the advanced methods of payment within the region. Mobile, USSD and Online (Visa, Mastercard) are the key forms of payments. Bitcoin is also becoming a player in this market.

**West Africa:** The West African journey in the payment space is a developing one and the likes of Interswitch have gone a long way to create a model that allows operators and merchants to actively provide goods and services for customers via their platform. The key forms of payment in the region includes USSD( Most banks now apply this method for banking), Visa and Mastercard as well as various mobile money operators. A number of people are also experimenting with Bitcoin as well in the West African market.

## Payments as a Key Factor in Gaming

Key partner sectors include the following:

**Southern Africa:** South Africa is the dominant player in that region and their banks provide a number of the solutions for various banks in the region. So things like Visa and Mastercard are already established in the Southern Hemisphere. Mobile payment is also a strong part of money transactions in and out of the country.

With over 10bn$ been transacted between the region via mobile money every year to pay for goods and services on and offline to various vendors. Payment institutions are latching on to this growth to push various products and applications to end users in the market space. Gaming companies especially benefit from the advanced system of payment in this market.

**North Africa:** The payment space is very much controlled by French and Arabian companies because of a number of different factors. This means growth mimicks what happens in France and places like the UAE etc. A lot of advancement in mobile is a key indicator of the growth of mobile payments in North Africa.


In Africa, it would seem perseverance pays off. Mr Kamara cited the example of Safaricom, a leading communications company in Kenya, which owns MPESA, the fastest growing mobile money platform in the world. Initially Safaricom obtained a licence to work as a bank, then as a digital bank, with a mobile banking licence. The customer base grew and they realised the value of investing in mobile. By retailing the whole package (phone, SIM card, payment plans, internet bundles and mobile wallets), they've cornered the market. Safaricom Payment Solution accounts for about 84% of all payment transactions in Kenya. It's a lot of money and opportunity, for just one platform.

In addition, the banking sector in Africa has had to evolve because of the huge growth in mobile. Payments are a key factor here. Mr Kamara, "Everything's on mobile. Whether smartphone or analogue, there are so many users. Out of 1.4 billion people on the continent, only 15-20% have ever seen WiFi, it's mostly mobile data. In banking, we have USSD banking, where you dial a short code, then start banking. Because your phone is tied to the telecoms network, they have biometric KYC. I personally carry a card, with my fingerprint on it which allows me to bank. That's the level of KYC." The relationship between gaming and the other sectors is similarly aiding economic growth, continued Mr Kamara: "It's the same story with eCommerce: many companies have grown in recent years. Amazon was going to set up in Africa but didn't, so along came a Scandinavian company called Jumia. Originally designed as a mobile platform for eCommerce, Jumia also opted to take payment on delivery, so some payments are cash. This doesn't really affect their ecosystem, as they have all the customer data apart from the bank card. It's about understanding the opportunity, and relating that opportunity to exactly where the market is."

This is effective, explained Mr Kamara, as it allows risk-takers to be the ones who translate the market from where it currently resides, to where they want it to go. Owning customer data, and understanding customer behaviour, in addition to having the correct payment infrastructure, leads to expanding business. Fintech is also growing on the continent. Huge investments are going into financial technology, as companies observe mobile payments going from North to South, and East to West, Africa. This does call for cross-border payment solutions, which are developing alongside the industry. Mr Kamara, "For example, I'm in Uganda and I move money, which is my phone credit on my MTN phone, to my cousin's cell phone in Ghana, and he withdraws the money or uses it to transact, or he makes a phone call with it. It's not just currency, it means it's becoming one massive ecosystem because the cross-border payment allows me to have multiple platforms in multiple countries and just use one simple payment system. But I can move money all the time because the banks, the telecom and the insurance companies are all connected by one simple thing, my mobile number."

Credit card companies are also catching on to mobile, with AMEX, Visa and MasterCard developing different forms of payment solutions for Africa. MasterCard has launched 'mobile payment money' which allows a customer to withdraw money from a small wallet, give it to somebody else and transfer it to a mobile phone, then use it to buy air time. Mr Kamara, "Africa is a growing continent of young people: 64% is aged between 18 and 25, all interacting via their mobile phone. It's all about the ease of convenience for this demographic – and this fact affects how you go to Africa as a gaming company."

On regulation, Mr Kamara disclosed that Africa is a very regulated market. The legal landscape for gaming,

# Overview on Size of Market

**Total Population : Estimated @ 1.4bn**

**Under 35 : Estimated at 67% of total African population**

**Internet Penetration: 31% of total population mostly mobile data**

**Mobile Device Penetration: 43.4%**

**Major communication channels : Mobile & Social( Facebook, Whatsapp, Instagram and Twitter.**

**Gaming growth: Mobile sports book penetration in over 35 of the 52 countries in Africa. Various brands from Europe and Asia. Valued at over $18bn in turnover and growing rapidly.**

**Online Purchase of Goods & Services: over 56.7% of under 35% in Africa use one form of mobile wallet or another. Increase in use for Visa and Mastercard in local markets.**

**Mobile Payments: Strongest form of payment in the continent.**

**Debit card transaction is on the increase.**

**Most countries are able to pay for goods and services on foreign sites using their local debit cards.**

specifically sports products, is more stable than one would think. The key countries to have gaming laws are those with traditional casinos. "In East Africa – Uganda, Kenya, Tanzania, Rwanda, and Burundi, they're regulated. You go, you get a licence, you operate. I'm working just now with a Kenyan regulator who had previously stipulated that they would put things in place to stop Betfair, Bet365, AAA Fortune taking money from the Kenyan market. But Dafabet (already licensed in 8 countries) went into Kenya last week. The regulators are softening. They appreciate market potential and provided operators understand the need to be properly licenced in Kenya to trade, they'll do their best. Thus, a lot of the big boys are now finally moving into Africa either directly or via M&As. They've seen smaller companies who've gone through this process and are beginning to make money."

In West Africa - Nigeria, Ghana, Ivory Coast – there is regulation, though it perhaps looks different to the way Europe regulates, for example. There, one does business a certain way, in talking to customers, and to the payment companies. They allow you to integrate with the telecom networks and they allow you to espouse responsible gambling. Southern and Central Africa are similarly regulated.

The biggest markets here are sports and lottery. Everybody plays sports because of the premier league, and lottery because it's easy – it's just numbers and people want to win. In Britain or Europe, people play lottery as a sort of cultural, weekly habit. But in Africa, when somebody plays lottery with fifty cents, it's because they want to win, so it's worth considering different lottery products.

In West Africa, several new operators are coming in, some from Europe, some from Asia, who interestingly are flooding the African market because they have the appetite for risk. But like any new market, if you're not ready to take the initial risk, you hold back, and the cost of entry increases over time. So, it's a decision: either go now or wait two years down the line, only to find the cost of market entry is more expensive than before.

Providing an overview of the African continent, Mr Kamara highlighted some statistics: "Africa's population is 1.4 billion people and growing. 67% of the total population is under age 35. My sources are from the African Union, the African Export Bank, and the African Import Export Bank. Mobile device penetration stands at 43.4% across the continent. We are an android-focused market so we don't really use iPhones, more the Samsung, Huawei, brands from the Far East.

In the past four years, Tecno made over 200 million phones in Africa, and this year built new factories, one in Ethiopia, one in Tanzania and another in Ghana. They're projected to make 120 million phones in two years. What does that suggest? There is money to be made; it's a growing market."

Mr Kamara spoke of his recent work in Botswana, where new market regulations have just published online. "Initially they were only going to regulate ten companies for sports betting. I asked, why Botswana, only three million people? But Botswana has one of the highest GDPs in Africa value of a player compared to other countries. 67% of the population has a lot of disposable income. Botswanans travel and eat out; it has a natural casino market from years ago. The Botswanan lottery made a billion dollars every month before they introduced new regulation."

Mr Kamara offered some background to the current climate of spend. Some small countries are doing well owing to investment from China, or Japan or Korea, for infrastructure development. By default, that affects the economy positively which means people who traditionally didn't have much money, now have it. "So, suddenly monied, what do they do? They go and have fun. They want to spend it. This provides opportunities in Africa, and sports betting is the biggest market. For example, SportPesa, a Kenyan brand, is just four years old. It sponsored Hall City in the Premier League. Today they also sponsor an NBA team; they're about to sponsor in Australia and they're in line to sponsor the UFC. This is phenomenal. I know exactly when that company started, what they achieved their first year - how many users and customers are on their platform. The value of their users, the occurrence of play is phenomenal."

Another example of success in Africa regards Uber. Mr Kamara, "In Washington DC in early 2015, my friend said, 'We want to set up Uber in a few countries in Africa. Would you be interested?' And I said, 'No, like literally nobody is going to use Uber. How many people have the smart phones to download the app? How are you going to control the cars? So many questions, but I was coming at it from a European perspective. Fast forward 2 ½ years. Uber has two million cars in Nigeria, 680,000 cars in Ghana, 1.2 million cars in Kenya. So much money! They even do Uber cash. Of course, I'm sitting here thinking, I should be somewhere else now, on a yacht maybe?"

When people doubt the market potential of Africa, Mr Kamara advises keeping an open mind. "That market opportunity is alive and waiting for the takers. In Nigeria for example, a licence costs 100 million naira (about $150,000 dollars). Of internet penetration, 140 million mobile phones are shared between about 80 million users. The country has 184 million people, so even if you sell to just 1% of the people at $1 every week, crunch those numbers, you'll make money."

Nigeria is very cautious about licencing for mobile banking, having watched the débacle in Kenya; they fear global domination by telecom companies. But recently they licenced one to partner with a bank and within six months, there were 1.6 million users on their mobile banking platform. The growth of online banking certainly marks the dawning of a new age: in one digital bank in Tanzania, all the customers are aged under 25.

## West Africa ( Nigeria/Ghana)

**Ghana:**

GGC is the gaming commission. Over 440,000 Ghanaians have returned home in the past 5 years. Ghana has the largest congregation of expat community coming into west Africa.

**Operators:** Sports betting is number gaming operation in Ghana. With over 10 sports betting companies online and retail.

Average income $225 for upwardly mobile to middle class. 17% of population fall into that category.

Competitors: None for messenger or Insured Lottery.

**Opportunity:** Strong market with stable currency pegged to the dollars. Home to expat community in West Africa and also English speaking as well.

Ghana is known for a bed rock of education and infrastructure development over the past 15 years.

**Average age:** 21

**Gaming revenue:** Top sports betting companies in Ghana make a turnover of $3.5m per month on average.

**Gaming Tax** :17.5% on NGR.

"In Africa, it would seem perseverance pays off. Mr Kamara cited the example of Safaricom, a leading communications company in Kenya, which owns MPESA, the fastest growing mobile money platform in the world."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# East Africa ( Uganda/Kenya)

**Uganda:**

**Gaming Commission in Uganda. .**

**Population :**

40m

**Mobile internet Penetration in Uganda:** 38%

**Mobile Phones( Smart) :** 20m users.

Sports betting is number gaming operation in Uganda. Big international operators present in Uganda.

Betway, Premier bet, Betin, Sportspesa etc. over 15 registered operators in the country.

**Cost :** $10,000 ( With other associated cost for relationship management etc)

**Average income:** $157 for upwardly mobile. 15% of population fall into that category.

**Competitors:** over 10 sports betting companies. Major players include Premier bet, Sports pesa, Betin, Betway, Ultimate Bet

**Opportunity:** Strong market with game crazy punters. Very educated market with strong links to the UK and American products. Thriving Chinese and Expat European community.

**Average age:** 18

**Gaming Tax :** 20%

## "On regulation, Mr Kamara disclosed that Africa is a very regulated market. The legal landscape for gaming, specifically sports products, is more stable than one would think."

Providing further insights into the West African market, Mr Kamara offered some facts: "In Nigeria, similar to the US, each state has the autonomy to run their own licencing. Some international operators have market presence here, such as Bet365, Royal Vegas Casino, and Bwin. But the regulator will take steps to stop international brands, so that local companies who are paying for the licence and taxes can benefit from this regulated market. Here the average age is 23 and an average monthly salary is about US $700. The minimum bet is 50 cents or 200 naira, but the average value of a player differs from one state to the other. Ghana has a population of 26 million. One interesting fact is that 5 cedis equates to one dollar; six or seven years ago, it was 500 cedis to one dollar. That's how much the economy has grown in Ghana. This market is at an early stage in terms of growth, but, in a country of 26 million people the number of mobile wallets stands at 24%. That equates to 6,240,000 people, and it's growing. Several sports betting companies in Ghana have done very well, such as MyBet and 1XBet from Eastern Europe."

"Uganda is an interesting market. The punters there are literally crazy about football and football betting. It's a fantastic market, and one remarkable thing here is the amount of social responsibility going on in gaming because of how much Ugandans like to play. In Uganda, if you visit any sports betting shop at 8am in the morning, you see massive queues of people just waiting to get into the shop. They only leave when the shop closes – clearly the retail outlets still succeed here. People like to converge to watch a game, and have a drink, and when they go home they continue playing on their phone. So it is non- stop! When the premier league finishes, they'll move onto the Israeli or other out-there league. Taxation may increase here this year but not above 20%."

Moving on to describe Kenya as the fastest growing market in Africa, Mr Kamara offered some statistics: "The average monthly income of Kenya is about $200 dollars which is about 20,000 shillings. Kenya is a key country in Africa for gaming because it is the centre for East

## Southern Africa(South Africa/Zambia

**Zambia:**

**Population:**

15m

**License:**

License opportunity still available.

**Average monthly income :** $120

**Opportunity:**

Compete in a sports crazy market with a trust worthy brand.

**Payment solution:**

Mastercard, Visa, Paypal, NFC, Mobile payments

Bank transfer etc

Africa and everything that happens here by default spreads, to Uganda, Tanzania, Rwanda, Burundi, Ethiopia. It's the hub for expats in the East African continent, with VC companies arriving, so more operators are now investing in the Kenyan market. 75% of the population is under 30 years old with the median age being 19.3 years. 28.7 million Kenyans use mobile money wallets to pay for goods and services and 50% of Kenya's GDP is transacted through mobile money. Mobile phone penetration here is 88.1%, that's mobile data, not broadband on a population of 45 million. Safaricom and MPESA have basically driven the growth of sports betting in Kenya: using mobile money without data players can access USSD to play. Visitors to Kenya will understand the value of this. A snapshot of marketing spend by local companies revealed that in 2015, gaming was 0.9 billion shillings, this increased in 2016 to 1.5 billion shillings. That marks an increase of over 50% and cut up several other industries we profiled. The spend was mostly on billboards, regular TV, radio, and online marketing: no restrictions in this regulated market."

Moving on to profile Southern Africa, Mr Kamara stressed the importance of the opportunities in mobile banking and mobile application in these markets. Customisation, however, is key: "Within the African market space, many companies looking to enter the market find they almost have to customise their product, their solution and their approach to what's actually valuable to the end consumer. There's a sort of social psychology in each part because East Africans differ from West Africans: they're more relaxed, for example. Southern Africans are again different. So your customer acquisition strategy, and your retention strategy are two different things in those markets." South Africa is a more sophisticated market but again the statistics are compelling. In a population of 55 million people, 37% of adults own a smartphone, they are the leaders on the continent. The average monthly salary is ZAR 18,500 (US $1,370 dollars) and there is a higher leisure spend than in many other parts of the continent.

"South Africa is a more sophisticated market but again the statistics are compelling. In a population of 55 million people, 37% of adults own a smartphone, they are the leaders on the continent."


**Delegate Question:** Are consumers looking for a product that's very connected to the local market, using a localised tone of voice and language or are they responding to foreign operators?

**John Kamara:** Good question. Presently consumers are responding to what's being given to them right now, because the appetite is huge and they want satisfying, but a smart operator will localise properly. That's where your competitive edge comes in and you can appreciate what localisation does between you and the consumer. Only a few of the operators I've mentioned have started to do it. Most of the others just opened their doors and people came. I suspect that as the market evolves, especially in sports betting, there will be a general sharpening up and that will include localisation of product.

**Delegate Question:** On that point, is there migration from an existing incumbent operator to a new operator who takes the localisation point seriously? Are you seeing traffic move to the newer operators from the older ones?

**John Kamara:** Absolutely. In Ghana a new operator, who opened last year, localised everything. Using specific local products and local language, they have seen about a 13% growth in their operation within their first year. Obviously, they're going for the same market as more established operators but in an estimated gaming market of 10 million people, there's only 1.8 million people actively playing at any one time. There's still huge opportunity apart from the existing gamers, but you could feasibly attract more market share with a localised product. I was talking to some bookie guys who just launched this new application and I was impressed because theirs is an entirely African-based concept in terms of how their market relates to products. Thank you for listening, and many thanks to KPMG.

"There's still huge opportunity apart from the existing gamers, but you could feasibly attract more market share with a localised product. I was talking to some bookie guys who just launched this new application and I was impressed because theirs is an entirely African-based conceptin terms of how their market relates to products."


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# Evolution of eGaming: The Operator's View

## Moderator: Phill Brear

Government of Gibraltar

## Panellists:

### Robert Hoskin

GVC

### Tim Cook

Kindred Group PLC

### Nigel Birrell

Lottoland

### Francesco Rodano

Playtech

**There was a note of poignancy to the final panel session of the summit, as it marked the end of an era for the outgoing Head of Gambling Regulation in the Government of Gibraltar, Mr Phill Brear. Over the past decade, Mr Brear's wealth of expertise and huge commitment to the industry has brought a unique dynamism to the role of the regulator in eGaming, and helped to cement a very positive public-private sector bond. Introducing his panel, Mr Brear said that together, they represented "about 60 years of industry experience" with each member possessing "differing and valid perspectives on the evolution of eGaming".**

Tim Cook spent 10 years as Stan James' General Counsel, managing licencing, legal and commercial in Gibraltar, UK, Ireland, USA, Malta and Spain. Mr Cook remained with Stan James following its acquisition by UniBet (now Kindred Group) and is currently a Director of Kindred's Gibraltar based businesses, in addition to being General Counsel for the Gibraltar operators. Described by Mr Brear as "The great survivor of all acquisitions and mergers, with a very significant list of achievements" Robert Hoskin has amassed 12 years' experience in online gaming and is currently Head of Legal, Compliance & Secretariat at GVC. Nigel Birrell too is a veteran of the sector, and currently resides as CEO at Lottoland. The final panel member, Francesco Rodano was formerly a renowned regulator in Italy, now Chief Policy Officer at Playtech.


"A decade ago, Francesco and I were early pioneers in our own little sphere of remote gaming but, whereas I could ride on the coattails of the UK gaming board and the arrangements in Gibraltar established by the industry with government support; back then, Francesco had to build Italian regulation almost from scratch, with almost no support," said Mr Brear. "Today we'll reflect on the last 10 years in Gibraltar, and consider the multitude of successes that have occurred." Referring first to the recent purchase by Kindred of 32Red, Mr Brear spoke of the rumours around GVC: "Analysts tell us they're hungry for more and it's headlining in trade websites this morning that something is about to happen with GVC. Lottoland naturally makes headlines through its constructive, disruptive technology and its approach to a staid and complacent market. In a sense, they pay a price for that, but they've driven the market onwards and upwards. Playtech, now licensed in Gibraltar, is well placed for acquisitions. These companies are all making waves with dynamic personnel and powerful engines."

**Phill Brear:** "Looking back to the industry in 2007: there was chaotic EU regulation, nascent Italian licensing, Tony Blair retiring, a UK smoking ban and the Gambling Act. Was it the Wild West, the good, the bad and the ugly, easier money? Do you wish we still had some aspects of that market, or are you glad we moved away from it, Nigel?

**Nigel Birrell:** I came to Gibraltar in late 2005 and worked for Party Gaming, which was a one product, one country company generating $800 million dollars of cash. There was very little regulation and certainly no tax in the country in which we operated. Then along came the Unlawful Internet Gaming Enforcement Act (UIGEA) in late 2006, and overnight 78% of our turnover was ripped from us. Suddenly we had to try to diversify, and become a multi-product, multi-country company. We added verticals and bought sports and bingo, developed casino, and some financial products. There was a sudden need to diversify the risk, to protect us from future seismic shockwaves. Even land based bookmakers had begun to look online and other companies were diversifying. We moved into countries such as Italy, France, Spain, all regulated, and Denmark; which became expensive. Those countries found the easiest way to make money was to tax gaming people. We wanted scale, but once that diversification came in, the cost of doing business in those new territories became prohibitive, leading to consolidation. Between 2005 and 2010/11 it was mainly small acquisitionsadding new products. It's really been at the start of this decade that we've seen the big deals such as Party/Bwin driven by a need to save costs.

Technology is another key factor during that five-year period. I remember being here in Gibraltar in 2008 watching the Champions League Final trying to put a mobile bet on with some friends and you couldn't do it. You could do it by 2011, and that innovation in technologies drove a lot of change, particularly consolidation. There was a lull in the mega deals until last year, when we had some big mergers: the GVC acquisition of Bwin/Party, Ladbrokes/Coral merger, Paddy Power/Betfair, and lots of new niche players coming up including companies like Lottoland. They will probably be taken out at some point by a major consolidator and you'll see that cycle go again and again.

**Phill Brear:** What did we do then, that we don't now, besides pay tax and have more regulation, that you're pleased about?

**Nigel Birrell:** You could argue that regulated earnings seem to attract greater value. So, if you're a public company, you can understand why it's better to have regulated earnings from a market perspective. Before it was a bit Wild West, we were perhaps cowboys. The general public perception of gaming is negative, and when you're not regulated you have even less credibility to stand up for yourself. Regulation (which obviously comes at a significant cost) has helped the credibility angle.

**Phill Brear:** Yes, ironic that the reward for virtue is to pay tax! Robert, what are you glad we've put behind us since your arrival in Gibraltar?

**Robert Hoskin:** I also worked at PartyGaming and my perspective is that 2007 wasn't great. We'd shut down poker, a huge element of the business. It was a period of great uncertainty with redundancies and restructuring. Private operators such as PokerStars and Full Tilt were making a lot of money from poker in the US which financed their marketing campaigns in Europe. It wasn't a fair playing field. It was eating up our liquidity and on top of that we pulled out of the US. Then came our two-year case with the US Department of Justice, which we settled for $110 million dollars. 2007 was also important because we moved from being a Gibraltar-licenced operator into the multiple national EU member state licences. Of course, with licences comes revenue certainty, but the gaming industry in the European Union has been world leading and I don't think the EU supported that as much as it could. It hasn't introduced harmonisation. National regulation is inconsistent, in some cases not well thought out. Bigger operators get the licences but other operators, smaller, private companies who don't get licences, go and operate in black markets. It's been a difficult period. Going forward I hope that we'll get some degree of harmonisation within the EU, some shared liquidity and greater consistency in the regulation.

**Phill Brear:** So, you're glad to see the back of it. Anything else to reflect on?

**Robert Hoskin:** Life was much simpler: we had just one Gibraltar licence, and one person in compliance. Every generation is more educated than the previous generation, yet we seem to increase regulatory complexity. You'd think that states would give people more leniency and the ability to make their own decisions. It's almost as if they won't trust the consumer and they over-regulate. This affects gaming as well as other industries.

**Phill Brear:** If I may put the same question to Tim. Looking back to 2007, what you are glad to see the back of, or what would you like to see again?

**Tim Cook:** Things were simpler and very different. Looking further back, Stan James was the third company to get a licence over here after Ladbrokes and Victor Chandler in 1999. We took bets over the telephone with the operator manually inputting the bets into a system, aptly named Betty! We've seen huge changes since then. I came to Gibraltar at the start of 2007 and coming from another regulated industry I never saw Gibraltar as 'Wild West'. Gibraltar appeared to have strong regulation and it recognised consumer protection and fairness as being fundamental to that regulation. What has changed over the last 10 years is that as a sector, we understand that being responsible and strong compliance are good for business. In 2007, we didn't understand that as well as we do now; then it was more about whether to comply, rather than how to comply. Being more proactive about compliance is a positive thing.

**Phill Brear:** I agree, compliance is a good thing. In 2008-2010 we undertook a consultation exercise on the anti-money laundering code that was met by organised resistance in the industry. With current AML, we're not where we once were. Stan James had a particular position in Gibraltar as one of the founders in that very British market. Do you wish you still had something from that era – besides Betty?

**Tim Cook:** We used to have a much more diverse business, simply because it was easier back then. We had businesses in ten or more countries and that kind of diversity is interesting, although it does bring complications. Now we're more UK-focused, so Gibraltar operations really are the UK centre for the Kindred Group.

**Phill Brear:** And Francesco, our Playtech representative, what are your memories?

**Francesco Rodano:** 2007 was a totally different era from now and Italy had the only proper licencing system in place. There was a bit in the UK but not many operators were being licenced apart from, say, Bet365. The buzzword back then was 'mutual recognition of licences'. One influential person was Charlie McCreevy who tried to urge the EU to put in place this 'universal licence' – it was the Wild West indeed! One personal anecdote: before becoming a regulator, I was approached by Bwin as they were looking for a country manager for Italy. I didn't know much about gambling then and I asked about their plans. They admitted they were licenced in Italy but that the licence was just a cover up. They needed it to advertise freely but they were making all their money out of their dot com site in Italy. This was absolutely normal at that time! I said that if they hired me I would need to be fully compliant with Italian laws and try to change things from the inside. I never heard back from them! So, when I began as a regulator I immediately knew where to look! It was also the era of PokerStars dot net and Full Tilt, whose modus operandi was to send players emails with huge bonus cheques, saying please try the real thing, and they weren't licenced. My mission was clear. To make it work it's taken 9 years of struggle, negotiations and painfully slow policy advancement. I've been constantly wrestling with the operators because they say, 'I can't comply with the Italian laws because my competitors don't. If I do they will win'. In effect, we had a very uneven playing field. All our efforts were aimed at trying to level out that playing field. I don't miss the double-crossing at the hands of the operators, and now most of them seem genuinely committed to regulated markets for reasons already discussed. One thing I do miss is how gambling in general was perceived as an innocent pastime back then. Now there seems to be a growing negative perception in the public opinion.

**Phill Brear:** Yes, that's a fascinating observation: if you look back to 2007, the political and media noise around gambling was different. Not exactly supportive, but more neutral. Now, we're a very popular football for kicking around, despite 10 years of improved consumer protection, standards and regulations. In my working life, I've been involved across many working parties, and I've often found the 5 or 10 year projections mostly just crash and burn. However, I'd like to hear your predictions. Will phones get faster? Is there anything left to bet on? What's coming in the medium term, Robert?

**Robert Hoskin:** More regulation – which will please you, Phill! – and in the next 10 years I think we'll see the US open up to online sports betting and poker. Some people don't believe that will happen.

**Phill Brear:** We were saying that in 2007: it won't be long before the US comes back.

**Robert Hoskin:** True, we've had many false dawns, but I think the pressure is building. Various league sports associations are now supporting it; there's so much money. The idea that you can prohibit online gaming and betting, particularly on sports in America, is just wrong. Right now it is 'March Madness' in the States, where 68 college basketball teams play in a month long tournament and $10.4 billion dollars is bet. Even the President takes a punt. That gives you an idea of volume. If commercial entities in the US can make revenue out of this they will seize the opportunity. Mature economies with aging populations need the tax so I can see that happening. I also see Germany sorting itself out and licencing not just sports betting but casino and poker. We're ready to overcome the issues that have beset this since 2000. Then hopefully the EU will start to harmonise on gaming.

**Phill Brear:** Your fantasy time is over. Your thoughts on the future, please, Tim?

**Tim Cook:** In my view, the main changes in customer experience seen over the last 10 years will continue because technology continues to develop which naturally brings opportunities, depending on how the regulators deal with it, to some extent. There is very much investment and focus, within Kindred, on what the future holds and how we can develop our business to keep pace with developments in technology. It's rather more difficult for the regulators to have that kind of scope and focus on it.

**Phill Brear:** When I look at a phone screen, I wonder, what more can you get in there? As a regulator, I can't see that it's possible.

**Tim Cook:** We believe that the customer interface with the business is changing. There will be less going to a website, or logging on to an app. The way consumers engage with developing technology will affect business opportunities, for example we expect more chat and voice-activated business. That consumer change is already happening now. Virtual reality is another example, and we are testing a virtual poker experience. The NBA is seeing how they can engage consumers in virtual basketball matches. That is an example of a technological development and we will be developing our gambling businesses around these technological changes in the future.

**Francesco Rodano:** I would look at what's happening in Italy, as Italy seems to be a forerunner in bad things that then occur elsewhere. For example, 20 years ago we also elected a tycoon to President, Mr Silvio Berlusconi. We adopted the POC tax 15 years before the UK. We imposed strict rules on the fairness of terms and conditions in 2009 and so on. In Italy, since about 2012 there have been issues with realties and this negative perception is spreading naturally to the rest of the gambling sector without any real discrimination. In addition, there's a huge risk of a political backlash. Beppe Grillo is a famous comedian in Italy who turned to politics and founded a populist party a few years ago. His party looks likely to win the next general election, according to the latest polls. One of the points in his agenda is a total ban on gambling, or as an alternative, a huge increase in gaming taxes. This is purely driven by public perception – that gambling is something we should all probably try to avoid. My guess is, the initiatives recently taken by the UK Gaming Commission are aimed at avoiding a future political backlash in the UK, in the interest of the consumers and the industry. We should be trying altogether to speed things up and raise the bar, and Playtech is already working on it.

**Phill Brear:** Oh dear. Nigel, give us some hope.

**Nigel Birrell:** My thinking is that 2017 isn't that different to 2007 despite what we've been saying; I don't think 2027 will be that different. About 4 years ago I met some 'futurists' which was interesting but not much of what they predicted has actually come true. As Rob said, regulation will be increasing and the costs of that will then drive the consolidation, so we'll see more of that. The key thing is where will technology go? The mobile explosion was at the turn of the decade, so will the new interest be, as Tim mentioned, in virtual reality, augmented reality, voice control, motion control? We'll be playing games much more efficiently no doubt. I can't predict exactly what it will be. We discussed the idea of being kicked around like a football in our industry. I suspect for the millennial generation, who've grown up with video and social games, there will be a blurring of some of the verticals. Instant win, casino and lottery games will become more like social games. It could be more acceptable and the pressure might relent a bit, we won't get such disparaging press. My final point is on new territories. In Asia, some people are making huge amounts of money. Most European operators have left it alone. We'll see whether or not Asia regulates, as to whether people will go and look for the dollar there. I'm not sure about America, but Africa, as we've heard is an obvious choice. There's lots of 'gold in them hills' in the next few years, so a cause for optimism.

**Phill Brear:** Thanks Nigel. Well there you have four snapshots by guys who really have been there, done it, got the t-shirt. I'd like to thank my panellists for all the support they have given me over the past 10 years and for your continued support over the next few months, and of course for your contributions today. Thanks guys.

"The way consumers engage with developing technology will affect business opportunities, for example we expect more chat and voice-activated business. That consumer change is already happening now."


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