



Gibraltar eSummit

Thursday 27 June 2024

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A word from the sponsor

It's always good to have a plan and this year's KPMG Gibraltar eSummit was very much about future planning and understanding the dynamics of the ever-evolving eGaming industry in Gibraltar and further afield.

Once again Continent 8 Technologies is proud to sponsor this eSummit report which is so helpful in summarising the insights shared at the event, acting both as an aide memoire for those who attended and an excellent learning opportunity for those unable to be present.

Regulation is a recurring key theme at the eSummits and, this year, I was delighted to moderate the panel discussion around the challenges facing some of our key regulators themselves as well as the implications of future legislation on the industry. As always, our expert speakers provided a lot to think about.

Regulation is central to us at Continent 8. Indeed our business has been founded on helping our customers, including most of the biggest and well-known eGaming brands, to connect and grow their operations securely and compliantly in regulated markets across the world.

Over the past 25+ years, we have earned an unrivalled reputation for

reliable infrastructure, connectivity and cybersecurity, innovating, developing and providing customers with best-in-class managed and professional services to support the most demanding online requirements.

While Gibraltar is a special place for us with our unique state-of-the-art data centre housed inside the Rock, our managed hosting, security and global network solutions for today's online business-critical platforms span more than 100 locations across Europe, the Americas and Asia. The scale of our global connected network puts it among the top 20 best connected in the world.

Our customer-centric ethos, coupled with our industry knowledge and experience, has long made us the online gambling hosting partner of choice, and the coming months will see us launch further solutions and products to ensure our customers have the tools they need to remain compliant in each jurisdiction or location they operate in.



Jeremie Kanter

Director of Regulatory Affairs
Continent 8 Technologies



At Continent 8, we are proud to play our part in supporting the regulated betting and gaming industry. We very much hope you enjoy reading the report and we look forward to meeting again next year.

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KPMG eGaming summit welcome address

This year's KPMG eSummit welcomed a new minister to give the opening address, the Hon. Nigel Feetham KC MP who took over the role of Minister for Justice, Trade and Industry – which includes responsibility for the eGaming sector – in October 2023. Acknowledging the eSummit's theme of looking ahead to the next decade, Minister Feetham took the opportunity to outline his support for businesses that are committed to contributing meaningfully to Gibraltar's economy and to give delegates an update on the much-awaited Gambling Bill.

This is my first KPMG eSummit as Minister responsible for the gambling sector in Gibraltar; but it is an industry that I am familiar with, and I have already engaged with a number of operators. I am delighted that numerous key industry leaders have accepted invitations to this conference and we will hear about the challenges they face.

We will also hear later today from a panel of regulators from the UK, Isle of Man, Jersey and Gibraltar about the challenges of regulating multi-jurisdictional operators and the increasing level of co-operation at a supranational level between regulators. Gibraltar is proud to be making a contribution to that regulatory network.

It is fantastic that regulators from other jurisdictions are prepared to travel to Gibraltar. I extend a warm welcome to you all but would particularly like to thank KPMG and the sponsors for their support for this conference.

The theme of the summit is one devoted to horizon scanning and what the next decade will look like. From my perspective, the subject matter of the conference is of key importance to a jurisdiction which derives in excess of 20% of its GDP from the sector in the form of taxation and wider macro-economic contribution.

It is also a challenging sector: multi-jurisdictional in nature, still consolidating because of the rising costs of doing worldwide business, but with an increasingly complex competitive supply chain which includes new technologies.



Hon. Nigel Feetham KC MP
Minister for Justice, Trade and Industry

It is with that in mind that I am able to announce that the final amendments to the Gambling Bill have been made and we hope to publish this shortly, before taking the Bill to Parliament in the early Autumn. We intend to go live with aspects of what will then be a new Gambling Act as soon as practicable, during the first quarter of 2025.

We have already consulted on the Bill and made changes to some of the original proposals reflecting constructive industry feedback that the Government has been able to agree and accept. But we will, of course, continue to listen to the industry and consider any feedback on those aspects of the Bill that you have not already seen.

Where we can accommodate such feedback without undermining the objectives of the Bill, we will. That said, we do not anticipate any further fundamental changes.



As you know, the unchanged policy of the Government is that Gibraltar should remain an attractive location for the industry. The Government and Gibraltar as a whole understands the industry and its needs, and it welcomes that.

The new Bill reflects this, while at the same time also reflecting the Government's continuing determination that Gibraltar should provide a supportive and attractive environment for the industry, safeguarding its reputation and the interests of consumers.

Much work has been done to ensure that the Bill strikes the right balance to achieve our objectives. This is reflected, for example, in the approach to marketing taken in the Bill.

One threat to the reputation of Gibraltar, and by association to all of you, that has been identified is the risks that arise from marketing and other similar activities carried out from Gibraltar that associate Gibraltar with online gambling that takes place elsewhere without our regulator having any handle on that gambling activity.

For that reason, the Bill introduces a licensing regime for the provision in and from Gibraltar of marketing services for

online gambling, wherever in the world that online gambling takes place. This will enable the licensing authority and the regulator to have effective oversight of those activities in Gibraltar.

However, the commercial requirements and business models of online gambling companies established and licensed in Gibraltar have been accommodated in the Bill. B2C licensees will be able to carry out marketing activity from Gibraltar under the auspices of their operational licence.

Beyond, and excepting this, licences will not be available for third-party (i.e. non-group) marketing activities conducted in or from Gibraltar that support marketing of non-Gibraltar online gambling businesses, unless the licensing authority is satisfied that granting a licence to do so will not prejudice or threaten any public interest of Gibraltar, and then only subject to such terms and conditions as the licensing authority may impose.

So, in effect, the grant of marketing services licenses will to be subject to the licensing authority's absolute discretion, which will be exercised on a case-by-case basis. This will enable us to support the needs of the local licensed industry while protecting it and the reputation of Gibraltar.

The licensing proposition is still very much founded on reputable businesses and, of course, substance, making a macro-economic contribution in Gibraltar. Part of that contribution is tax yield in the form of PAYE and Corporate Tax as well as gambling fees and duties.

I have been vocal and proactive on the subject of tax yield from our financial sectors. I have used the words "financial sectors" generically to include all the commercial sectors under my purview; to include, for this purpose, the gambling sector.

Under my wider Ministerial responsibilities, I have overseen the recruitment of two tax accountants to the Income Tax Office and a Memorandum of Understanding has been signed between the Income Tax office and the Gambling Commissioner.

Before a hare starts to run, this is not about Gibraltar unreasonably raising taxes or being over-aggressive on multi-jurisdictional tax planning, but about ensuring the proper authorities are more proactive in this area; making sure that profits accrued and derived in Gibraltar are properly accounted for and taxed in Gibraltar. Also, that Group losses which should not properly be attributed to

Gibraltar are not booked here and that transfer pricing (including valuation of brand) are properly costed on an arms-length basis.

In a world where multi-jurisdictional operators are under pressure from other tax authorities to allocate profits in their jurisdiction, Gibraltar has to be proactive in this area. It may be counter-intuitive to believe that decisions would be made to move profits away from a lower tax jurisdiction, but sometimes pressure from other jurisdictions drives such behaviour and there is still the remaining, but diminishing, attraction of "no tax" jurisdictions.

I am deliberately linking tax compliance (which includes furnishing accounts and tax returns on time) to licensing, to ensure that there is a coordinated view on the overall suitability of a business and the contribution it is making.

From what I have seen, the gambling sector is broadly compliant. Indeed, I have relied on operators for advice in formulating my approach here. What I could not allow is for the wider business community to believe that Gibraltar is benign in this area and to allow anyone to think that international tax planning decisions would not need to be supported by evidence and reasonable justification.

Those who are doing it right, which is the majority, have nothing to worry about; although all might be subject to more proactive scrutiny as a consequence of what I see as increases in public sector efficiency and co-ordinated effort.

Moving to the negotiations on frontier fluidity. As the Chief Minister has said repeatedly, it is difficult to fathom the complexity of the Treaty negotiations and all the details relevant to a potential Treaty even for those who are intimately involved in the process.

Negotiations are still live. There have been inevitable delays created by the European elections and the UK General Election and the need for new governmental structures to bed in.

Imposing VAT on services that could impact on our gaming operators is a "red line" issue for the Government of Gibraltar.

It is right that we must also continue to prepare for a no-negotiated outcome and many operators have participated in table-top exercises on this issue. Being unprepared would weaken our negotiating position.



We have little doubt that a UK government of whatever shade would stand firmly behind Gibraltar in any event. Even a failure to reach a Schengen-type deal may still not rule out a localised frontier fluidity deal (as encouraged by the EU for member states with a third country border), but whilst this is a theoretical fall-back position, the objective is still to pursue option one.

Finally, returning to what is on the horizon. I am keen to expand the sector in Gibraltar and whilst we have lost EU business (in terms of licensing), our sector employee numbers continue to be stable. Gibraltar is still seen as a hub and centre of excellence for online gambling and some operators continue to drive their worldwide activity or certain functions from Gibraltar.

We still have an ambition to expand rest of the world and emerging market business in Gibraltar and I want to make it clear that Gibraltar is open for business to responsible operators who want to bring all or part of their operational activity and substance to this jurisdiction.

With the jurisdiction being 72% UK-facing, we feel that Gibraltar is by far the best jurisdiction from which to run a UK-facing business and we believe from discussions with prospective licensees that the jurisdiction is seen as a live option (watch this space).

One of the attractions of Gibraltar is that it has a government that empathises with and encourages business, and a regulator that is accessible and pragmatic in comparison to some other jurisdictions.

That said, we are not involved in a race to the bottom with any emerging licensing jurisdiction. Having been removed from the FATF grey list, we must maintain anti-money laundering standards and our new Gambling Bill will encourage best practice in social responsibility, whilst not necessarily reflecting the more austere and restrictive approach being adopted in certain European states.

We believe that there is still a place for responsible point-of-supply jurisdictions,

but we respect the regimes in other jurisdictions and where a country offers licensing on an open market and non-discriminatory basis, we would expect our operators to hold that licence, if necessary on a dual-licensed basis.



I will be seeing many of you during the day and later this evening so, once again, welcome to Gibraltar, enjoy the conference and the wider cultural experience that Gibraltar has to offer.

Ladies and gentlemen, thank you and enjoy your conference.

Gibraltar Reflections

Moderator: The Hon. Albert Isola CBE **Panellists:**

ISOLAS

Sir Peter Caruana KC

Peter Caruana & Co

Peter Isola

ISOLAS

Peter Montegriffo KC

Hassans

The “three Peters” are very familiar faces to the Gibraltar gaming community having been major contributors to the development of the industry for many years. Both Sir Peter Caruana and Peter Montegriffo served as Ministers for Trade with responsibility for the gaming sector (Sir Peter also serving as Gibraltar’s Chief Minister between 1996 and 2011) and, along with Peter Isola, all have worked in an advisory capacity on regulatory and other matters. This panel session was moderated by the Hon. Albert Isola, himself a former Minister with responsibility for gaming, who reflected on Gibraltar’s long-held position of being a responsible but supportive jurisdiction which has led to the success of the sector over the past 25 years.



Albert Isola: My first question, before we start looking forward, is on those 25-30 years of Gibraltar being involved in this industry. Have we done it well? Could we have done it better?

Peter Caruana: I think we have, and for two reasons. First of all, as Nigel (Feetham, Minister for Justice, Trade and Industry) has explained, Gibraltar understands not just the needs of the industry, but the needs of all stakeholders in the industry, including consumers and the reputation of Gibraltar.

We have always been able to promote the industry's needs from a sporting perspective, whilst at the same time leveraging that which has been the single greatest reason why we have been successful: that is never losing sight of the need to preserve, to the extent that we can, the reputation of the jurisdiction, because that is what attracts reputable operators.

Nowadays, reputable operators do not want to be associated with a disreputable jurisdiction and, therefore, the single greatest and most important ingredient has been not being involved in a race to the bottom. Watching other territories get hundreds and hundreds of licence applications and granting them whilst we stoically preserve our selective discerning licensing policy: in a nutshell, that's the reason why we have succeeded to the measure that we have.



Albert Isola: How difficult was it in the early days? To say no to somebody who was very tempting to allow in but didn't quite hit what we were after? How difficult was that politically and economically?

Peter Caruana: It was difficult because there were large sums of money, and the temptation by any government in any country to resist large cheques in terms of tax, without linking it to real brick-and-mortar activities is difficult.



But it's part of the equation that I described earlier. The moment we go for operations that are not bricks and mortar, for want of a better phrase, simply because they drop tax revenue by itself, that for me is the distinction. Because people that are not physically in Gibraltar have no stake here, and if they have no stake here, they are not close stakeholders with us in the things that matter to us and to everybody else in the industry here, which is the protection of our reputation, or the way the rest of the world thinks about us, not just as a country, but as a jurisdiction for that industry that operates here.

Peter Isola: The substance issue is very important. The fact that we insisted on substance, being here and issuing certain things, has enabled the gaming industry to grow, and a lot of our B2B suppliers today are offshoots of that substance in Gibraltar from other operators.

Another factor, which I think we definitely got right with Phil Greer (former Gibraltar Gambling Regulator) then with Andrew Lyman, was getting the right people in to regulate and to be available. Everyone would agree that Andrew is extremely available. So, it's that ability to speak to the regulator, to speak to the Minister who wants to attract business to Gibraltar at the same time as good regulation.

Substance and regulation are two extremely important factors that enable

us to maintain and grow this industry, even despite changes from Brexit and the EU. We were all very worried about it but, in fact, the industry has grown since then, and that's a measure of the regulation that the licensing authorities continue to contribute.



Albert Isola: The pool of labour is an interesting one, because, certainly from my experience, one of the reasons – apart from the reputational issues and regulatory framework that were here at the time – was that there were skilled people able to take on important jobs in organisations as part of the substance issue. Did you find the same thing in Gibraltar?

Peter Montegriffo: Yes, the facts speak for themselves. I want to highlight the two issues that defined Gibraltar: a combination of resilience and agility. Many people aren't aware of the fact, when we introduced our 2005 Act – which only came into effect in October 2006 –, there was already quite an established industry in Gibraltar.

One of the unsung heroes of that exercise, after many other people were more generally recognised, was Tim Bristow who was Financial Secretary at the time, when there was only a very basic gaming ordinance that didn't even mention a telephone, let alone the internet.

Peter Caruana was the Chief Minister at the time and there was a lot of agility across the board, but we were able to develop an ecosystem that brought operators to Gibraltar in a safe fashion. We attracted quality people to Gibraltar. It was a regulatory requirement that we required substance which underpinned the fact that, in Gibraltar, governance is hugely important.

Of course, we witness churn, we lose people to other jurisdictions, but also within operators. That was a major factor, and one aspect of this, which I think the new Minister is rightly focused on, is encouraging more local Gibraltarians to enter this industry. In the early years, the first 10-15 years, there was great scepticism of this industry. It was difficult in Gibraltar to actually see a future in all the different ranges of businesses that the ecosystem was generating. That's changed, and that change in mindset is fundamental when looking at the next 10 years.

That change in mindset is also now extending to crypto and to digital services generally, where the Gibraltarian resident, the Gibraltarian individual, who would normally have looked at more traditional areas, now understands this economic activity is here to stay. The gaming industry led on that, and it's a great platform.



Albert Isola: You mentioned crypto and digital assets, and young people being more involved and engaged in that. Are you surprised there hasn't been more integration with digital assets and the gaming community?

Peter Montegriffo: Not particularly. Crypto is challenging to mainstream regulators in financial services, let alone regulators of gaming. There are difficult issues, but there is no doubt we are now seeing the adoption of crypto and DLT technology as a mainstream phenomenon. We may be on

the cusp, in the next two or three years, of a much broader integration than was previously the case. Obviously, we look forward to some of the major jurisdictions adopting crypto regimes that will make it much easier.



Albert Isola: Looking forward now, in terms of the future Gambling Bill. From the very first day we started talking about it, I was struck by the need for the gambling regime to come closer to more traditional financial services regimes, and model that approach which gives the regulators some proportionality in terms of a response. Is this Bill going to get us where we want to get to? Is it fit for purpose for the next 20 years?

Peter Caruana: To answer the question that's posed by the theme of the conference, the way forward is to continue to leverage the very ingredients that have led us so successfully over the past decades. That means having a legislative framework that reflects the changing world and a changing industry but also has a meaningful commitment to protecting the jurisdiction, in terms of the jurisdiction's reputation and consumer protection measures.

That is what the Bill seeks to do. It's been long in the making, but a lot of thought has gone in to striking that balance. It creates, amongst other things, a panoply of regulatory powers that you would expect to find in all the regulatory regimes in the rest of the world. It has, as part of its definition, what it thinks of our country, it expects to see a different purpose, a grown-up regulatory system, and that means that the regulators will effect the power of the people to him?? unclear. That is done, and we didn't start from a blank piece of paper because Gibraltar had already done some of that thinking in financial services.

Also, because the professional sector of Gibraltar – lawyers, accountants, the compliance community – benefit not from having common regulatory requirements because each industry has different regulatory requirements, but from a common regulatory approach and

structure, the same sort of powers and the same sort of licensing processes and challenge. This leads to a familiarity with what becomes the Gibraltar regulatory method across all regulators in Gibraltar, and the Gambling Bill is an attempt to follow a conservative approach, in an appropriate measure, to create and follow other Acts in other regulatory spaces too.

Peter Isola: One of the main issues we had to tackle in this Bill was the fact that the regulator had very limited power. His power could be very draconian: he could suspend a licence or remove a licence but he didn't have the power to fine, or the power to appoint a skilled person to report. These sorts of powers are very necessary to enable a regulator to be effective.

There are also provisions like ensuring that if he is going to take drastic action, he has to give notice and allow appeal. It's a very important piece of legislation to help the regulator protect the reputation of the jurisdiction and also enable operators to understand that they do have the ability to challenge those decisions that are made.

Some of the regulatory powers, for example require, the approval of the licensing authority before being taken on. These are the aspects that we're trying to tackle in the Bill, and it's something that we needed to do.

Peter Montegriffo: Just to add that, obviously, as all of you know, the current Act is completely out of date because it only provides for one type of gambling licence. So, there was a need for structure, a legislative framework, for what is in effect the present reality. This Bill does that, and therefore will simply mean that licensees are approved with the regulator within a regime that is appropriate to each different segment.

Another issue underlying the Act is recognition of the changing role that different elements of the business play, including IT. The IT aspect has been a huge debate within the industry in Gibraltar, and the Act allows for a more formalised recalibration of how IT is looked at, in the round, as one of the elements that provide economic substance.

We live in a world that's technologically challenging, and the Minister talked about multi-jurisdictional arrangements. On the technology front, we have found the old Act to be difficult to navigate. The new Act will give operators solutions, whilst also looking to preserve the centrality of economic substance, including IT in Gibraltar.

The Act is a much more nuanced and effective instrument to bring solutions to the very different models that operators have got across very different geographies.

Peter Caruana: To achieve and reflect that, the Act has, as its core feature, this idea of substantive presence, which in a sense replaces in an appropriate measure the original 2005 statutory requirement for full presence or, in other words, where we should insist on the equipment being in Gibraltar.

We acknowledge now that the industry has changed. It is multi-jurisdictional in terms of where it locates its various functions. So, we had to find a way of marrying the requirement for substantial presence, which remains, but couple it with sufficient flexibility to allow the industry to locate different functions of its business in different jurisdictions, without that prejudicing the Gibraltar regulator's ability to regulate the impact of all of those functions on the regulated activity.

That is the spine of the Act, that is what's taken most of our time: how to migrate our own thinking from everything being in Gibraltar so we can regulate it and keep a close eye on it, to wanting still to keep a close eye on it, but in a way that gave maximum flexibility to the industry to organise its affairs in this more global multi-jurisdictional sense.

The other thing that probably is religiously different in the Act is that it seeks to move away from the original model of bespoke different licensing agreements for different operators. Originally, people were competing against each other on very different licensing terms. This Act creates a much more transparent, much more standard vanilla regime.



Albert Isola: The Bill deals with some support services. It also touches on marketing and, going back to the very point you made in terms of reputation and enforcement of position, how do you see that working?

Peter Montegriffo: In my view, the strength of Gibraltar is that it is happy to spawn an ecosystem that feeds different segments in different ways.



The marketing proposition for Gibraltar has developed over the last few years and has given rise to some concerns. We think it remains an important, indeed, vital element of what Gibraltar offers, and therefore it must be protected. We have come to what we believe is a sensible compromise on how legitimate, safe business for Gibraltar can be accommodated.

More broadly, it's important to be open to the wider ecosystem as it develops. One great success Gibraltar has enjoyed in the last five or six years is to attract major B2B operators. Historically, we were a B2C centre. As the world changed, we managed to attract more B2B operators, originally under a sheltered arrangement. This has now developed into a much wider B2B offering based locally.

It's critical to ensure that we are open to further developments. The extent to which the gaming industry is morphing into an entertainment industry, or digital industry, or potentially an industry that adopts crypto and DLT technology. It's very important that we are supportive of all those developments, over the next 10 years.

The Minister talked about looking at rest of the world. We've got to look at how we can develop the broader position in a way

that will even encompass start-ups in the right circumstances. While historically, for good reason, start-ups were not a major priority (because we were inundated with mainstream economic arrivals) we should in appropriate circumstances accommodate new businesses.



Albert Isola: You mentioned previously the agility of the jurisdiction – the way we reacted in terms of Brexit when, rather sadly, we lost an entire community of business and none of us stayed the same. In terms of looking forward at the dotcom which is obviously our natural market here, what are the things that we should look at in seeking to improve what we can offer those operators accessing dotcom?

Peter Montegriffo: This is a time when communication with the industry is particularly important, not just in preserving what we have but in how we can grow this sector. My view would be to listen to industry. They know what Gibraltar offers, which is well-regarded regulation,

but also accommodating in the sense of support to operators. There are not very many places in the world open to that sort of dialogue. The trick over the next few years is to nurture a very close relationship with the industry, developing the next level of engagement for our jurisdiction.

Peter Caruana: I agree with Peter that the ecosystem is important as part of supporting the industry, that we do not make it difficult for them to support the ecosystem and the functions that they require.

The balance that the Bill strikes is to acknowledge the ecosystem of the local licensed industry – not the ecosystem to support an industry in some other part of the planet where we do not have sufficient oversight of the marketed activity.

That is the spirit of the original Bill, whilst, at the same time, making appropriate provision for the function to be done on a group basis rather than just for the Gibraltar operation. That we support marketing activities in Gibraltar that support Gibraltar licensed companies and their group members, in a way that enables our regulator, through the Gibraltar operations, including Gibraltar B2C operations, to make sure the marketing on a Group basis should not be done in a way that jeopardises any of our global partners either.



Albert Isola: The end result will likely be that those firms that are licensed in Gibraltar who can do marketing for their local and global work, will have licenses that have perhaps added value. Would you agree with that?

Peter Caruana: Exactly. One of the things that we need to protect against is Gibraltar just becoming a jurisdiction for marketing. We have to strike the right balance in accommodating the legitimate commercial interests of groups, I'm talking about inwards and outwards, not just the Gibraltar operator receiving from elsewhere in the group market research, but Gibraltar being able to provide marketing services to other parts of the group that operate outside of Gibraltar.

That is going to have to be dovetailed with the fact that Gibraltar does have a role with international regulatory partners. Some of them are sitting in this room, the Gambling Commission in the UK, and in other countries where our operators operate. Part of minding our jurisdictions and being thought of by others as a responsible partner involves being sensitive whilst protecting our own interests but being responsible in an international context.

Peter Isola: Yes, in the past, the way the Bill and the Act operated before, you literally had to have a B2C licence or B2B licence, and there was very little else. So, looking ahead, at the next 10 years, this Act will allow us to license other areas – intermediaries, vetting agents, and things like that – and give the regulator the ability to operate in a different way than it has in the past.

To some extent, it's ironic, because we're going back to the early days when we were looking at substance. We're really going to be looking more at substance contribution to the economy. It's trying to create the right ecosystem where it works for the operators, and it also needs to work for Gibraltar. As Nigel said earlier, one of the things that he's concentrating on, across all financial services, is a tax state. So, it's that ecosystem. I think that the Bill is going to enable the industry to grow over the next 10 years.



Albert Isola: I think substance is a modern day necessity, and not just for tax purposes. If you look at financial services, for example, the substance is so important. It should be exactly the same in gaming. Regulators can't regulate people when they're not here. It becomes far harder for them to understand how this is being run if the individuals are not here.

Peter Caruana: I believe that's the importance of the international regulatory ecosystem, to the extent that the Gibraltar regulator and licensing authorities have developed a network of memorandums of understanding with other regulators. It's much easier for Gibraltar, in a sense, to function with jurisdictions which are

themselves reputable, have a proper regulatory environment themselves, and are in regulatory cooperation and relationship with the Gibraltar regulator.

That is part of the architecture that allows the Bill to strike the balance, to enable us to facilitate our operators locating function in the jurisdictions. There is no point of locating a critical piece of function in a disreputable jurisdiction, itself improperly regulated, that is hardly likely to be attractive. So, the multi-jurisdictional importance of function and commercial operation is mirrored by parallel forms of multi-jurisdictional regulation.



Albert Isola: When we look ahead over the next 10 years, what other threats and challenges do you foresee over that period of time to the industry?

Peter Montegriffo: Obviously, the industry has got to a point of maturity, where we are witnessing synergies that come from an attempt to become efficient. The barriers of entry are now extremely high. Therefore, I think we'll see a pickup in further consolidation as we get into the next cycle.

One big change over the last 25 years is the very specific concern around the consumer. You mentioned the consumer at the beginning, but in truth, the consumer was less in our mind historically than he or she is today. Reputation certainly will always remain critical and of course, adverse consumer experience impacts on reputation.

The major issue facing this industry is how it makes society generally – and the political class – comfortable with the notion that you can develop as an entertainment business in a way that's actually not harmful. In the current environment of mental wellbeing and general societal impacts, I think that's something that the industry recognises. It is doing a lot, and I'm glad that you took the initiative to establish a Centre of Excellence in Responsible Gambling at the University.

This industry has matured, and clearly understands the threats it's facing cannot be wished away. There is a need to make sure it functions absolutely responsibly,



in a very difficult area for some sectors of society, and therefore has to respond to these challenges. There's more to be done, and Gibraltar has to be part of that.

Peter Caruana: I agree. There is very little more to say about this. Just to add that one of the attractions for the industry of Gibraltar and its approach is that we seek to play our responsible part but from a position of understanding and support for the industry as well as the consumer, rather than in some European countries who are opting for a much more sceptical approach to the industry.

In other words, we acknowledge the challenges of the problems and the need to protect certain types of consumers, but we focus on a way of doing that sensibly rather than through a sort of prohibitionist or abolitionist approach, which is materially putting the baby out with the bath water, and which is wholly unnecessary.

There's no stopping this industry. It's here to stay. Responsible regulation is not how you kill it. It's about how you make it behave safely but enable it to behave commercially successfully, but safely for the consumer. In a nutshell, that is the whole philosophy in Gibraltar.

Peter Isola: In terms of reflecting on the Act, we have the regulated individual provisions, which include those involved in IT and safer gambling and marketing. So, I think within the Act, we're creating the right ecosystem which is often open to getting companies here and it doesn't have the same scaremongering that you hear in some jurisdictions. That's very important for developing the ecosystem that we live in.



Albert Isola: Certainly, after Brexit and the discussions with DCMS, the Treasury and the Foreign Office, the importance of responsible gaming and the work that we were doing, it was important to do. My slight doubt is whether it's been as effective as we intended when we set it up. There's still a bit of work to be done there, in trying to get much more interaction with the gaming community and the University in getting that work done. Moving on to the threats, there is clearly the border – what are your thoughts?

Peter Isola: Obviously, we are still working towards the border treaty, and if that treaty is achieved, then we would hope that we'd have a very free-flowing border. That's very important. It's also important to recognise that Gibraltar was outside Schengen before Brexit. So, whilst we're now a third-party country, we're not within the EU, that border is still run as an EU border with a third-party country, and that's very important because there are protections.

There is frontier support the local authority to ensure that there is a free-flowing frontier and there is specific provision for that Directive in 2019 to ensure that there is border fluidity. So, if there is no treaty, there wouldn't be the same border fluidity, but the legislation is there to protect that happening.

I think, inevitably, if there wasn't a treaty, there would be a practical solution found simply because of the economic activity that goes into Spain from Gibraltar with 15,000 people coming into Gibraltar. There is also our Directive in 2006, which allows for third party countries within the EU to have border fluidity for workers, and the Chief Minister referred to that before we were looking at the treaty and mentioned that as a possibility. A free-flowing border to get people across to work is probably the most significant stumbling block to getting into Gibraltar, so it's extremely important. So, for those reasons we can look forward to a practical solution will be found and really it's not so dramatic as perhaps people consider if we don't reach a treaty.

Peter Montegriffo: I agree with that. First of all, I think there will be a treaty because of the amount of time invested in it and the energy that has gone into it. I don't think that's going to result in no deal – the likely outcome will be a deal. It's complicated, as we know, but there will be an outcome.

I think Peter is right and that the practicalities of the cross-border arrangement that we have will be reinvented in some other fashion. Apart from the centrality of the issue to our sector, for example, the health authority has a great level of interaction with Spanish and other workers coming across the border. There's a degree of interconnectivity and interdependence, so I do not think Spain, nor the EU, will simply close the door. There's a reality in the area that will ensure that fluidity is accommodated in some fashion. It may

not be as free as no border would be, but I think there are solutions and there are various forms that could take.

I do agree that it's the major issue that is concerning operators and how you might grow your business. It's concerning also in terms of how British nationals might be able to move to Gibraltar, or the Campo area and still work in Gibraltar. Those are critical issues, in my view, because expertise still needs to be brought into Gibraltar. We need to find a regime that accommodates that successfully. We share the frustrations that many of you articulate around the fact that getting across the frontier can be so difficult.

Peter Isola: I mentioned the 2006 Directive dealing with the ability for workers to come across, and that can also deal with things like visas and other restrictions with ID cards and things. So, people are working across that border, but potentially it's quite huge.

Peter Caruana: I agree with what the other two Peters have said. There will be an agreement of some sort.

As the Minister said, signalling what is actually a reality, it's not just a pretence, that Gibraltar in general and this industry in particular can survive with or without the treaty, is crucial to Gibraltar's strength, Gibraltar's ability and position.

I genuinely believe that, not just for tactical reasons. I think there are quality of life issues for all of us in Gibraltar. It would be great for Gibraltar generally if there is a treaty. If there isn't a treaty, there are lots of things we'd have to arrange. One of the issues is the cost and the availability of housing for some of your employees. The border is never going to be shut, and frankly, it will always be possible to recruit labour from Spain, and the idea, which is all part of the current negotiating strategy, the idea that in the context of any understanding the EU is going to allow, or that Spain is going to want to implement, a regime where it is harder for a UK national to get across this border than it is to get through Calais into France, and to Schengen space is really perverse.

It's a way of putting on pressure and telling us all the consequences of there not being a deal. It is, in my opinion, inconceivable that the future does not include freedom. That whatever freedom I enjoy, will be enjoyed by you or your employees that have a different registration card or identity card of a different colour to the one that sits in my pocket right now.

There may be things to adjust. One of the things that we need to do better in Gibraltar is to provide affordable rental accommodation for employees or our industries that might welcome living in Gibraltar. There are things that we can do, whether there is a deal or a no deal.

I don't think it's an existential threat for this industry, even if there were not a deal, but that is a commercial judgement for you. It's much more important for other aspects of Gibraltar, as Peter has mentioned about labour and in sectors other than this one, although it's probably quite important for this one too. But there are whole sectors – the public sector, the care for the aged sector, the health sector, the construction sector – critically important sectors of our economy that are dependent upon labour coming across that border. So, Gibraltar on the whole has got to get a grip of it, but not most importantly because of the needs of your sector, important though it is.

Peter Isola: Speaking of fluidity, it is the modern Spain, it is the democratic Spain and it's not just gaming that's affected by this, but health workers, and in particular public workers, and a practical solution will be found. But I agree, I think so much has been invested towards the treaty that in the end, we will get one.



Albert Isola: I think what we often forget is the very basis of how it started was shared prosperity. There really is a huge amount for the Spanish neighbouring region to gain from entering into the arrangements for this fluid border, simply because of commercial interests on both sides of the border and the potential expansion on the other side from the growth of businesses here. That's a critical point, which is also the weight behind our push as a jurisdiction to secure a fair treaty.

Peter Caruana: The importance of your industry to the economy of Gibraltar, the 20% figure, is exactly the same percentage of the Campo de Gibraltar's GDP and economy. So, we do have, important to this, the last report, internationally and independently carried out, so not self-servingly by ourselves, Gibraltar and the fluid frontier

is very important to the economy of the surrounding region of Spain, and they know it, which is why there is very little space and blue sky or water between our position and wanting a deal and their position and wanting a deal.

So, it's important to take advantage of the existence of governments previously that understand that this is not a deal which should be driven by things like sovereignty, that it's about facilitating interaction with people, a modern European border, in a European economy. Whilst that drives the initiative, it's almost bound to succeed.



Albert Isola: Other than the treaty then, do you see any challenges to the jurisdiction in terms of growth in the sector?

Peter Montegriffo: The obvious risk is we spend our lives worrying about threats to our jurisdiction as a hub centre when around the world there are increasingly domestic regimes taking root. But there are many opportunities, so therefore, that problem is more prospective than immediate. It does indicate that we have to do more than simply providing licensing or competitive tax solutions. We have got to ensure that we have, and build on, the critical mass of expertise, reputation, and synergy with government, that actually makes Gibraltar one of the preferred locations for this business.

Gibraltar does well, when it focuses on doing excellently, one particular activity. The insurance sector is the other good example. I think, after 25 years of experience we have in this jurisdiction, we ought to be cementing that reputation, building on it and simply becoming a preferred choice for reasons that are truly operational, truly based on the expertise you can find in Gibraltar and which you can bring to Gibraltar.



Albert Isola: Thank you to the three Peters. Thank you all for being with us this morning, and I hope and trust you have enjoyed it. Thank you very much.

Global Market View

Presentation by Ivor Jones

Peel Hunt

Market analyst Ivor Jones is a specialist in the gambling sector and provided delegates with a very timely glimpse into trends in the global market as well as enthralling reflections on the language of probability – taking in the Cuban Missile crisis and the fall of the Berlin Wall – and how too much data can sometimes be a bad thing!

Today I'm going to give a global market view and I was trying to think of the most global thing that affects all of us. I guess that's probability.

My job is to work out the direction of share prices, what's going to happen next to companies and the impact on their share prices. The core of the gambling business is obviously about correctly evaluating probability. So, it matters in my job and it matters in your job.

How do you evaluate probability in a job where it really matters? In 1962, there was the Cuban Missile crisis. The American Government and intelligence community had to try and assess the probability of what the Russian State was planning to do.

Professor Sherman Kent, who's the sort of godfather of American intelligence analysis, was talking about how US national intelligence agencies gather and analyse data. When it comes to probability, he distinguished between mathematicians who prefer quantitative odds - that's most of us, I suppose – and then poets. He was talking about the people who prefer, he said, 'Wordy, probabilistic statements.' That's me all over, the wordy probabilistic statement.

It's clear that the poets are the problem because numerical odds for a betting event are obviously a clear thing. But words are vague, and they are vague where it matters.

In the 1970s, an experiment was done about this at NATO, asking a small

sample of only about 27 very senior NATO commanders what they thought certain words meant when they were presented to them in reports.

The graph that they produced gave a range of answers on the meanings of words like "highly likely". People thought that "highly likely" meant something between 50% and 100%. They thought "chances are slight" ranged from 50% to 0%. They thought "likely" ranged from about 40% to 80%.

Here we all are, writing down words like "likely", "probable" and "certain", and we use them meaning one thing, maybe rather vaguely, and then the people who read them interpret them as something quite different.

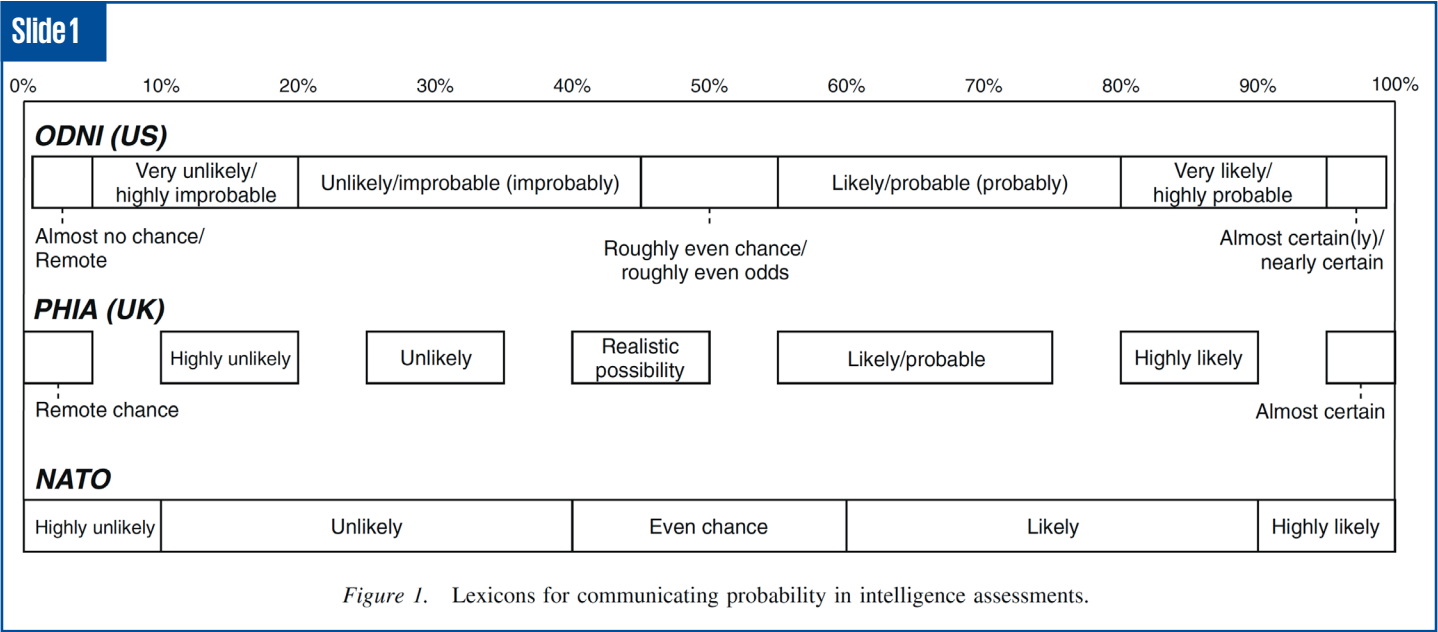
So, what happens when you try to impose a taxonomy onto what you mean when you talk about whether something is likely or not? Slide 1 shows the responses of the US Office of the Director of National Intelligence, a UK health intelligence analysis agency and NATO using three scales.

The NATO scale uses the phrase “highly likely” to mean 90% to 100% likely but the ODNI scale uses “very likely” or “highly probable” to get up to 95%, and then it uses “certain”.

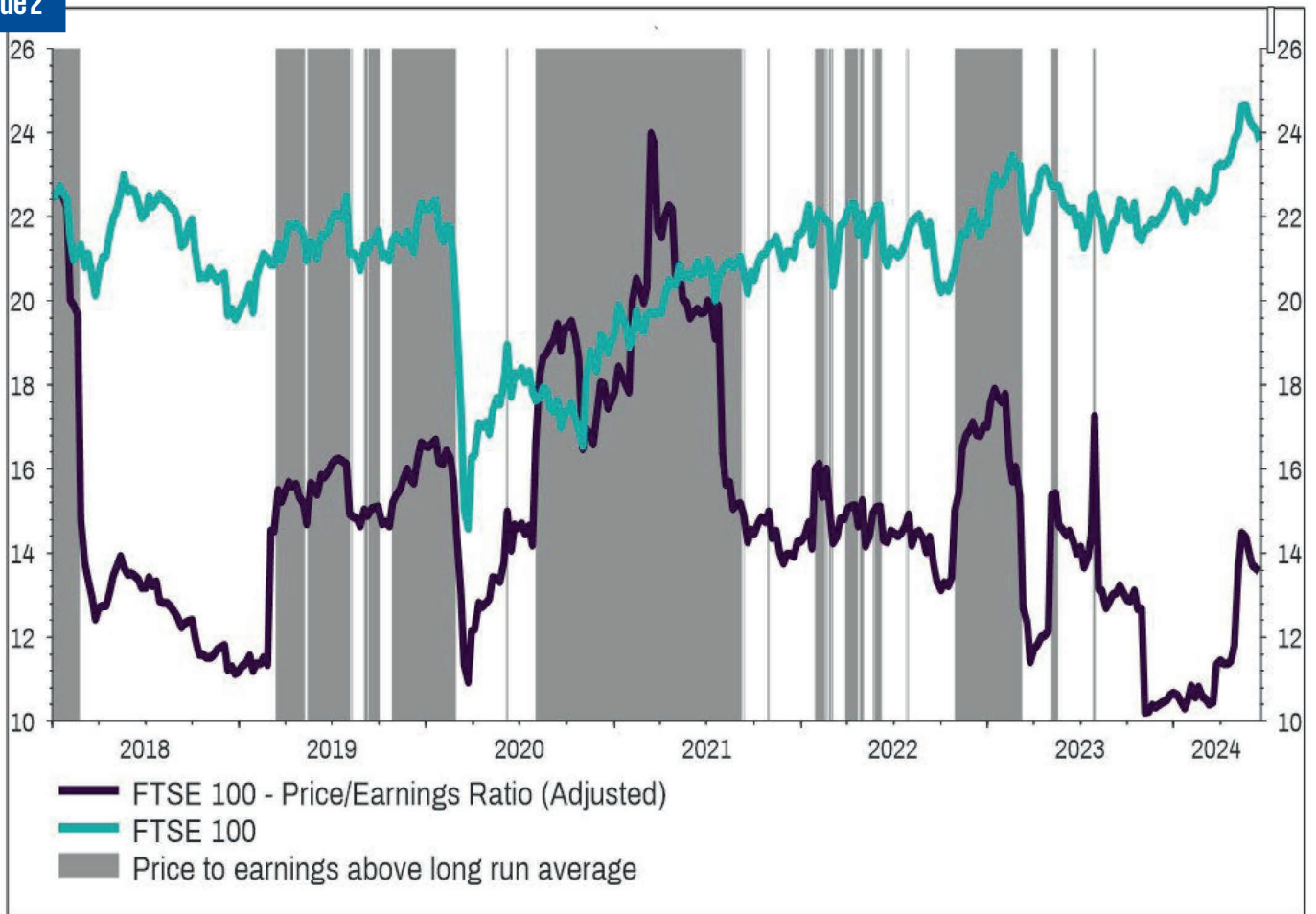
What’s the difference between “highly likely” and “very likely” and “highly probable”? We read all these things in documents, and it turns out we don’t quite know what they mean.

To get more certain about something, and to get more certain about probability, we need to gather more information because that makes us feel comfortable. We work for longer to increase our degree of certainty.

An experiment was done with odds compilers working on horse race betting for bookmaking businesses, and they were asked about which pieces of data they needed in order to predict the outcome of a race. Amazingly, they listed 40 different data points. I can’t think of 40, but it must be things like the genetics of the sire, the genetics of the dam, the competition and the going on the racecourse. There’s a list of things they gave in order of importance.



Slide 2



The data about a lot of real horse races was then anonymised and these odds compilers were given a small subset of data and asked to predict the outcome. Then they were given a bigger subset of data and asked to predict the outcome, and then even more data and asked to predict the outcome on lots and lots of races.

More data is better, right? We get more confident, and we get more certain. The outcome was that with increasing amounts of data, the bookmakers got more and more confident about the predictions they would make for the races. But their accuracy predicting the races remained exactly the same.

To get more confident, to have higher degree of confidence in probability, we gather more data. Yet, it doesn't improve our ability to predict the outcome. In fact, it gets worse.

Around the time before the Berlin Wall fell, there was interaction between the CIA's headquarters in Washington and in the East Berlin office. The people in Washington were increasingly saying, 'We think there is going to be a major political change, and there will be an integration of the East and West. This will have huge geopolitical significance.'

The people in the East Berlin office said, 'No, that's definitely not going to happen. We have ears to the ground. We have all the available information. These states are completely stable, and the wall will remain up.'

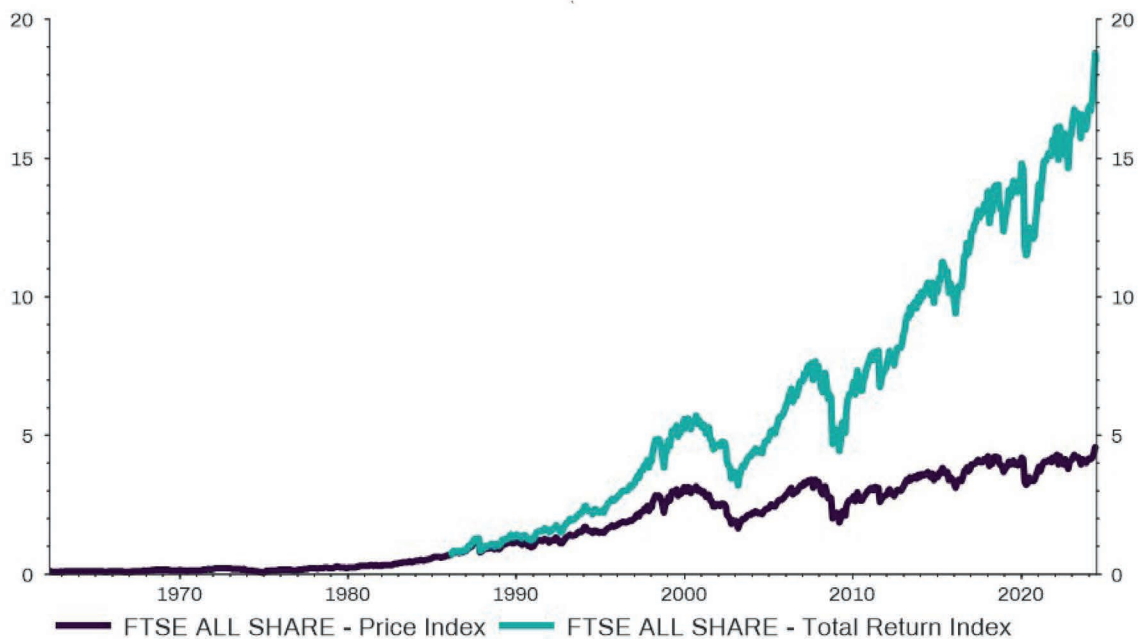
Of course, the Wall fell because the people who had the most information and were most emotionally engaged with the facts were committed to their world remaining the same. So, more information not only doesn't make you any better, it can make you worse in terms of predicting the outcomes.

When we are trying to model business decisions, we use imprecise words that may not mean what we want them to convey. As we get more and more confident, the more time we spend on it, we don't improve the outcome and, sometimes, we make it worse.

The core of my job is trying to predict what happens to shares in the London market. Let's look at that for a moment and then talk about the nature of information and confidence.

Slide 2 shows that the market has been performing well this year. The green line is the FTSE 100 index. The purple line is the price-earnings ratio, a measure of valuation. So, the index is relatively high, and the valuation is relatively low. The grey bars are when the valuation multiple is above the long-term average. It's been a pretty good performer this year. One of the drivers of this has been share buybacks, and companies being taken over and dividends.

Slide 3

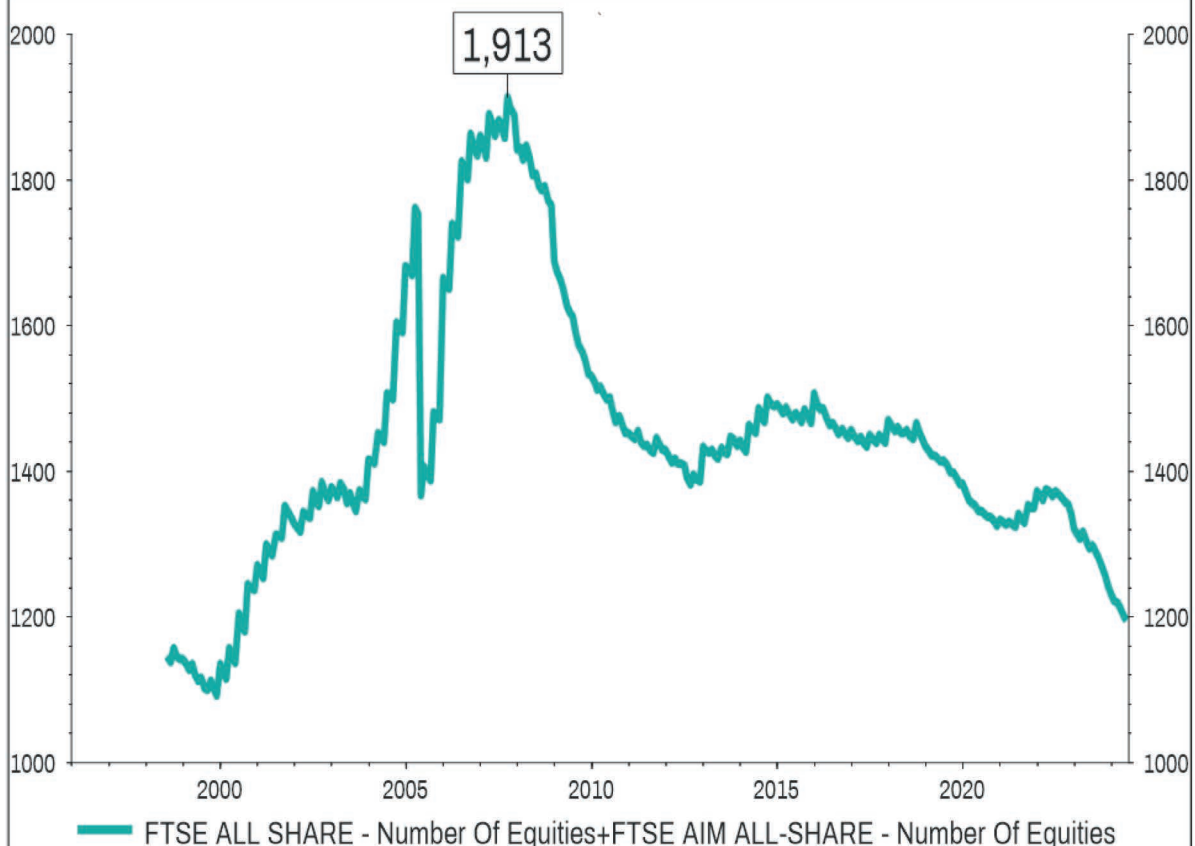


Slide 3 is over a much longer-term. The line along the bottom shows the performance of the FTSE All Share Index since the 1960s and the blue line shows you the total return index. Actually, you would have done fine if you'd owned these shares and

held on to them and kept rebalancing to the Index, but mostly because you'd have had companies that were taken over, or you'd have had dividends paid out. In fact, the market has been progressively eating itself.

Slide 4 shows you the number of companies in the FTSE All-Share Index and in the AIM index, the larger companies within the market. It's the decline from the top that's interesting. There were nearly 2,000 companies at the peak. We're down to about 1,200 companies now.

Slide 4

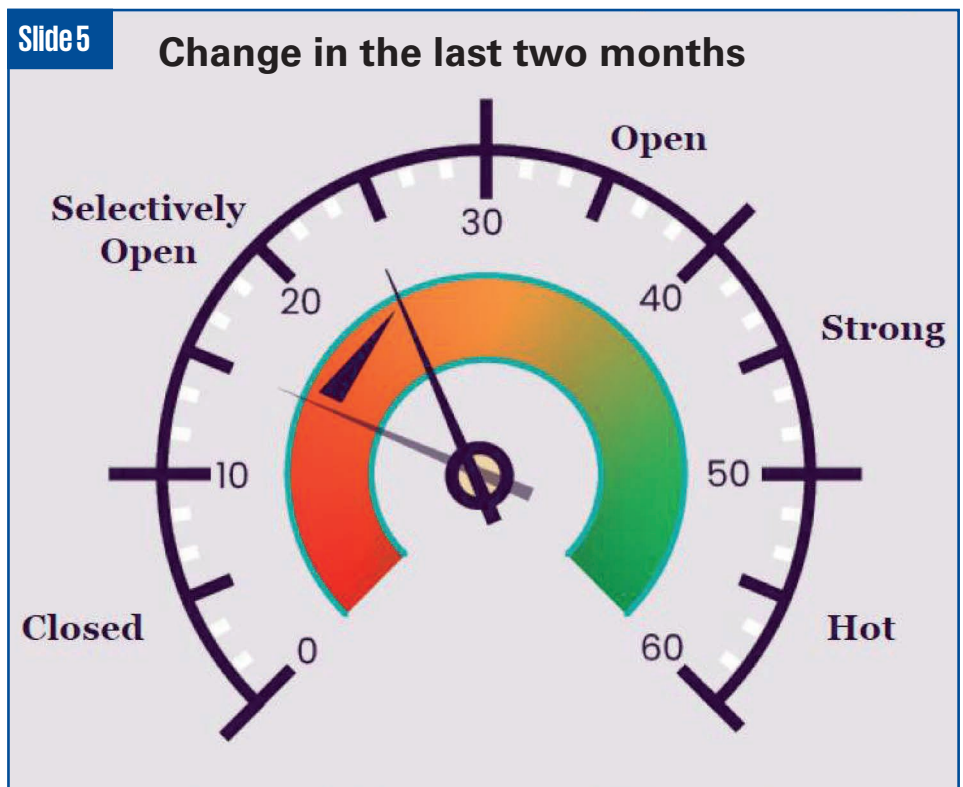


This is meant to be the junior market that grows exciting new businesses with relatively light regulation before they move up to the main market for a listing. But the number of companies on AIM has approximately halved and it continues to shrink. There are many more takeovers and IPOs in progress at the moment.

Similarly, the number of companies in the All-Share Index, the smaller ones excluding the 100 companies in the FTSE 100 and the 250 companies in the FTSE 250, has declined from 480 to 213. There won't be a small-cap market in London in two or three-years' time unless something significant changes. If you think the gambling industry has got problems with regulatory challenges, just come and sit where I'm sitting!

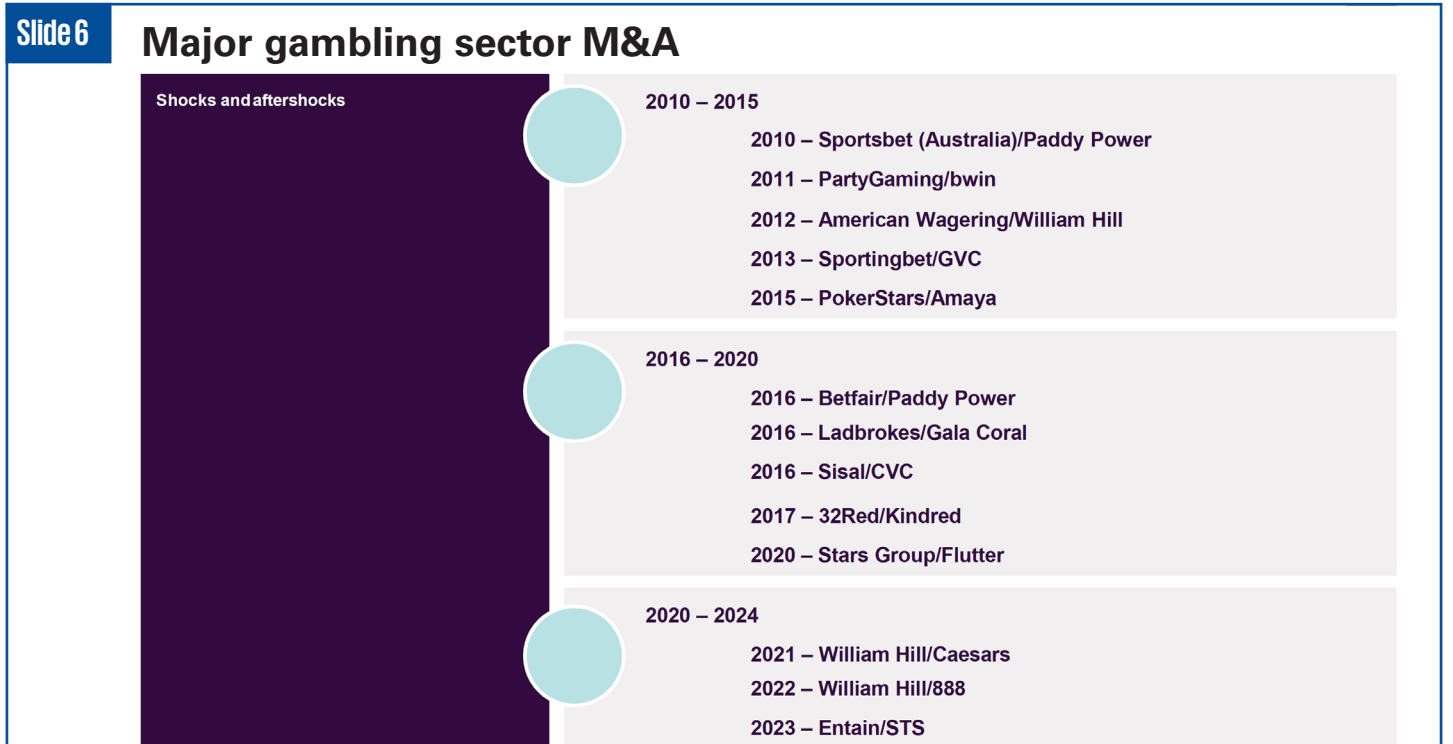
This is not just a UK thing. It gets attributed to Brexit and uncertainty of the economy in the UK but there is similar graph for the US market. There's been a bit of a pickup in the last couple of years but it is still in decline.

At Peel Hunt, we advocate to Government for regulatory change to improve the number of companies listed in London. We have developed an IPO speedometer (Slide 5) to show the openness of the market. We've done a couple IPOs recently – you may have heard about Raspberry Pi – and we're describing the market now as selectively open.



There are investors who are keen to invest in companies. Deals are getting done. There are a few IPOs on the road, but not nearly enough. The market has shrunk overall and Slide 6 shows a selection of gambling companies that have disappeared

largely through M&A activity. I chose them because they were the ones I particularly remembered, or thought were important, but it's an indication how much the numbers have diminished.





Our sector has been part of the overall decline in the market. That means that there's less available information for people in this industry to get to understand. I love coming to conferences because I get to find out about businesses like Skywind or EveryMatrix or Pragmatic that are not particularly noisy in the public space. They're very important, but they're getting on with doing what they're doing.

The stock market serves a purpose in terms of distributing information. Stock market analysts like me, we're a bit like traffic wardens: nobody really likes us, but we do a useful job of keeping things flowing, of getting information out into the space. If there's less information available for public market investors, less to learn from, then what can you do?

Hedge funds, with big budgets and lots of data-crunching capability, buy data from financial services institutions. If you have the money and the capability, you can buy banking data from Lloyds, which is one of the biggest bank account operators in the country, and on an anonymised basis, you can track the spending across their 13 million bank accounts. You can get a perfect view of who's spending money at different merchants, at Curry's,

or at particular brands of pubs, or on holidays, and also by looking at gambling companies.



That's pretty interesting, because in a world where, since the beginning of my career, trading on inside information has been unlawful, this isn't inside information. This is early information about how companies are trading.

I asked my friends at Department of Trust what they have got. They've got the data from 1.4 million bank accounts that they have scraped and they have provided a really helpful dashboard to let me look at some of the data. When we think about financial risk checks, there's a big risk of government interpretation of what is and is not permitted for consumers to spend. I was listening to the panel earlier talking about regulating the industry. We're getting to the point where it seems like consumer behaviour is being regulated, and that's a pretty different sort of thing, that's scary.

The Department of Trust information is really interesting. I can see who were the market leaders in the UK market by the number of active players, based on the banking data. I can see how it changes over time. I can build up a series of whether Bet365 or Sky Bet was the biggest. I can see the ratio of net deposits to actives.

Each individual operator obviously knows the level of deposits being made, the number of actives and how that's converting to deposits. With these data, you can see that conversion ratio for all of your competitors. You can see by income group, even by month, which operators had a positive net income from people earning £70,000 to £80,000 a year, and who had a loss. You can see all the data for individual companies. You can see the crossover. You can see who bets with Bet365 but also bets with Sky Bet.

It struck me that the gathering of all of this data together, plus markers of harm from other banking databases, gives you an opportunity from a marketing point of view to find the Goldilocks marketing opportunity. That is to target customers who have a high propensity to gamble, a high propensity to spend, and also a low propensity to be problem gamblers.

Now, gambling operators are not going to be able to access this information because I think it's not permitted by the LCCPs. But, because it's there, somebody is going to, and that's going to be an interesting driver in the future, that ability to gather these kinds of data.



Finally, coming back to probability in prediction: when I was last here a couple of years ago, I spoke about convergence and how I could already see the companies like LiveScore and DAZN and Fanatics were putting together sports content and betting. There's been progress by some of those companies. I don't think it's been transformational.

Something else that's interesting is happening now which is companies identifying lottery businesses as an important top of the funnel for marketing purposes.

DraftKings bought Jackpocket in the US. Jackpocket is a business that sells lottery tickets to consumers and it made the point about the growth in lottery sales online in the US. (The US is a very immature market, oddly, in terms of digital lottery sales.)

Where customers overlap between DraftKings and Jackpocket, the lifetime value is 50% higher. These are valuable customers, these are not low-value customers. Jackpocket's cost of acquisition was 20% of DraftKings, so suddenly lottery sounds a lot more interesting as a business that has been separately isolated.

We've seen FDJ bought by Kindred – a struggling lottery and perhaps a somewhat struggling sports betting operator under regulatory pressure getting together. There is similar opportunity for cross-sell there. (Slide 7.) Then Flutter bought Sisal in Italy, and it was really interesting hearing the Flutter management talk about Sisal's SuperEnalotto product, where there is an app called Winbox that lets them cross-sell to a customer who thought he was just playing for lottery, but to whom they can now offer the whole suite of betting products. In fact, you have to have the

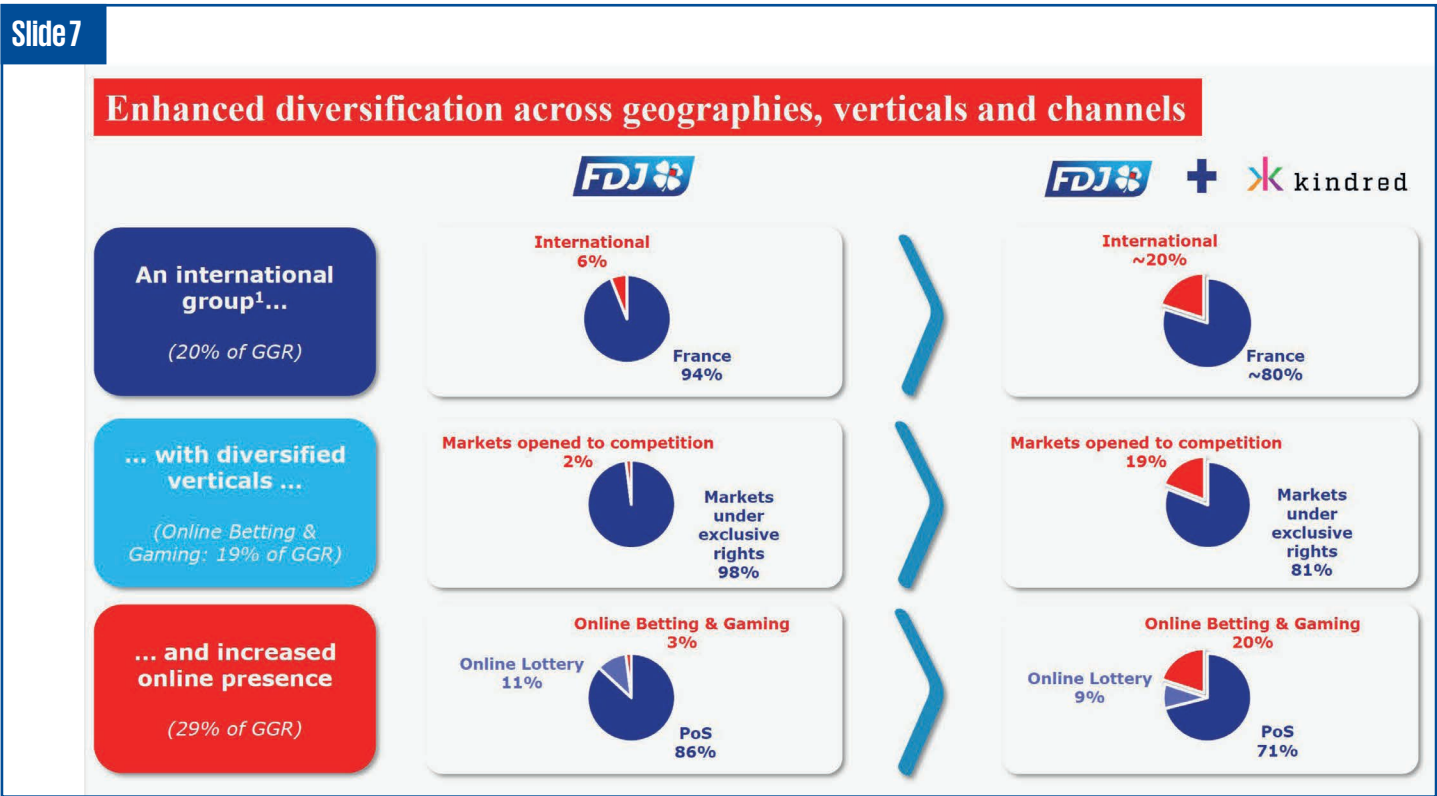
app to get a free second-chance game, so why wouldn't you have it?

Allwyn has reported that it is de-anonymising its lottery customers in the Czech Republic by making them use apps and gathering data about them so that they can be marketed to.



I don't know what the next big change will be (although, to me, this seems pretty important). Going back to where we started, I am certain it will not be me that identifies the change, but I think it's "highly likely" that it'll will be somebody in this room.

Thank you very much.



Key Drivers – The Legal Perspective

Moderator: Ivor Jones

Peel Hunt

Panellists:**Hermione Arciola**

KPMG Malta

Peter Isola

ISOLAS

David McLeish

Wiggin

Stuart McMaster

Mishcon de Reya

Andrew Montegriffo

Hassans

In the first of two panel sessions looking at key drivers for the industry over the next 10 years, market analyst Ivor Jones explores the challenges and opportunities for operators from a legal viewpoint and the issues that are currently most taxing for advisors to the eGaming sector.



Ivor Jones: I'd like to start by talking about Gibraltar particularly. We've heard others of your colleagues talking about the impact of the Schengen Agreement, but, Andrew, is there anything to add to that in relation to its impact for the gambling industry?

Andrew Montegriffo: We've already heard this morning about the two real key drivers or issues affecting the Gibraltar industry over the next five or 10 years, those being obviously the Schengen Treaty and the new Gambling Act. Certainly, from a legal point of view, the Treaty outcomes are clearly going to be a pivotal point and really define the next 10 years of the industry in Gibraltar. We're already seeing the impact it's had on employees in particular.

Given that a lot of the proposed Treaty is largely unknown, there will clearly be new legal issues that will need to be addressed at the time. But there is confidence that whatever outcome is reached, be that a more localised solution or a fuller Schengen-type Treaty, individuals will still be able to cross the border and that legal solutions will need to be found around that.

It's also worth mentioning that, given that we are talking about an uncertain landscape and territory, we haven't seen a drop off in licensees and people coming to Gibraltar. Actually, quite the opposite over the last two to three years. We've seen an increase in the number of licensees here in Gibraltar and applications not just on the B2B front, but also on the B2C front.

We are seeing a lot of interest from medium-sized operators, whereas previously Gibraltar maybe only appealed to larger tier-one operators. We are seeing an increase in the number of medium-sized operators successfully coming to Gibraltar and obtaining licences, despite this uncertainty thrown up by the Schengen Treaty and also by the new Gambling Act.



Ivor Jones: Peter, that's a good opportunity to ask you to talk about the significance of the Gambling Act more specifically. What differences are we going to notice?

Peter Isola: What you're going to notice is that there are more differences in licensing. You're going to have the normal B2C licensing, the B2B licence, the sports servicing licences, the marketing licences: there is going to be much more variety in terms of licensing.



Ivor Jones: When you talk about marketing, are you talking about marketing affiliates? Will that be a separate market licensing category?

Peter Isola: There are betting intermediaries: I'm not quite sure where we landed on licensing for affiliates, but in terms of marketing, we're mainly concentrating on ensuring marketing is part of the ecosystem of Gibraltar. There would have to be very good reasons in the marketing space to ensure that they were contributing substance and things like that to Gibraltar.

On the regulatory side, you'll also see that the regulator is going to have many more powers. It's really about developing a Gaming Bill and Act for the next 10 years to ensure that we're covering the various aspects that are required within the gambling space.



Ivor Jones: I remember the UK developing a Gambling Act that was going to last forever in 2005 and doesn't seem to have been sufficiently robust. Stuart, more of a practical matter: can you talk about financial vulnerability and enhanced risk checks? What do we know and what do you think the risks are around this?

Stuart McMaster: There is a lot more certainty about the financial vulnerability checks which are coming in August. The financial risk assessments are a lot trickier. There's been a lot of consumer concern about the impact that those financial risk assessment checks could have. Those will involve credit reference agencies. However, this will be very different to what happens in the financial services sector, where someone effectively applies for a loan and a lender may say, 'We're not prepared to lend you that £1,000.' What's happening in the gambling sector is that consumers will be told, 'You may already have £1,000 in your pocket, but we're not going to let you spend it.' As you said earlier, what we're moving towards is a regulation of consumer behaviours, which is quite different.

In response to that level of consumer concern, the Gambling Commissioner has sought to emphasise three things: that the checks, which will go through a pilot phase, will be frictionless, that they won't result in a hard cap on the amount which people can gamble, and that it won't affect people's credit scores.

All of those three things are in the balance. In terms of whether or not the checks will be frictionless, it will depend on how many people are actually picked up by them and then what the operators do should someone not sail through a check with a green light. In those circumstances, there could well be quite a lot of friction for those that are picked up.

In terms of there being no impact on people's credit scores, that's something which the Gambling Commission has asserted will be the case, but that's very much a question of how the credit reference agencies will handle that data. Obviously, the Gambling Commission can't regulate them, so there's a question mark there as to how the Gambling Commission's objective will be achieved.



Ivor Jones: Because potentially these are multiple pings to credit reference agencies that you'd have to ask them to ignore?

Stuart McMaster: Yes, and obviously the credit reference agencies are keen to sell a new product. It's not that long ago that the Information Commissioner's Office investigated certain credit reference agencies for how they were handling consumer data. The Gambling Commission is very focused on making sure that gambling companies don't misuse the data. The issue is who's watching the other side of the fence.



Ivor Jones: David, can you pick up on that? I have heard that this question of financial risk checks is a matter of process, at which point data must be gathered and analysed. I haven't heard any discussion about where the rules about what you are supposed to do with that data are going to sit because the Commission has not been clear to operators about what counts as affordable. How will that element of this discussion get developed? We're talking a lot about the process, but not the consequence.

David McLeish: So the pilot – which the major operators are participating in – is slightly strange in that they're invited to participate, but on the basis that they're not going to be punished for the information that they learn by virtue of

their participation in it – is ongoing. The consequences are going to be fleshed out on the back of that.

It's important sometimes to take a step back and realise that, had we been saddled with something like they have in Germany, it would be far worse. So the Commission deserves some credit for moving from their original position after hearing Government and consumers, albeit they didn't particularly want to reveal how many consumers were troubled by the question of affordability and financial risk assessments as shown by some of the freedom of information requests in recent times, with only something like 14% of people saying that they'd actually provide the information.

For a regulator who is in part there to protect, but in part there to help the industry flourish, taking into account the need to protect the consumer, that's a particular challenge. I think that debate will come around again, but it does feel like it's edging towards not the worst outcome.



Ivor Jones: Regulatory pressures have changed. How is that affecting the opportunity for companies to do M&A? I'm particularly thinking about trying to buy businesses which may operate in grey markets or have had regulatory challenges. What are you seeing?

David McLeish: The trend towards enforcement over recent years and the fines coming out – the UK led the way, but you're now seeing Gibraltar, Malta, Spain, Ontario, Sweden, and especially Australia following – means that for businesses who operate in regulated markets, generally the chances of acquiring a B2C operator that hasn't had a track record of some kind of regulatory enforcement is probably pretty slim. It is a real challenge.

There used to be this blind notion that you could be the white knight that comes in and claim it's changed and 'it was them not us.' That's not working and part of the reason it's not working is that most of those big operators have themselves been fined. So the idea that they can claim they're white knights has dissipated.

It's still an argument you can run and you can still evidence that you're aligning policies and changing things in the acquired business, but it's not so straightforward.

The enforcement risk goes to value. You would have seen on 888's acquisition of William Hill from Caesars, they included various price adjustment mechanisms by reference to the outcome of regulatory enforcement in the UK. Equally, you see something like In Touch Games: when that was purchased, it had a long history of issues with the Gambling Commission. Sure enough, the new broom couldn't take away the sins of the past and that licence ended up getting suspended and then surrendered. These are real value points in regulated businesses.

On the dot-com side of things, there has been a big focus in the last 12-18 months around Africa but more particularly around South America and the opportunities presented there. You're looking at acquirers in the form of significant operators accustomed to working with tier-one regulators, including Gibraltar, where they have set certain standards. Now if you're going to acquire a business which very typically might be regulated in Curaçao, that represents quite a challenge.

How are they doing what they're doing from a risk perspective? What regulatory oversight do they actually have? Because of the nature of the oversight they get from Curaçao – or lack thereof – what are they doing proactively that marries up with the way that you'd approach things? How does that impact on value as you align risk profiles and is anything that they have been doing going to be a barrier to licensing in a jurisdiction that they might focus on, whether it is Brazil or elsewhere, when the time comes?

There are two very different approaches to the regulated and dotcom models having regard to those factors, but they are real value points.



Ivor Jones: Hermione, how does this impact your practice? What are you seeing in the companies that you're advising?

Hermoine Arciola: I totally agree with what just has been mentioned, especially when you're talking of operators trying to penetrate soon-to-be-regulated markets. Obviously, there is the regulatory challenge: they need to be prepared to navigate a fluid regulatory environment and even manage political shifts as they go along.

However, if I had to focus a bit more from a deal process point of view, there are other challenges that operators face. For example, at the moment there is a lot of interest in the Brazilian market. It is very common that in such an environment the targets that buyers would be looking at are not M&A ready.

When I say they are not really M&A ready, I'm referring to challenges like having lack of information or good quality information, especially when we're talking of financial information – and I'm not talking about audited financial statements which of course would be ideal but many times they wouldn't even have a proper set of management accounts, they have data coming from different systems which doesn't tally.

They may also need to undertake a reorganisation exercise as there is no formal group structure so the operation would be fragmented. Assets which are key to the business such as IP would be sitting in a related entity which will not form part of the transaction perimeter held directly by the UBO and these would need to be assigned or transferred before closure of the transaction. Potentially also they may need to carve out part of their business because it will not be transferred as part of the transaction.

These things obviously make the transaction process much more complex and lengthier. One needs to keep in mind that such entities may be start-ups which would have gone through a super high growth phase and would not have had the time to organise themselves out to be ready for a potential transaction.

My advice for anyone who's trying to sell or get investors on board is to get your house in order as quickly as possible and to step into the buyer's shoes meaning that you also need to be prepared for flexible deal structures, such as performance-based earn-outs where part of the payment is contingent on achieving certain financial milestones post-acquisition. This helps in bridging the gap between the expectations of a buyer and the seller, and managing risks.

Obviously, my advice to the buyer, would be to take the time at the outset to understand whether the target you are looking at is M&A ready and if so to what extent, as this would allow you to adjust timelines and also manage expectations of all the stakeholders involved.



Ivor Jones: I'd like to ask you all a question about pushing legal boundaries, which might not be the right question for a group of professionals such as yourselves, but clearly the acquisition of FanDuel by Flutter was a phenomenal success. Are you seeing other companies – like lottery – looking at making acquisitions in adjacent markets in order to drive customer traffic?

David McLeish: What's interesting is that no one would have predicted that FanDuel and DraftKings would be the two leading sports betting operators in a regulated US market if you'd asked that question some years ago.

The iGaming side has not caught up. We're seeing the proliferation of this US sweepstakes model with businesses from outside the US adopting this model. Who's to say that those kinds of companies might not be the challengers for iGaming in five years if they can navigate the negative regulatory sentiment around that model?

Certainly, the gambling industry or models adjacent to gambling seem to have a history of being able to push the envelope. Whether or not you always get the right outcome in the end, there's plenty of money to be made in the meantime, operating in a space where you can, with the help of lawyers, create arguments that what you're doing is safe and proper.



Ivor Jones: Which complexities you would like to see removed for your clients? What is there from a regulatory or process point of view which simply doesn't need to be there?



Andrew Montegriffo: You mentioned from a regulatory point of view, but to touch upon something that Hermione said, when talking about challenges generally which impact on M&A transactions: one thing that we've seen on occasion, and I would warn operators and companies against, is senior management hubris and egos.

We've seen some companies driving headfirst into M&As and perhaps that wasn't ultimately the best option for the companies and for shareholder value. It's something that I would warn and caution against as a general point because we have seen some high-profile examples over the last couple of years where perhaps either senior management or certain key shareholders have, for whatever reason, pushed the envelope a little bit further than they should have with results that aren't quite what they originally intended, and which ultimately weren't for the best interests of shareholders and stakeholders.



Ivor Jones: Hermione, would you also recommend caution? What would you like to see changed?

Hermione Arciola: One of the most burdensome complexities is definitely the inconsistent regulatory landscape

across jurisdictions. Take, for example, the licensing regime, the anti-money laundering requirements, and the advertising standards: these vary significantly from one market to another. That creates a significant burden on operators.

Companies often find themselves navigating a labyrinth of regulations, each unique to its jurisdiction and that creates not only increased operational costs for them but also slows down market entry and expansion. Simplifying or standardizing the licensing process, having more harmonized regulations, such as standardised anti-money laundering protocols or creating a more standardized approach to responsible gambling standards across markets would significantly reduce operational burdens. This would allow companies to streamline compliance efforts, allowing them to focus more on innovation and growth.

Peter Isola: Alignment of regulators would be a great thing if it can be achieved, and I'm sure that regulators are speaking to each other more and more. But there are many challenges.

Regarding the concept of Gibraltar, particularly when you talk about M&A, by the time that we become involved, it's already been dealt with, probably by some of my colleagues here. So we're more in the space of the change of controller provisions and things like that.

Obviously, within the Gambling Bill, we hope that those have been improved and that the regulator has the discretion, or

the licensing authority has the discretion, to be able to guide through these changes.

But from a regulatory perspective, if a Gibraltar company acquires another company, then they have to comply with all the AML, which again, is going to be regulated, and it's that B2C company, which then has to look after its data and protect the data in accordance to legislation.



Ivor Jones: Stuart, I'm acutely conscious that it's potentially revenue-negative to argue for simplicity in front of lawyers, but what would you like to see removed that wouldn't undermine your business model?

Stuart McMaster: The industry in the UK has, through the BGC, been reaching out to the Gambling Commission to look for greater clarity about the sort of checks that should be carried out when there are indicators of harm, and what are the circumstances in which documents need to be requested from consumers. Going forward, it may well be the case that as we see the financial risk assessments come into force, the industry will need some more guidance from the regulator as to what it will consider to be acceptable.

It's a tricky balance to strike because you don't necessarily want rules that are too prescriptive. We're talking about quite complicated situations. If you're looking at a customer, there could be all sorts of different factors relating to them so it's useful for operators to be able to look at the individual and take an approach which takes account of their personal circumstances.

My sense is that you don't want the gulf between regulatory expectation and practice to be too wide so we may well see the BGC trying to help operators navigate that a bit further.



Ivor Jones: When I started following this industry, there was one currency which made things a lot simpler and it was the dollar. You put your dollars into your electronic money wallet and then you spent it with Cryptologic or Chartwell or the like. Having AML seems to be a painful complexity. David, could you talk specifically about crypto? I talk to affiliate companies who use it all the time to make micro-transfers in relation to being paid for their advertising and customers. Is it that simplicity that we should look for?

David McLeish: There's a huge proliferation of the use of crypto in terms of how various supply chains work, but when we get to the regulated markets, there is still a significant amount of nervousness from the gambling regulators. The gambling regulators probably have enough on their plate trying to deal with AML failings on the fiat side before wanting to dig heavily into crypto.

Something needs to be done: the use of crypto by consumers isn't going away and it can no longer be said that it is simply the preserve of the criminal fraternity. There are increasing number of options to gamble with crypto in the unregulated market, and that must represent a danger globally from a black market perspective if regulators don't grapple with the issues.

We have begun to see some of the so-called crypto operators dipping their toes into regulated markets. It will be interesting to see where Stake.com gets licensed after its initial award in Colombia and how some of those companies approach licensing in more recognised, regulated markets.

It's not an issue that's going away: if the gambling regulators just keep their heads low and wait for the financial services regulators to sort this out and develop some kind of framework which they can very easily follow, it will be a missed opportunity.



Ivor Jones: When you talk about Stake.com, you talk about a business that will be able to recycle capital into markets where crypto is not accepted and change the structure of the market in a way that seems unfair to the current incumbents.

David McLeish: Correct, although if they came to look for a licence in any of the material longstanding regulated markets right now like the UK, I am not sure they would find a very welcome opening door, partly for that reason.



Ivor Jones: Thank you very much to all of you for your time today.



Key Drivers – The Operator Perspective

Moderator: Ivor Jones

Peel Hunt

Panellists:**Robin Chhabra**

Tekcorp Capital

Anna Kutsenko

KPMG UK

Dominic Mansour

Buzz Bingo

Vaughan Lewis

evoke

Dan Waugh

Regulus Partners

The second panel session on key drivers for the industry looked at the current challenges and opportunities from the operator viewpoint. Moderator Ivor Jones was joined by a number of well-known names from the eGaming sector for a frank discussion around M&A, consolidation, public policy, AI and new markets.



Ivor Jones: I'd like to start by talking about M&A, a recurring topic at these conferences. But there isn't much to talk about, is there? Is anything happening? Is the large-scale consolidation over? What's happening with Flutter buying MaxBet in Serbia? Why aren't the big operators able to grow organically in new markets? Robin, how do you see what's happening in the M&A market?

Robin Chhabra: If you look at Flutter and Entain, until recently they've been engaging in the strategy of buying national champions.

We've seen the emergence of these national champions over the last six or seven years where you've got relatively undercapitalised businesses, probably with an unsophisticated product set, taking significant market share of far more powerful players, the big brands like Bet365.

I was at PokerStars at the time, and we saw our market share diminish in a number of markets and that was down to local execution. They understood their customers better, they knew how to work the local marketing and payment channels better, they had local customer service and CRM. So, a number of operators decided that if you can't beat them, buy them.

That's worked well for some, but not so well for others because you've still got to have a strategy for creating value. It's very hard to buy companies cheaply. You've got to add value. You can get lucky, but repeatedly buying companies on the cheap is very hard.

The likes of Flutter, they've got an MO in place which seems to have worked. They leave businesses relatively untouched. They add some product – they've obviously got a world-class sports betting product – and they inject lots and lots of marketing dollars.

If they see an LTV/CAC ratio that they like, they'll invest heavily behind it. But there's no real driver to integrate or to get cost synergies because they see that as a way of losing momentum. They're very happy to have 15 – 20 PAMs (player account management systems) or platforms. From what I can see from the outside, there is no real driver to have some all-singing, all-dancing global platform.

Entain was a bit mixed: they integrated some, with mixed results, and you can see the investor pressure that they're under.

You've got to have a plan; you've got to execute to create value because just buying these businesses cheap is very difficult. It's good to see you've got other people bucking the trend. You've got the likes of Kaizen. They're not bothering with M&A at all. They have built up significant organic positions in diverse markets, from Brazil to Greece to Romania to Portugal. That's good to see.

It looks like MGM/LeoVegas are looking to do the same. So you don't have to M&A

your way to success, especially if you've got good technology.

Vaughan Lewis: I think there is quite a lot happening. Part of the reason for your earlier chart showing the declining number of listed companies is that there is ongoing consolidation. Your chart answers itself in that respect, in my view.

First and foremost, this is a fantastic industry from an investment perspective. It's big, it's growing, there's huge customer demand for betting and gaming. People love gambling; they love spending their money on it. Everywhere you go in the world, that's the case.

We heard a lot about regulations in the last session. While they're complicated, they are starting to become more stable, more visible. That provides more grounds for future investment.

The financing markets are extremely strong. Debt rates are more expensive than they used to be but the availability of debt is big. It's huge. There is a wall of money available.

You're seeing more and more jurisdictions regulate and license the product. The US has emerged as one of the biggest markets in the world, and that creates those dynamics that drive further investment and further interest.

Overall, those strategic factors that have driven M&A in the past – in terms of the benefits of scale, expanding markets, higher return on investment – they are all still there. The financing markets are still there. So, I would expect people like Robin to be very busy.



Ivor Jones: Dominic, we've toured the world a bit with acquisitions. Your latest acquisition was in Cricklewood and offline, not online. Could you give us the background to why are you buying in a market that many people would think was quite mature?

Dominic Mansour: Yes, it was very local, in London. This was an acquisition that wasn't the most scientific, complicated one that we will ever conduct, or the industry ever will do. We run the biggest network of retail bingo in the country, and Cricklewood itself is the single biggest bingo site in the country. There's an elegance to putting the two things together but, outside of that, they don't have an omnipresence.

We're very good with the digital side of things ourselves and cross-selling those. There is a synergistic upside there that we see as an advantage. There are obviously other synergies across the business. Mathematically, it adds up. It made sense. It was nothing more complicated than 'here's some extra EBITDA for the business.'

Every acquisition doesn't need to be mega-big or highly strategic. We're going to learn a few things from them. They didn't become the biggest because they were bad at what they were doing; they are clearly doing stuff extremely well. So, there's a very big knowledge gap that we'd like to take from them, but yes, it's not the most complicated deal, that one!



Ivor Jones: Is it a signal of optimism specifically about land-based in the UK but also land-based more generally? Is it a business where you think you can continue to make good returns and maybe even grow further?

Dominic Mansour: Definitely. As a sector, a lot of the land-based world has been underinvested in quite heavily over the last

few years, and we see a real opportunity in that. If you look at Waterstones, who would have invested in Waterstones 10 years ago? Now, in a world of Amazon, look at how successful that business has become.

We will keep banging this omni drum repeatedly, but we acquire several thousand customers every single month from our retail estate. We don't look at them as single channels: we don't look at retail as retail and digital as digital. I look at Cricklewood and Northampton, the two acquisitions, as two new opportunities to acquire a bunch of digital customers that can then sit in that omni experience. Half of our online business comes from retail.



Ivor Jones: It's maybe not something talked about often enough. Anna, could you give us your overview from an advisory point of view about the trends that you're seeing because you may have a more top-down view than the rest of us?

Anna Kutsenko: So last year was quite difficult for M&A and for our business. We experienced some challenging market conditions, but luckily, they have improved. As Vaughan said, it's looking much better and the environment is way more favourable for big-ticket M&A because there is a lot more confidence in terms of the inflation outlook and interest rates, availability of funding through private credit markets and through syndicated loans. There is a lot more confidence in terms of valuations, and that's why investors are bringing assets back to the market.

Just to give a couple of examples, last week in our team two deals were signed. Both of them are large deals, £1.8 billion and £1.9 billion. Not in the gaming sector, but it's a good indicator that the confidence is back. Large deals are back.

Speaking of the sector, obviously we've also have seen quite significant deals, including FDJ and Kindred. That's €2.5 billion. Boyd is looking at Penn and putting pen to paper. That could potentially be a US\$9 billion deal. Entain is conducting a strategic review of assets, which could

result in disposals and could attract some takeover interests as well. This is public information so quite a lot is happening.

In terms of our business, there are a number of live situations or immediate pipeline deals involving businesses of various sizes from £10 million EBITDA to £150 million. It's a good mix of activity in terms of classic M&A.

There is one take-private opportunity. Also, capital raise refinancing because the credit money is available. Although the cost of that is still high, it's available. Also, one distressed situation.

So quite a good mix of things. We remain cautiously optimistic within our deals business, but our clients are very resourceful and adaptable. Speaking of probabilities, it is highly unlikely that the deal flow would erode in any significant way.



Ivor Jones: A very elegant way to wrap up, thank you. We all love a bit of M&A, advisors and senior management usually. In this space, it's probably been something that has papered over the cracks in the business models, particularly in relation to taxation. I wrote a note recently on Flutter, highlighting that in Australia the gross margin had dropped from 75% to 45% over the course of a decade or so, as a result of the introduction of additional taxes on the business.

M&A also papers over the cracks in terms of regulatory pressures, although it's quite hard to pick apart the numbers retrospectively. Flutter will have lost about £250 million of revenue in the UK alone to regulatory changes, something it was prepared to put a number on.

Let's talk about public policy and how that is developing. Dan, I want to start with the most current thing. How should consultation feed into the policy-making process?

Dan Waugh: The Gambling Commission and Government have a requirement to consult on major changes to regulation and legislation. They do so. How it should be done is that they should draw in the



evidence that's presented to them and make clear and transparent decisions based on the evidence presented. In fact, that hardly ever happens, particularly, where the Gambling Commission is concerned.

We often find that the decision-making process on policy is pretty opaque. It's very inconsistent as well. If you go back through announcements of changes to the LCCP, you will find the basis for making decisions is quite inconsistent, and the disclosure of the evidence that is presented is often very patchy.

More importantly, a typical Gambling Commission response to a consultation goes something like this: this is what we proposed, this is what we were told, and this is what we're going to do. It's often impossible to draw the lines between the evidence that was presented, and what they're going to do.

The Commission has an uncanny knack of implementing precisely what it set out to do in the first place, regardless of what evidence is presented. We saw this week, with the Racing Post article, they have a habit also of suppressing evidence that's not convenient, that's not supportive of what they want to do.



Ivor Jones: Talking about evidence, can you talk about the potential impact on regulatory change of the problem gambling statistics that are soon to become official?

Dan Waugh: I'll just preface this – and I'm grateful to Ivor for his earlier presentation because I'm going to make a prediction and it's comforting to know that most people who predict things are generally wrong – but in 28 days' time, I predict the Gambling Commission will blow up the licenced industry in Great Britain with the publication of the Gambling Survey for Great Britain.

You've mentioned the problem gambling rates: it's expected to be about ten times higher than the health survey, as previously reported. But that's not the alarming bit. They're going to publish statistics on harms caused by gambling. These harms include suicide ideation, suicide attempt, violence and abuse, use of food banks, mental health breakdown, and so on.

There will be no small numbers. It's a sample of about 9,000 in the first year. For every one respondent who endorses one of these harms, that's a population estimate of about 5,500.

If you have 18 people in a survey of 9,000 saying, 'I've experienced violence because of my gambling or somebody else's' you've got a population estimate of about 100,000 people. Imagine what that is going to do to policy discussions. That is concerning.

We've already seen various activists and Members of Parliament making statements about unpacking the White Paper once this new information comes out because it's going to suggest that the Government has underestimated harmful gambling, which is a fair point if you believe that. The problem is, we shouldn't believe it because there is clear evidence that these statistics that the Gambling Commission is going to publish are unreliable, and the Commission even knows that they're likely to be unreliable.

This is an issue: publishing statistics on something as severe as suicide in the knowledge that these statistics may well be incorrect is ethically questionable, in my view. The Commission has a bit of form here. We've been able to demonstrate the Public Health England statistics on suicide are made up. Now, the Commission knew this in 2022 and didn't think it was important to bring this matter to public attention. They've even awarded regulatory settlements to organisations who have gone out to promulgate this misinformation.

We're heading for very interesting times. This could cause major ructions. It could really derail the White Paper. It's going to give the DCMS a bunch of headaches, and the industry should generally be really concerned about what's about to happen.



Ivor Jones: There are trade associations, including a leading trade association, and there is a problem with research presenting alternative facts. What should the industry be doing and how could one get unbiased research that is useful in this process?

Dan Waugh: One of the ironies of the current public policy debate is that public health activists are demanding that the industry should be excluded from any research involvement or any policy involvement, which would mean they wouldn't even be allowed to respond to public consultations.

The irony is that the industry is just not really involved in research, particularly at the moment, and that is a missed opportunity because if you don't understand the research, you don't understand the evidence, you're not in the discussion.

It's very basic, but what good research should be is about understanding. Most research that's produced in this space is produced in order to support an agenda, not in order to understand. If we take a look at the Public Health England or OHID estimates on costs related to gambling – we've seen a few of these come up with very high numbers of costs associated with gambling – they're only looking at one side of the ledger. They're not looking at benefits associated with gambling. I'm not talking about tax and jobs: I'm talking about consumer benefits from this activity.

You cannot make policy just by looking at costs. If you take a look at sport, it's possible to say, 'Look, sport has all these harms. Go into an A&E on a Saturday afternoon you'll see all the harms that derive from sport.' If you just made an assessment of the value of sports based upon the harms that can be associated with it, you'd assume sport is a very bad thing. But, obviously it's not because there are lots of benefits that come from this.

We've even seen, in the Public Health England stuff, a big figure produced for the cost of depression by looking at rates of depression amongst problem gamblers. What they didn't comment on was that rates of depression are lower amongst gamblers than amongst non-gamblers. If you did that calculation properly, you'd wind up with a benefit. We just need fair balanced scientific research rather than activism dressed up as research.



Ivor Jones: Thank you, Dan. You've been a very frank and clear-sighted voice in an environment where a lot of people are talking about their feelings and not about facts.

Moving on from public policy, let's talk about technology. There are two questions on my mind: is AI important, and will the Chief Technology Officer ever stop asking for more money? My view about AI in my own business is that it will lead to the production of

an enormous amount of additional nonsense that nobody will read, and inboxes will be ever fuller, and it will, in fact, lead to a greater concentration on person-to-person communication, which is what I value most. Vaughan, can you talk particularly about AI, but also tech debt and does the CTO ever stop asking?

Vaughan Lewis: The simple answer to your two questions is yes, AI is important, and, no, the CTO will not ever stop asking for more money.

Our view is that those businesses that are not investing in AI and automation at this point will fall behind and will fall behind quickly and find it increasingly challenging, if not impossible, to compete.

We're already using AI quite extensively. It ranges from things like tracking the electricity usage across our retail estate and switching the lights off to meet our ESG commitments, through to customer-facing elements, such as game recommendation engines. 'You like that slot? Then you'll probably like this game, have a try on this bet.'

Those kinds of mechanics are using artificial intelligence to make the customer experience better, to make it more personalised. We're investing heavily in this area. We've got a group-wide strategic initiative called Operations 2.0 which is investing in AI and intelligent automation across all areas of the business. We've got an action list of hundreds of items.

It doesn't matter whether you're preparing a board pack for a presentation, creating the latest development of product, or using AI to support the coders in the development: we'd expect AI to be enhancing every single aspect of the business and ultimately delivering a better, more personalised customer experience at lower cost, more efficiently and more safely.



Ivor Jones: Dom, do you want to pick up that because Buzz is a somewhat smaller business in terms of its tech side than evoke? How much money is your CTO going to ask for in order to compete in this world?

Dominic Mansour: Well, funnily enough, we run some seriously dated tech in club. We have machines under the caller's desk there, which are 42 years old. They have 128K of power in them. They do the job, when you press the button, of sending the number to the screen, and there are 90 cables coming out of the back, one for each number. You fix it with a soldering iron. They've been there for 42 years. They won't be there in 42 years' time from now, I can assure you. But it's amazing how resilient that world can be.

We do the same things with the AI. We've got the energy work going on, and when I sat down with my guys, I said to them, 'I want everyone in this room to walk out and ask themselves what can AI do for me? Then come back in a couple of months and share some stories.' We do the recommendations, NGN, and we've got some great stuff going on there. The finance guy came back and said, 'Watch this.' He pressed a button and typed into a search engine, 'write Buzz Bingo's five-year strategy,' and he put it next to our five-year strategy, and we all just went, 'Wow, that is really, really good.'

Ultimately, where you want to get to is 'Am I going to save time here? Am I going to save money? Am I going to make money from any of this stuff?' Therefore, when my CTO comes banging on the door for some more cash, does it all add up or not? It's as simplistic as that. The rest of it is just noise.



Ivor Jones: Yes, I'm not so keen on that part of the story. I've asked ChatGPT to write a 30-page investment report on a company, including forecasts and recommendations, and it's pretty good, so I'm hoping my boss doesn't find out that's how I'm playing so much golf at the moment.

I want to close by talking about geographic markets. Some of you will know betPawa in Africa. pawaTech, the parent company, has just posted its FY23 accounts. It made US\$31 million of EBITDA, essentially from being a franchise business in 12 countries. Africa seems to be happening. Robin, you have a business that is naturally acquisitive. Are there opportunities in LatAm and Africa that are coming to be substantial now?

Robin Chhabra: Yes, significant opportunities. For Africa, the model you've mentioned works. What 888 Africa is doing is very smart. When we speak to our clients who want to move into Africa, we tend to point them in that direction. They've got a very strong management team, but also, they've got a diversified portfolio of players.

Africa is very complex. It's very volatile and, like any good portfolio, you need diversified play. That would be the way to do it with Africa and, in due course, there could be some serious money to be made.

Obviously, a lot of focus in LatAm is on Brazil. They've finally passed the regulation. It looks like a regulated market will start on 1st January 2025. So, in my world, M&A is now starting to heat up there: people are seeking out these national champions. It's a very hot market, with many operators – thousands of operators, in fact.

The key there will be regulatory enforcement. You've got the introduction of taxes and you've got various restrictions, especially around bonusing and other incentives. If the black market could still continue to operate and compete against those licenced players – and the licence fees are pretty significant as well – then it could be challenging for the regulated operators, certainly all but the very largest.

In Brazil there's a very prevalent payment method called PIX. If the grey market can access that, and I think they've got a viable business model, then that will cause problems. If they are cut off from the payment processing mechanisms, then the regulated market will be very successful.

It's complicated, as are all these new territories.



Ivor Jones: Vaughan, why would a large company not be starting small businesses in multiple markets to have footholds? Why would it concentrate in a few geographies when there are all these opportunities around?

Vaughan Lewis: We've adopted a different model in Africa, as Robin said. We've set up a completely separate entity with partners to reflect the different local dynamics there, so different product requirements, different payments. The bandwidth is generally lower.

We're extremely positive about the opportunity there. There's a huge population, growing very fast, rising wealth, strong interest in sports, particularly European football, and high appetite for gambling. We're really positive about that but, in our view, it requires a different approach in to be successful and we've set up that separate hyper-localised approach.

In terms of the second part of your question about why isn't everyone investing more broadly at the lower end, we've heard about the regulatory changes and the impact that has on consumers. But, in terms of our requirements as operators, and the complexity to be able to serve customers and meet the regulations, that's really rising the barriers to entry and making it more and more complicated to operate at lower scale within regulated markets.

Our view is you've really got to pick your battles in your regulated markets and focus on building high market share in those. Then elsewhere in the remaining dotcom markets, you can make money at lower levels. The alternative is the unregulated market. It's extremely easy for an unregulated operator to make money at low scale.



Ivor Jones: Finally, I would like to ask each of you which business you wish you owned now, given the exposures and the opportunities that are out there. You're not allowed to be the founder of PokerStars or Sportsbet in Australia.

Dominic Mansour: Does it have to be inside gaming? Because Apple stock in 1980 would be my choice! Otherwise, it would have to be FanDuel with the Flutter acquisition. That is the best-positioned piece of M&A activity that I've seen in the last 10-15 years.

Robin Chhabra: I like monopolies because it's easy to make money with a monopoly. There are a couple actually: there is GeoComply, a de facto monopoly, but also Hard Rock Digital who've got the monopoly for sports betting in Florida, the third largest state in the US. So give me some of that!

Vaughan Lewis: Obviously, I'll say evoke. After that, the one that's really impressed me in terms of product capabilities, the operational capabilities, the growth, and the profitability is one Robin mentioned before: Kaizen Gaming. I think they've done a fantastic job.

Anna Kutsenko: I'll speak as an advisor because investing is a different level of risk. So, an industry driven by innovation and change requires an advisor who will be able to think ahead of the game, ahead of the market, and also utilise the solid knowledge, experience, global connectivity, relationships with both strategic and private equity clients. I think our role would be to support our clients and help them advance in their vision and also maximise the value.



Ivor Jones: Very diplomatic. Dan, I can rely on you not to be diplomatic?

Dan Waugh: I'm with Robin. I'll go for monopoly, so I'll go for National Lottery because they seem to have the longest exemption from all the public health/prohibitionist measures that are coming down the track at the industry.



Ivor Jones: Thank you very much to the panel.

Gibraltar Welcome

Presentation by Andrew Lyman

Gibraltar Gambling Commissioner

With both Gibraltar and the UK on the pathway to new Gambling regulation, this is an issue that is top of mind to everyone in the eGaming industry at present. In the first of three sessions focusing on regulatory issues, Gibraltar Gambling Commissioner Andrew Lyman provided a timely overview of the role of the regulator as well as some personal insight into daily life in his shoes.

This afternoon has quite a regulatory theme to it. The gambling industry media, and sometimes the national media, see a whole area of what gambling regulators will do, should do, have failed to do, and might do quite newsworthy. it's very topical.

Politicians of all shades in all jurisdictions also have their views on what regulators should do. Most gambling regulators understand that the main political purpose of appointing a regulator, independent or otherwise, is so that the regulator can take the blame when there is a regulatory failure

or perceived regulatory failure on their watch. We are only one step away from the cliff edge at any one time.

This is particularly true in a sector which is both morally and politically contentious. Therefore, regulators have to be in tune with the political culture of the jurisdiction in which they regulate. This is much harder for some when there is a strong domestic lobby for increased restrictions and means regulators must be more data-driven and evidence-led.

I also welcome the current debate around the reliability of public health

research in this area. It is incumbent on all to guard against and not promote research that is primarily for advocacy and not objective, informed debate.

Many are quick to criticise regulators, and at some time or another, informed or otherwise, someone will be calling for a regulator's head. That said, I'm a great believer in accountability, but there is often confusion between what the public interest and fair process require and what the public, and therefore the media, might be interested in. Not everyone has a right to know everything at the time they want to know it.

At the time of Gibraltar's greylisting, there was a reactionary call for me to be hauled before a Parliamentary Committee as the gambling sector had been mentioned by the FATF in their press conference. Most recently, a local press story has, without making specific actionable allegations, cast me as being basically useless and subject to undue influence.

This all goes with the territory, and there is always an element of Groundhog Day with the same critics making the same criticisms. Sometimes doing nothing and saying nothing is the better option. The natural instinct is to defend or act, but over time, I have learned that sometimes letting matters develop is a much better option.

Those who know me would hopefully see me as a pragmatist, not a pushover, and certainly someone who would not avoid taking action where required. One has to have a thick skin, a developed sense of humour, and perhaps sometimes a slightly cynical outlook on life generally to be a regulator.

Plainly, regulators are expected to regulate in the context of having sectoral expertise. That in itself is a challenge in terms of recruiting and retaining the right people and developing them, especially in the context of public sector funding constraints.

I'm lucky, I have a great team in Gibraltar, but again, I'm not able to afford all the professional development and training that I would otherwise want to commission for them. They are the future, not me, and for that, there needs to be an investment.

Even when the industry funds the regulator, there are resource pressures, particularly in keeping up with the technological developments and understanding what is going on under the bonnet of the gambling industry, and the supply chain.

Therefore, it is important that the regulator understands the industry, not only in the context of the regulations it develops and enforces, but also the economics, culture, and wider architecture of the industry, the business architecture, and the technical landscape. This means constructive engagement and partnership with all stakeholders running alongside regulatory functions.

Personally, I think that this is achievable, and the two roles are not incompatible. Whilst most gambling regulators are primarily social regulators with overlapping duties in respect of AML, I do believe that



one has to understand how operations and therefore support services work, to be able to properly assess the economic and regulatory impact of proposed outcomes and objectives.

I've worked on both sides of the fence and was once a strong proponent and promoter of industry self-regulation. That said, I am now pretty much convinced that the dialogue on industry culture does not move as quickly without regulatory pressure.

The industry deserves credit for all the heavy lifting it is doing on improving AML and consumer protection measures, and I do detect a significant shift in culture. However, getting the industry to speak with one voice is like herding cats, and there is an important role for the trade associations.

If I had one piece of advice for the industry, it would be if you are setting industry self-regulatory standards, whatever the measures, they have to be transparent and clearly in the interests of consumers. They cannot be interpreted in any way as protecting the industry or looking to maintain the status quo.

When you're around the table, you need to reflect on whether or not you are misleading yourselves with your own collective confirmation bias. Don't be tempted to just circle the wagons.

For many this afternoon, it may feel as if you were purchasing a ticket for a football match, and you've ended up at a referees' convention. For me, to be surrounded by regulators is a bit like therapy. Leading a regulatory organisation is professionally rewarding, but it's relatively lonely and exposed. This is why we all look forward to participating in organisations like the Gambling Regulators European Forum and the International Forum where we can discuss both European and international regulatory agenda.

Although some will find it hard to believe, regulators can enjoy themselves, and perhaps twice a year, no more, even let their hair down. It's a scary sight. So, before we proceed with this afternoon's agenda, can I please extend my thanks to all the regulators who have taken the trouble to attend today, and hopefully we will all learn and benefit from hearing what they say. Thank you very much.

GB Gambling Commission Briefing

Presentation by Sarah Gardner

GB Gambling Commission

The UK-facing market is key for many operators in Gibraltar, so updates from the GB Gambling Commission are always followed closely. As this year's eSummit took place in the lead up to the UK general election, Deputy Chief Executive Office Sarah Gardner was restricted on commenting on the previously much-discussed UK White Paper and other policy matters but instead took the opportunity to focus on the work of the Commission over the past few years and reflect on the issues that will be engaging regulators in the near future.

As many speakers have observed, the world is a changing place but the British jurisdiction remains important for a number of reasons. We are, of course, still the largest regulated online jurisdiction in the world and possibly still one of the most liberalised. As such, many of the things that happen in the industry happen first in Great Britain.

We see many new regulators emerging in economies addressing the growth they will have seen in online gambling, in particular during the pandemic; or where those nations want to regularise and regulate gambling for the first time;

or to update their approach to reflect political, social and consumer behaviour changes, for example.

Core to so much of what we do at the Commission is the evidence base we have and need. There is a lot of sentiment and emotion involved in the industry that everyone in this room works in, regulates or supplies services to. That is not unimportant but, ultimately, we need to be guided by the evidence.

I will later spend some time discussing how we are developing better statistics

and evidence that we think will allow us to make better decisions and lead to better outcomes in the future. All of this work is tied together the Commission's corporate strategy for the next few years which we published back in April.

But back to the here and now. How do we see the gambling sector in Great Britain today?

Last year, the British market, for the first time went through the £15 bn mark in terms of Gross Gambling Yield (GGY): £15.1 bn for the financial year to March 2023. But what about participation?

Earlier today – this is hot off the press – we have released Wave 2 findings from the Gambling Survey for Great Britain (GSGB). That's based on 5,000 responses collected between November 2023 and February 2024.

This release focuses on participation in gambling during that time: 48% of respondents aged 18 years and over had gambled in the past four weeks (about the same proportion of people in that age group who told us they have visited pubs, bars or clubs in the past four weeks too), with lotteries and scratchcards being the most popular activities that people take part in (36% and 13% respectively).

We also found that most respondents who had gambled in the past 12 months were motivated to gamble for 'the chance of winning big money' and 'because it's fun'. Overall, when asked how they felt about gambling, respondents said they neither loved it nor hated it.

We know that 21% of respondents have only taken part in lottery draws in the past four weeks (either National Lottery or charity lotteries), whereas 27% are taking part in other types of gambling.

For respondents aged between 45 and 74 years old, participation in lottery draws makes up a significant part of their gambling.

This is the second release from the GSGB, following the Wave 1 findings which were published in February 2024. In July, we'll be publishing the first annual report for the GSGB. That will include more detail about the impact of gambling alongside the findings on the types of activities that people are playing.



There is a natural interest in the evidence base that we, and others, rely on to underpin our regulatory work and that's important. Those of you who are active in the British jurisdiction, or follow it closely, will know there has been plenty of comment on the new methodology for the GSGB.

We commissioned and then published an independent assessment into the GSGB by Professor Sturgis, from the London School of Economics, and asked him to



look at both our new methodology and our approach to its development. In his assessment, Professor Sturgis made some key recommendations for the Commission to consider, which we are doing, and those are important to ensure the quality and robustness of the statistics and the way that needs to continue to build confidence.

We will absolutely deliver against those recommendations and we pay heed in particular to the risks he identified in having a new methodology and the caution that should be applied when seeking to draw precise conclusions. We put these statistics out with all those warnings on it, as it were. But alongside this, Professor Sturgis, you'll be pleased to see, described our work in developing this methodology as 'exemplary in all respects'; and he also makes clear there is no going back.

GSGB is now a reality. We will continue to develop it over time, paying heed to the Professor's recommendations. But the Commission has taken the necessary steps to be able to safeguard and improve our data. That's important because better evidence, driven by better data, will lead to better regulation, which in turn will lead to better outcomes.

It's absolutely right that everyone should be able to see how we have approached this and what the independent review says, but for those wanting to debate trends in the industry it is also important to be equally rigorous when relying on other sources of data and to be clear about the strengths and limitations of any dataset.

I have seen some seeking to decry the GSGB, for example, before it has even been published in full, partly because we have been open about the areas where we need to exercise some caution, and sometimes with people vocally supporting other datasets in order to support their particular argument, where there is little or sometimes nothing known about how those figures have been put together.

So, I would also urge caution there because, frankly, I think everyone can do better than that and there is an obligation on each and every one of us, not just the Commission, to use research, statistics and insight in a responsible way.

We also hear concerns sometimes that we don't do enough to hear from consumers who suffer no harms from their gambling which, of course, remains the vast majority. I thought it might be useful to

dig a little deeper on what we are doing in that space, particularly with our Consumer Voice research, which you've probably heard the Commission talk about but I don't think we've probably shared this too much because the focus has been on GSGB.



Our Consumer Voice research programme is an important one: it is one of the ways we engage with consumers who gamble recreationally, as some might describe it.

That programme is designed to deliver in-depth research that brings the voice of gambling consumers right into the Commission. This is made up of both a mix of quantitative and qualitative methods to gather views, opinions, and insights from gambling consumers.

The work complements our national representative statistics on gambling participation and the prevalence of problem gambling, collected using the GSGB, but goes into more depth on some key issues and emerging areas of interest.

Through that programme, in the last year we have spoken to over 7,000 consumers, covering topics including the cost of living, bonus offers and incentives, financial risk checks, and consumer trust.

We speak to consumers in a range of different ways – through focus groups, in-depth interviews, online communities, behaviour diaries and online surveys. And in all those different ways, the programme gives us access to a diverse and representative pool of consumers to ensure that we take on board the experiences of all gamblers – from those who gamble occasionally to those who are more engaged.

These aren't small groups and samples sizes. There is sometimes this myth that the Commission never speaks to consumers but far from it: they are not small groups that we're extrapolating seismic regulatory decisions from. This work is being done year in, year out, at scale, and we are speaking to consumers in depth to really understand their views and experiences and we are committed to keep doing that.

It's also worth pointing out that all of that work is another important focus of our Corporate Strategy, hence the commitment to it, underlining the importance we place on this work in the years ahead.

Another important point to make is that the findings from our Consumer Voice research are not considered in isolation either. Like everything that is done at the Commission, it is put into the pot alongside evidence from a whole range of different sources as part of the bigger evidence picture that we can build that we then assess using our evidence assurance process.

That gives us real scale. When you take together the different types of surveys and statistics we run each year, in 2023 it represented the views and behaviours of around 40,000 people. So let there be no doubt over whether the Gambling Commission is interested in the views of consumers and those impacted by or interested in gambling. We are – to the tune of tens of thousands of people each and every year – and I can't see that changing.



The Gambling Commission is committed to strengthening its evidence and improving our own statistics. We're doing that through our participation and prevalence methodology.

We're also doing it through how we engage with consumers. And we're going further by investing in and applying research techniques and approaches to gambling that haven't been used enough before. One such example is our work with Open Banking data.

This project forms a key pillar of our data innovation programme, together with the GSGB and the Regular Feed of Operator Core Data (ROCD) project. Simply put, through analysing millions of rows of data, the Open Banking project has already had a positive impact on our regulatory development.

Alongside other evidence, including the thousands of consultation responses, the Open Banking data helped us settle on the most appropriate thresholds to impose

for the new financial vulnerability checks. It enables us to see not just a sample of individual's spending behaviour with specific operators, but also their spend across all remote operators, all within the context of their wider financial behaviours. It's an incredibly powerful dataset.



We are currently in the process of further expanding the scope of this project, by procuring an increased sample size and incorporating regular data updates.

That's important as it will enable us to track consumer behaviours and the market over time as the regulatory environment evolves, providing a powerful new tool for research, regulatory development and evaluation.

There are new challenges also from the broader use of data at our doorstep today. There are always new trends emerging but, if you look at the evolving role of both team-level and player-level data in sports betting, for example, you can see some really big movements have been taking place. Many have commented on the growth of bet builders and in-play markets in recent years, but what we're starting to see now are new challenges for consumers as they can engage with much more subjective micro-markets.

Let me explain what I mean by that. Whether a goal has been scored, a corner given, a yellow card shown and so on are events that are not subjective – they either happened or they didn't. People might debate if they should have been awarded but there is no dispute that they were.

That's not so much the case in some of the increasingly popular player-level markets that we are seeing. Whether a shot was taken, whether it was on target, a tackle made, and a variety of other micro-markets are ultimately more subjective. Once we introduce concepts which require a human being to make a subjective judgement, we introduce debate and argument.

I'm not saying these micro-markets should not exist, but we have seen a notable increase in disputes from consumers where already high-margin, multiple-selection bets have some of these

elements which one person might see differently, especially when it makes the difference between winning and losing.

Technology and its continuing development, as well as AI, may well help here but we already see today a significant set of products where consumers are disputing whether the micro-event, perhaps just a single movement in 90-plus minutes of football, happened or not, and that brings all kinds of challenges for regulators, as well as the industry.



The compilers and providers of data have many processes in place and specific rules to describe events and they often have no relationship with the bets or liquidity itself, but nonetheless that has brought new challenges to us.

An extension of this is the likely continuing journey towards hyper-personalisation. There are already products in development which allow the user to see an event in 3D with data easily presented which is more meaningful to their preferences, and which you can easily imagine being converted into options rather than things which are merely interesting.

On the one hand, it clearly provides an opportunity to reduce unwanted cross-selling of products to consumers, but if products or the delivery of them is increasingly attuned to a consumer's interests and what engages them most, from a regulatory point of view we do also need to think about what risks that presents in terms of managing the risks of potential harmful gambling.

I'm not standing here with a view or position on that, but I want us all to understand these are the kinds of things which will need serious thought by both the industry and its regulators moving forward.

The shape of the British market has continued to change in recent years. My colleague, Rab Grewal, who heads up our Markets Insight team, presented some thoughts on that a little earlier today and I hope some of you were able to have a listen. Our Market Impact data isn't the same as our official Industry Statistics

– they aren't comparable – but they are another valuable tool in analysing what's going on in the market.

What does it tell us about recent years? We have continued to see the number of active accounts bring reported by operators is going up and the number of products they are engaging in has gone up too. For example, the number of actives engaging in real event betting increased 15% in March of this year compared to March 2021

At the same time, the average GGY generated by those active accounts has gone down, as has the number of spins and bets. In the year 2021, an average active playing casino games other than slots placed 137 bets in a month, whereas in 2023, it was 128 bets.

We're certainly not making any rash judgments about what this data means – it only covers a segment of the market that we regulate – but that data is consistent with what the larger operators have been saying publicly, and to us, about the shift to a more recreationally-focused business model.



As our data for GSGB participation builds, we will be able to use the Market Insight dataset in conjunction with findings from GSGB to better understand the number of activities participants are engaging in.

Another area where we are looking to improve our data and where we recently consulted is on our Regulatory Returns. This is the core data that operators have to provide to us, and we consulted on some changes to this which we are now implementing. Getting it right is critical because this data drives so much of what we do.

Hopefully, those of you here today representing gambling businesses with a licence from us already know this but one of things we consulted on and are now implementing will be to move to collect that data quarterly from all operators. Previously, some operators had to do this data annually.

The quid pro quo is that we have taken the opportunity to strip out a number of the data requests to reduce the burden of the individual returns so there are fewer questions for every operator to answer. These changes will come into force from 1 July 2024.

What that means is the first set of the now quarterly regulatory returns will be those relating to the quarterly return period 1 July 2024 – 30 September 2024. They have to be submitted by all licensees by 28 October 2024. If anyone hearing this or reading it later has questions, get in touch with us. As I said, it's very important we get this right.

Of course, there is another – often more publicised – data point that operators are involved in and that is our compliance and enforcement work. But what we are seeing today in our compliance assessments, compared to previously, is a significant increase in the number of larger operators in particular being found to be compliant at the point that we assess them.

Last year we saw the rate of operators achieving compliant first-time outcomes in our assessments more than double and the compliance rate of the largest operators has almost trebled in the past two years. This does mean that with fewer resources deployed working with Tier 1 and Tier 2 operators, we are now able to spend more time with operators in other tiers in the market.

And that uptick in compliance has been mirrored in our enforcement work, as you might expect. I'm sure, from my conversations with industry, that those years of record-breaking penalties may have focused the odd mind. I am often asked at industry events whether I think the period of significant enforcement cases and penalties is behind us now. The reality is that I can't know but I really hope that is the case.

The trend data certainly points to that starting to look much more established now, but of course we can't be complacent. The reality is, ensuring compliance is complicated, we recognise that and it deals with individual consumer behaviours which are not linear and not always predictable.

To bring this to life, in the financial year ending March 2023, the Commission concluded 24 enforcement cases with operators paying over £60 million

in sanctions. That compares with 19 enforcement cases in the year ending March 2024 leading to £13.4 million in sanctions. That's quite a reduction and very welcome from our perspective.



As I said, we aren't being complacent and our work in Compliance and Enforcement is a focus set out in our Corporate Strategy. But this is, we think, encouraging evidence of an improving compliance picture from operators offering gambling to consumers in Great Britain.

Beyond this, our Enforcement and Intelligence teams have also been stepping up their work against illegal online gambling. Again, this is something we have been able to do as we haven't spent quite so much time with Tier 1 and Tier 2 operators. Our aim, set out in our strategy, is to make it difficult to provide illegal gambling at scale to consumers in Great Britain.

That means identifying high impact, upstream disruption methods. This involves identifying the key facilities an illegal operation requires such as visibility, payment processing, software and facilities. Then finding ways to shut those off.



Alongside a significant increase in our intelligence-led disruption efforts, we've also been engaging for a long time now with other bodies and regulators, including the National Crime Agency, the Police Intellectual Property Crime Unit and His Majesty's Revenue and Customs (HMRC), to deliver a combined approach wherever possible.

For example, our work with HMRC, where we have been tackling illegal Facebook lotteries has not only seen those lotteries shut down by the Gambling Commission, but the organisers have found themselves paying £600,000 in penalties to HMRC as an added bonus.



So, what is all of that achieving?

- In 2023, the Commission issued 452 cease and desist and disruption notices. This includes 291 cease and desists notices to illegal websites and 161 referred to Facebook for closure, resulting in 212 instances where supply was disrupted, of which 79 were online websites and 133 Facebook closures.
- In the same period, we've talked with Google and we've had over 7000 URLs associated with illegal gambling reported to Google for delisting.
- This year we have greatly increased our illegal markets disruption activity. The comparative figures this year are that in April and May alone, we referred a further 28,000 URLs associated with 113 websites and, to date, 89 of those websites have been removed from Google's search results. We have also issued 339 cease and desist and disruption notices in that same two-month period.

More work in these areas is planned: we have meetings arranged with Yahoo to replicate the URL work undertaken with Google and we also plan to engage with others in this space too.

So, for every intervention you see from the Commission in the licenced sector, I've hopefully given you an insight into the quantity and type of work we're doing in the unlicensed, illegal space as well.

Much of what we do has been grounded in another key element of our approach and another key part of our Corporate Strategy and that is collaboration. Whether with industry, regulators, or others, the Commission remains committed to collaborating with others to make gambling safer, fairer and more crime free.

Last year we engaged at a senior level with stakeholders over 250 times, through events like this, one-to-one meetings or our own workshops and roundtables. That's a senior stakeholder engagement for every working day of the year.

We're committed to this approach because it delivers results: for both consumers and operators alike. The great thing is, the more results we deliver, the more space we have to explore where else we can look to collaborate on even more issues.

So let me leave it there for today. Suffice to say The Gambling Commission is determined to work with anyone who will work with us to build better outcomes in Great Britain for consumers, for operators and, indeed, for wider society.

Thank you.

Spotlight on the Regulators: Challenges and Transformations

Moderator: Jeremie Kanter

Continent 8

Panellists:

Steve Brennan

Isle of Man Gambling Commission

Dr Jason Lane

Jersey Gambling Commission

Andrew Lyman

Gibraltar Gambling Commission

Yanica Sant

evoke

Whilst regulation is always a topic of discussion at KPMG eSummits, the focus is usually on its impact from a market or operator viewpoint. This year the opportunity was taken to reflect more closely on the role of the regulators themselves, and particularly to explore the challenges and issues they face when supervising a fast-paced, technology-based industry. Jeremie Kanter, Director of Regulatory Affairs at Continent 8 Technologies, welcomed an impressive line-up of Gambling Commissioners from the key jurisdictions of Gibraltar, the Isle of Man and Jersey to the stage along with Yanica Sant, previously General Counsel at the Malta Gambling Authority, kindly stepping in to replace the UK Gambling Commission representative who was unavoidably absent due to the UK pre-election period.



Jeremie Kanter: Our first topic of debate is around regulatory co-operation and standardisation. iGaming and sports betting regulations around the world are constantly shifting. It's fair to say that, in the past, we have had a fragmented and siloed world of regulators. However, in recent years, we have seen growing co-operation between agencies: regulators, integrity bodies, standards association all coming together, such as Gaming Regulators European Forum (GREF), the International Association of Gambling Regulators (IAGR), or industry bodies like the International Gaming Standards Association (IGSA).

What are the benefits that you see from this co-operation for the regulators?

Jason Lane: I don't think I've met anyone who doesn't see the logic of the benefits to standardisation across the industry. It's great for the industry: it's great for the regulator. We can all speak the same language. We can all hold, we'd imagine, the same standard because we agree what it is.

So, if we can all see the benefit of it, why haven't we done it? In IAGR, we've been working for the last five years with the IGSA to try and chivvy this along. In the last 10 years, we've managed to come up with a common application form for gambling licensing, which has been adopted by a number of jurisdictions, but not universally.

If you ask operators, 'Would you like more of this?' it's 'Yes, yes, yes.' But the jurisdictions don't do it. We have the common online form but the fact is, it doesn't matter, because in New Jersey, which is a massive market, they'll carry on using the New Jersey forms, because that just makes sense and it's easier.

I'm of the opinion we need a little bit of coercion; something at a larger level to provide the impetus to get this going. If not, you're always going to have a jurisdiction or a company looking to have some kind of unique competitive advantage by doing something different.

Steve Brennan: In our world, we only have one standard at the moment, and that's FATF's 40 recommendations. It's focused purely on AML and CFT. Jason is right, we



haven't got an international standard for the gambling industry.

In the banking sector, you have the Resilience and Sustainability Trust (RST) and you have the Financial Stability Forums, and they've been largely driven by much bigger issues than the gambling industry will ever have. The G7 tackles the Financial Stability Forum. They're looking at the risks and the risks coming from the banking sector are far more severe if they go wrong than gambling.

If there's a big issue in the gambling sector, it's pretty much, 'so what?' If there's a big issue in the banking sector, it's going to impact everybody. I agree with Jason to a certain extent that, yes, we do need an event, but I'm not sure the event is ever going to be seismic enough to bring country governments together to look at this.

Part of the difficulty we've had at IAGR to try and get some standardisation is that everybody has a different viewpoint. Every jurisdiction has a different public policy, and they all think it's the best. What do we want as the standard? I want mine and Jason will want his, and trying to get that at the regulatory level without any drive from a much bigger supra-authority is

difficult, and it's moved at a glacial pace as a result of that.

In my remaining time as a regulator, I'm not hopeful that we'll get any international standard. I think we'll get co-operation on a regulator-to-regulator basis, but in terms of an international standard, I'm not sure that we are an important enough as a sector for that to come to pass.

Andrew Lyman: One of the challenges for a regulator is to reflect the political and cultural environment in which they regulate. An advantage of being involved in both the European Forum and the International Forum is that the core subjects of regulators are basically the same: social responsibility, anti-money laundering, use of data, sports integrity. There is definitely benefit in regulators talking about those subjects, and for some, raising the bar and the level of knowledge on a particular issue. Those forums certainly help some regulators who have new markets to get up to speed more quickly than if they were trying to fumble their way through the whole thing themselves.

The forums work because there is broad respect amongst the members for differing opinions. If you take GREF, for example,

at one end you have relatively liberalised markets and, at the other end, certain European states who run a fairly prohibitive regime. But we don't necessarily argue in the forum about the rights and wrongs of the different regimes. We try and reach a consensus on the core subject matter.



Jeremie Kanter: Yanica, would it be correct to say that potentially the challenge to greater progress in co-operation is sovereignty? Andrew mentioned on a political level, there is a level of harmonisation. We are talking here of standardisation versus harmonisation which is perhaps a step too far. What was Malta's mindset when you were involved there?

Yanica Sant: Malta was the first EU country to regulate online gambling and there was a time when they pushed for harmonisation. Then it quickly became very evident that a number of countries had started thinking about gambling but didn't want generic rules. Now we're at the other end of the spectrum where now everyone understands it and just wants to do it their way.

It's exactly as you said earlier, regulators all share the same objectives, and the truth is that those same objectives are often shared by operators as well. Where you have reputable operators licensed in a number of jurisdictions, it would benefit us all, of course, if there was standardisation of some sort.

The reality now is that regulators are co-operating more together. Maybe there could be more talk about real efforts towards standardisation, which is probably really difficult because everyone's holding their own ground.

One thing that is really important is that operators understand the pressures that the regulators face. They do face political pressure. I was sitting on the MGA when Malta was going through its Moneyval assessment, and that's real pressure. Obviously, if an operator is not understanding of that, then it creates a dynamic which is not helpful.

It was really encouraging earlier today to hear Andrew and Sarah talk about co-operation, and wanting to speak to

operators because that is the only way in which this is going to work. Until we get to standardisation and harmonisation, which seems extremely far away, then at least we have this open dialogue, and operators know what is expected of them.

I am a really strong proponent of objective-based legislation and technology-neutral legislation. But it's as basic sometimes as just telling us what you want us to do. What is actually expected of us? Sarah mentioned the GBGC has many meetings with senior stakeholders, and this is exactly what we need.



Jeremie Kanter: This is a good segue to move into the future of public policy. As we see the digital landscape continue to evolve – and the rules that govern this digital landscape evolve – what future do we see for gambling policy itself? In Gibraltar, we are at a critical moment. If we look at gambling policy as a way to impact channelisation, is it getting jurisdictions into new frameworks that will also help them to compete with the new emerging jurisdictions that are appearing on the market? Are those trends of illegal gambling and emerging new jurisdictions and regulations worrying you as regulators of established jurisdictions?

Andrew Lyman: Gibraltar has a sort of split personality in that it is 72% UK-facing so those operators are dual-regulated, but then we have rest of the world point-of-supply business. We are very clear that, when a market opens up for a non-discriminatory and open-market licensing system, we wouldn't support our operators continuing to target that jurisdiction if they haven't applied for a licence within that jurisdiction.

There is a role for responsible point-of-supply jurisdictions still, because we are focused on consumer protection. We still take consumer complaints from different jurisdictions, and we deal with those, and we impose standards on our operators.

I don't fear some of the new jurisdictions that are offering licences but who don't appear to be offering any regulatory structure around those licenses because I don't think those licences are particularly

valuable. I do welcome jurisdictions that have had weaker controls who are now serving to strengthen those controls. The more we can drive people to some form of regulation, either domestic or point-of-supply, and allow those operators to offer consumer choice, the smaller the black market would become. But it remains a threat and a reality.

Steve Brennan: On the Isle of Man, we hold a very similar position to what Andrew has outlined with regard to all jurisdictions. Jurisdictions are going to change their laws and emerging jurisdictions are going to look to try to play a part in the market, but we look to regulate the business that we have already on the island, and our licence base has grown in recent years.

We don't necessarily hold a view of what those emerging regulators are looking to do or how they go about their craft. I am with Andrew that I do welcome them when they are setting their standards, and they are setting their standards high enough.

There is plenty of business out there that will move towards the regulated markets and there are different individual regulators. Malta might suit one operator but not necessarily another. Regarding where our business is coming from and the emerging threats, I'm not looking necessarily at the other jurisdictions where they're moving into that space. Operators will either choose the Isle of Man because the frameworks suit their business model, or they'll go somewhere else.

Jason Lane: My jurisdiction is very different in that the size of our market is tiny, but we are driven more by protection of the brand. As many of you are aware, we attract ultra-high net worth people to either have residency in Jersey, or to place their trusts in Jersey, and that is incredibly important.

We have to make sure that if anyone expresses any interest in coming to Jersey where they may have left a jurisdiction and think because of the size of the industry here it will be an easy shoe-in – bottom feeders as we used to like to call them – there is no place for them whatsoever.

It's very easy to forget that the gambling industry is one small part of a wider economic ecosystem, which is all driven by finance. We obviously follow what the UK does with great interest, as well as colleagues in the Crown Dependencies, here in Gibraltar and Malta as well, but I don't think we're going to be fundamentally affected by what's happening in other jurisdictions such as the Philippines.



Jeremie Kanter: Yanica, when new jurisdictions were looking to create their own frameworks, did it challenge the Maltese framework in a few places to evolve and to transform as well?

Yanica Sant: I agree with my colleagues, it's not really a competition issue. It's more about the regulators setting the terms: as long as they do, then it's just whether that jurisdiction suits a company's business or it doesn't.

The emerging jurisdictions are very exciting. However, it depends very much on who they are inspired by, and which regulations have inspired them. A number of regulators share best practices with these emerging jurisdictions, and it's really positive to hear about regulators we work with reaching out to emerging markets and explaining how they set their taxes, how they factor in challenges and how organisations might want to structure themselves to face these. That's very encouraging because it's as close as we can get to standardisation just now and we really like to see it.



Jeremie Kanter: How do you deal with all those different pressures in your world with the various levels of resources you have? You are not all supported or funded the same way. Are resources an obstacle for you or a challenge that you are facing?

Steve Brennan: Just to give a little bit of context, we are a regulator and we have the regulatory objectives of making gaming fair and protecting the vulnerable. In discharging those regulatory objectives, we also have requirements to make sure that our operators can compete in the marketplace effectively. So, as well as looking at the protections, we also have to make sure that we don't stifle the industry.

We do work closely with the industry. Our licence numbers have grown over the years and because there is an economic



aspect to what we do, we do have a very supportive Government in terms of making sure that we are a well-resourced regulator.

Our funding doesn't come from our licence-holders, our funding comes from our Treasury, and Treasury recognises that gambling is now a key part of the Island's economy. So, it needs to be well-resourced in order to make sure that we can do the supervision and the necessary enforcement of those licence holders that we have.

As our sector grows, the funding grows. When I first joined the IoM GSC back in 2008, we were 6 people. We've now just gone past 50 and we have four vacancies that we are currently recruiting for.

There is an emphasis on where we are going, as a regulator, and meeting that international standard. We are now approaching our Moneyval valuation, it will be the third one that has happened since I've been there. We have to make sure that we have enough resources to ensure that we are deploying that standard across that growing licence space.

We have been quite well supported but recruitment has been the difficulty. One of the bigger challenges that we have is getting the right people. We are competing with a sector that pays far better than the public sector does. It's difficult to get hold of those people, but we've been doing quite well recently, and we have a rich talent pool because financial services is a very big sector in the Isle of Man and there is a crossover in terms of knowledge, supervision knowledge, and AML/CFT knowledge.

This crossover means we've been able to get resources from our financial services sector and train them. So, we have a rich pool of people that we can call upon. It is a bit of a double-edged sword because they come through to the GSC, they get trained up, we send them out on compliance visits, and they get job offers from the operators.

We don't keep them long. We recognise it's quite a transactional relationship. We get them for about three years, they get trained up, and go for a better job. I live in the hope that we have ex-regulators out in the sector and that's going to improve compliance, but like I say, that's a hope.



Jeremie Kanter: Andrew, are you confident that the level of resources the regulator has can support the ambitions that were described today?

Andrew Lyman: We all want more resources. I do have a sense of humour but I sometimes lose it over the whole public sector budgeting cycle, because plainly, if you're within the public sector, you don't necessarily have the freedom to allocate your budget necessarily where you want. You also have the annual round of public sector budgeting. If you don't use your budget, they generally take part of it away for the following year. So, it doesn't encourage you to be frugal about it either, though of course I am not frugal all the time.

We have a small team. We have a limited number of licensees. It runs very effectively from an administration point of view, not because of me, but because of the people who work within the Gambling Division.

There is an ambition to invest more in professional training, and there is an ambition to digitalise – we are still fairly old school in terms of the way that we accept licence applications via email and struggle with PDFs and all the rest of it. I'm in a constant debate with the Government around more resources for incremental digitalisation.

So, the answer to your question, with the new Gambling Act being introduced, is that we've had an internal discussion, and we believe we could cope with everybody effectively rowing a bit harder. We will cope but all regulators need resources and that needs to be planned in, and the tighter you are into the public sector budget cycle, the more difficult that is to achieve.

Jason Lane: When we were talking about the new Jersey Gambling Commissioner role back in the late noughties, one of the things I came up with was absolutely no public sector money. Our model is purely paid for by the licensees. This gives me the operational independence not to get too involved with Government.

Obviously, we report into our Parliamentary Assembly through the Minister, but any of you who have worked with Government can find it is occasionally challenging. The financial planning around dealing with Treasury, and I think this is true of every Treasury of every administration I've ever visited, is always the same. I've got myself off that.

I have a small team, there are six of us. We have one who's under 50, and every time I recruit what I hope will be a couple of bright new things, they stay for a year or two then they go out to industry and double their salary. I've done this three times and I'm thoroughly depressed by it. It's just the way it is, and I will never be able to break that cycle.

It's not that there aren't people there that could do it. We have a population of 120,000 and we get a large number of

immigrants from other jurisdictions coming to work in finance. But they're all at a price point that I can't match, and that's my problem.

I'm looking at a 10-year plan, thinking where am I going to hand over to my successor and I don't see one. That's not just a problem for the jurisdiction or for Government, it's not really great for industry either. So, it is an issue.

Yanica Sant: I know I am preaching to the converted but I think the ultimate goal would be for it to be attractive both ways, because both parties have a lot to learn from the workings of each other.

I'm sure that if I were to go back to being a regulator at some point, I have now learned so much from the industry that would be beneficial. Likewise, when I joined the industry from being a regulator, I would like to think that I contributed a lot to the company with the experience I had of being a regulator.

I appreciate the fact that it needs to be attractive for people to go from industry to being a regulator. There's a special feeling of being a regulator, and I do miss that feeling, but that alone is not enough. The truth is they are different worlds. So, we need to somehow fix that.

Jason Lane: It's easier to get somebody to come back from the industry into regulation at the senior level because as a senior regulator, you've learned enough that you can survive, you can pay your mortgage, you can take your kids to school, and you have the job appreciation. You're not going to be as well off maybe

as your peers that you've left behind, but there's going to be enough there.

Going in at 20 – 25-years-old, there's just no contest. The only direction they're going is out of our offices and into theirs. Nobody's going to leave a gambling company in their thirties and come and work with the regulator.

This is why it would be great – and the Government of Jersey is actually trying to do this across all sectors of regulation – to bring in an apprenticeship-type scheme, and get young people to step out of industry for a year and look at the different sectoral regulators and work in them for two or three months at a time and then go back. But keeping them long-term is a nightmare.



Jeremie Kanter: Pushing forward the question of the resources: with emerging technologies and emerging threats such as AI and cybersecurity, how are regulators coping? Is it the matter of resources? Is it a matter of access to the technology, or understanding of the technology? It is complicated stuff for all of us. How do you deal with that?

Andrew Lyman: Two ways. From a personal point of view, you have to be inquisitive and engaged and either add on or find time in your day job to read about AI and technology, engage with the industry media, read board presentations, read analyst presentations and that type of thing to be really interested in the sector that you regulate

From a wider point of view, we're lucky in Gibraltar in that we've just formed a supervisors' forum. I have regular meetings with the data protection regulator. Our financial intelligence unit sits within that supervisors' forum so we talk about cybercrime. The CTO of the Gibraltar Financial Services Commission sits on that forum and he's very focused on data security and ransomware. It's all about the regulator staying on top of developments, but harnessing the resources within the jurisdiction because, as with any jurisdiction, you will find people who are experts in a particular field that you can't possibly be expert in.

If we are drafting some guidance, for example our new remote technical standards document, and neither I nor IT are capable of finishing that document, we can draw in experts to help.

Jason Lane: Andrew is absolutely right. One of the things that seems to astound some regulators is that you can talk to the industry that you regulate and engage with them, and that goes across many sectors.

If you look at AI, or cybersecurity, these are things that every industry is working on. There are industry groups outside of gambling that can teach us an awful lot, and I've found them very welcoming. I've never had anyone say no, you're a gambling regulator, you're not welcome.

As Andrew says, we're probably not going to have the level of resource to develop it ourselves, but that doesn't mean we can't still be engaged with what everyone else is doing, and participate and contribute to it.

Steve Brennan: It is a challenge for regulators, and we're always a good number of steps behind the industry and the direction it's going. There's a couple of points from the Isle of Man on how we keep close.

Firstly, we've started to employ technical specialists, who have specific requirements to understand new and emerging technologies. Whether that's crypto, AI, or the next thing coming along. They're given the space to explore, to understand what that is, and then to look at how that is going to come as a product to us and what we might want to do as a regulator to ensure that the product is going to be safe and meets our requirements. We've got big enough to be able to do that.

Before that, I was reliant on one guy in the office who was our "Stephen Hawking" go-to guy, but he's a bit overwhelmed now. We have so much inquiry coming from a quite broad sector now that we have technical specialists.

Secondly, we also recognise that we're never going to be the person who understands the technology. It's the sector that gets it, the sector who has invested in the R&D, the sector who has the very clever people that it can pay. We operate a very open-door policy and we encourage the sector to walk through it and talk to us. We definitely need to understand their thoughts on this new technology, and they've given us some great insight into those technical specialisms as we start to form many of our thoughts around that.

I mentioned earlier that the gambling sector is a key part of the island's economy. We have a Department for Enterprise, and its job is to ensure that we get good business coming to the island. Effectively, they promote us and drive new business towards us. They have some very good insights and knowledge about the types of industry that they're looking for, and that can complement that ecosystem that Andrew talked about which we also have on the island. So we have a rich source of knowledge coming through the Department for Enterprise as well. We also talk to our fellow regulators at conferences like this or at IGRA. That's another rich source of information.

As I say, we'll never be in front of the industry, but we do try to keep a couple of strides behind rather than loads of strides behind so we don't get completely out of touch.

Emerging technologies are an absolute challenge for a regulator – the skill sets that are required come at a cost that we can't afford – but there are other ways of acquiring that knowledge if you are engaged and active.



Jeremie Kanter: Yanica, the MGA has seen the emergence of technologies from cloud versus servers to blockchain now to AI. How do they work usually, do they utilise this technology, for instance?

Yanica Sant: Regulators are always a fair bit behind the industry just because this is a tech industry. We use technology to improve our products, to improve our service. So, this is always going to happen, and the MGA understood that.

We're talking about AI now, but there's always been a new technology. There was a point when we didn't have apps. So, there always something around the corner. Operators are implementing these technologies like AI and, as Steve said, if there's engagement and an open-door approach where regulators understand what tools are being used and then how the regulator can use those same tools, there can be a collaborative relationship there.

AI isn't necessarily as complicated as they make it out to be. Some AI technology is complicated, but using it isn't so far away for everyone. It doesn't always require such huge resource investment, so there's a lot of AI on the market, and the industry is investing a lot in it.

I would say let's all work together and share knowledge, share tools and share our understanding of it, and not be scared of these emerging technologies. It's all about how we use it.



Jeremie Kanter: This is fantastic because it is summarising all the challenges in terms of the relations we have. That brings me to the final question of the day. How will a gambling regulator look in 10 years' time? Will they still exist? Will they be replaced by AI ChatGPT or become irrelevant due to new actors?

Andrew Lyman: Regulators will have to skill up, and the funders of regulators will have to realise that regulators have to skill up.

Ten years ago, compliance officers in operators were mainly lawyers, and they wrote policies and procedures. It was a technical business but someone else dealt with the technical platform. Now we're moving away from operators who employ just lawyers to appointing technical compliance specialists who have to make assessments of the regulatory technology that they employ within their business, and then they plug it into their platform effectively.

I'll give you an example of where we're being challenged. On PEPs and sanctions, we see operators with lots of different regulatory technology solutions to do PEP and sanctions checking. How do I know that the sanctions checking regulatory technology for operator A is any better or worse than the sanctions and regulatory technology for operator B, unless I contract a third party to go with a set of data and test that particular system to see how effective it is?

So, while the skill sets of regulators are legal and administrative, I think we must see a progression where there are more



technical specialists within regulatory bodies. That means that you have to pay those technical specialists a certain market rate or you don't recruit them in the first place. There is a danger that regulators could fall further and further behind as technology takes great strides in the next 10 years.

Jason Lane: This is going to come as a shock, but I think we're going to see more regulation! Not just in gambling but across many sectors.

The pressure for smaller jurisdictions is that we have data protection commissioners, we have gambling commissioners, we have financial services commissioners. There will come a point where there are so many different sectors needing to be regulated, that it just won't be efficient to have a single industry regulator for each one.

I don't know when that's going to come. We are certainly having policy discussions at the moment about absorbing alcohol. There are discussions about who's going to regulate cannabis. We are going to have more of that. Across the smaller jurisdictions, the industry may have to

realise that they're going to be competing for access with other sectors.

Yanica Sant: The spotlight really is on regulators now, and you're going to see more of them as time goes on, and new markets are regulated. Hopefully, that means there will be more co-operation between them, and that we continue to see this collaborative open-door approach with communication with industry.

This will be key to understand those new technologies and to understand the way the industry is evolving. What I really do hope to see is regulators all getting the resources they need.

Steve Brennan: I retire in seven long days and 2.5 hours, so I haven't given this very much thought! But I don't disagree with what my learned colleagues have said about the challenges on the horizon.



Jeremie Kanter: Thank you very much to our panel.

Taxation and regulation of gambling: Lessons from the history of three industries

Presentation by Bill Robinson

Alongside tobacco and alcohol, gaming is frequently viewed as one of the three “sin” industries. These present a dilemma for governments who recognise the value of the tax revenues the industries generate but who must also manage the health and wider societal concerns of public engagement in their activities. Economist Bill Robinson, former Director of the Institute for Fiscal Studies, the UK’s premier tax think tank, who went on to work as a Special Advisor on tax policy for the UK Chancellor of the Exchequer across three Budgets, presented some keen analysis of past and potential tax treatment of these industries, and shows how gaming frequently stands apart from its tobacco and alcohol counterparts.



Those of you in the gambling industry might justifiably feel that people are out to get you. We have seen the crackdown on fixed odds betting, restrictions on gambling advertising, we've got the White Papers to contend with and then big fines for misdemeanours of one sort or another.

Why is that? I think it's partly because people have suddenly felt the salience of this industry, on their television sets and around sports grounds. But it wasn't always that way. Under a Labour government – and Labour are supposed to be the regulating party, by the way – we saw the liberalisation of gambling, and we saw the move to tax gross profits for betting, which led to a gigantic increase in that industry.

We had then the report by my old colleague and friend, Alan Budd, who sadly died a couple of months ago. Alan was a great believer in freedom, and the freedom of people to spend their money and their time as they chose. Those attitudes permeated his report, which led to a considerable liberalisation of the gambling sector.



But the environment has become more hostile. The background to all of this, I have to say, is not encouraging.

We have two political parties – which one wins will be decided in a week's time, but we can all guess which one it will be – and they are proposing all sorts of things which the IFS, the premier think tank which does these sorts of evaluations, says are not fully funded. So, you are going to see an increase in taxes from somewhere.

Both parties have ruled out increasing the three big taxes, income tax, national insurance and VAT. They are going to be looking for revenue from the smaller taxes, and that includes the tax on the gambling industry, but also alcohol, tobacco, and, almost certainly, fuel duties and air passenger duties. I think we're going to see lots of tax increases in those areas.

There are good political justifications. Of course, what they really want is more

Slide 1

The political and economic background

Large fiscal deficits looming but higher income tax, national insurance and VAT ruled out.

The UK commitment to net zero emissions by 2050 and hydrocarbon emissions cut to 68% of 1990 levels by 2030 will require government money.

Increases in the “sin taxes”, as well as in fuel duties, are almost certain over the next few years in order to close the funding gap.

Government Tax Receipts	£bn
Alcohol	12.6
Tobacco	8.8
Gambling	3.5
Fuel duties	24.6
Air passenger duty	3.8
Income tax	279.2
National Insurance	179.2
VAT	170.7

Slide 2

The factors which will determine future decisions

The number of people participating in the activity

More means more social harm, but it also make any measures to reduce the ham politically unpopular

The amount of social harm attributable to each industry

More social harm unequivocally leads to calls for more taxation and regulation

The amount of tax revenue the industry generates and the extent to which it is put at risk by taxation and regulation

The Treasury always worried about the tax revenue consequences of tighter regulation and/or higher taxes

The extent to which children are at risk – i.e. likely to start participating

Nobody wants to see kids smoking, drinking or gambling at an early age

money, but they can always say, 'We're doing this for the good of the country.' Our old friend used to be the drinking, driving smoker. These days it's the drinking, driving, gambling and flying smoker who will bear the burden of the increases.

So, what we might learn for our industry from the other two big "sin" industries – tobacco and alcohol – that are in the firing line? We've already heard today that regulators are probably going to be busier and there are three main factors which I believe will determine the thrust of regulation in future.

First of all, the number of people participating in these activities which are supposed to have some social "bad" associated with them. The numbers work two ways: the bigger the number, the more of that social harm there will be but, on the other hand, a penny on a pint – as it used to be in the old days – or a pound on a glass of wine, is not going to be popular, because lots of people drink wine. So that's a double-edged sword. More people affected means there are good societal reasons for putting up the tax, but strong political reasons for NOT putting up the tax.

Then there is the sword with the single edge, and rather a sharp one: the amount of damage done by the industry in question. There has been loads of research, mainly funded by the anti-drink, anti-smoking, anti-gambling lobbies, but, on the whole, it's fairly respectable and fairly respected research.

Thirdly, it's the amount of revenue that the industry generates because, at the end of the day, when people start moving tax rates, it's to put up revenue. When they start thinking about introducing regulation, the worry is that perhaps it will damage those revenues. So that is the framework.



Slide 3

Number of people participating

How often do people smoke, drink or gamble?

% of those sampled	Not at all	Sometimes	Regularly	Problem
Tobacco	46	41	13	13
Alcohol	17 to 22	15	15 to 27	2.7 to 4
Gambling	46	48	6	0.5 to 2.5

WARNING: Numbers all statistical inferences based on surveys, hence subject to a wide margin of error

Source: Office for National Statistics and assorted surveys

KEY OBSERVATIONS

More than half the population sometimes gambles or smokes, but over three quarters drink

But regular gamblers only half as numerous as regular smokers or drinkers

Far fewer gamblers than smokers or drinkers are at risk of serious personal harm

There is a fourth factor – the risk to children. Everyone cares about kids but I won't say more about that as it's more or less the same for all three activities.

Looking at the number people participating, about half of all people smoke and gamble, but three-quarters or more, around 80%, drink. That means that drinking – although we'll see in a moment it does a lot of damage – is harder politically to increase the tax on.

Looking at those who do it regularly, it's quite interesting that the number for gambling is only half the number,

for example, of those who still smoke regularly.

Most important of all, are the "problem" numbers: the number of people who do it so much they do themselves harm. For smoking, that's everyone. The number for alcohol is much contested, but somewhere in the range of 2.5% to 4%.

Gambling, we used to think with some satisfaction, was clearly much less until we had the GSGB report of which the latest edition is out this morning and they are saying 2.5%. The consensus used to be somewhere between a 0.25% and 0.5%,

so I don't really know what to tell you about that. It's been very carefully done, but perhaps the fact that it was online, and we're talking about an online community, means that there may be some bias and the sample isn't representative of the entire population.

That debate will rage, but I still want to believe – because, on the whole, it's more likely – that the number of problem gamblers is less than the number of problem drinkers.

If you then look at social costs, these are miles smaller for gambling than for tobacco

Slide 4

Social harm

Tax revenues less than social costs except for gambling

£ billion	Tobacco	Alcohol	Gambling
Annual tax revenue	8.8	12.6	3.5
Estimated social cost	17	27	1.3
% social costs covered by duties	52%	47%	269%

Source: Office for Budget Responsibility (tax revenues) and estimate based on various research papers (social costs)

WARNING: Social cost numbers based on surveys (number of people damaged) and estimates of financial cost of damage per person, hence subject to a very wide margin of error

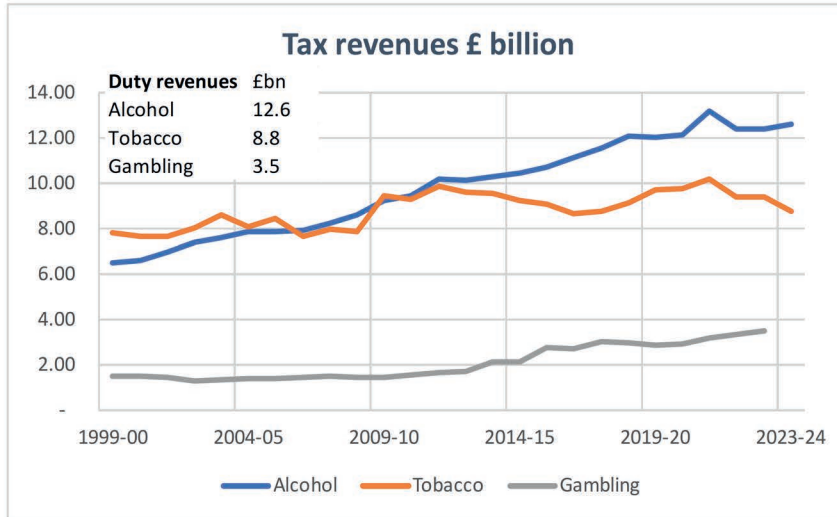
The social cost of gambling is very small relative to the social cost of smoking (7%) or drinking alcohol (4%)

Revenues from alcohol and tobacco taxes cover only half their respective social costs whereas the social cost of gambling is covered 2 ½ times over by gambling taxes

Slide 5

Tax revenues

Tax revenues from gambling much lower than from alcohol or tobacco



Source: Office for Budget Responsibility

There are two possible reasons for this:

- The gambling industry is smaller than the other two; or
- The duty rates are lower.

The size of the industry can be inferred from the tax revenues

or alcohol. Of course, the revenues are smaller as well, but if you ask the very pertinent question as to what proportion of the social damage done by this industry does society get compensated for by extra taxes, the answer for tobacco is about 52% and for alcohol about 47%. Whereas for gambling, we pay 269% – two and half times as much in tax as we do damage. That is a powerful difference and a powerful argument.

Regarding tax itself, the long-term data say that gambling is a smaller industry with a lower tax rate, and it collects much less revenue than either alcohol or tobacco.

It's interesting to look at tobacco though, because in the near quarter of a century since 2000, tax revenues on tobacco have been pretty flat. Alcohol revenues have gone on rising. Tobacco used to be bigger than alcohol and is now smaller. There's a story behind that, which I shall explore in a moment.

There is, as I've said, a strong case for taxing, much as none of us like it. You hear a lot about the cost of the social damage versus the tax revenues. People don't talk enough, I think, about the pleasure that smokers, drinkers, and gamblers all enjoy. They spend their money – of their own

accord – freely, and why shouldn't they? The amount they spend is, for an economist, a reasonable measure of the benefit that those industries bring to society.

Looking at the annual spending on these industries, it's about £11bn on tobacco, £25bn on alcohol and £23bn on gambling. It's worth saying that it's very hard to come by these numbers and they are much disputed, so I've used one set of numbers which is pretty undisputed – the annual tax revenue on those three activities, divided by the tax rates. This gives you a reasonably sensible estimate of the size of spend on those industries.

Slide 6

The costs and benefits of the "sin" industries

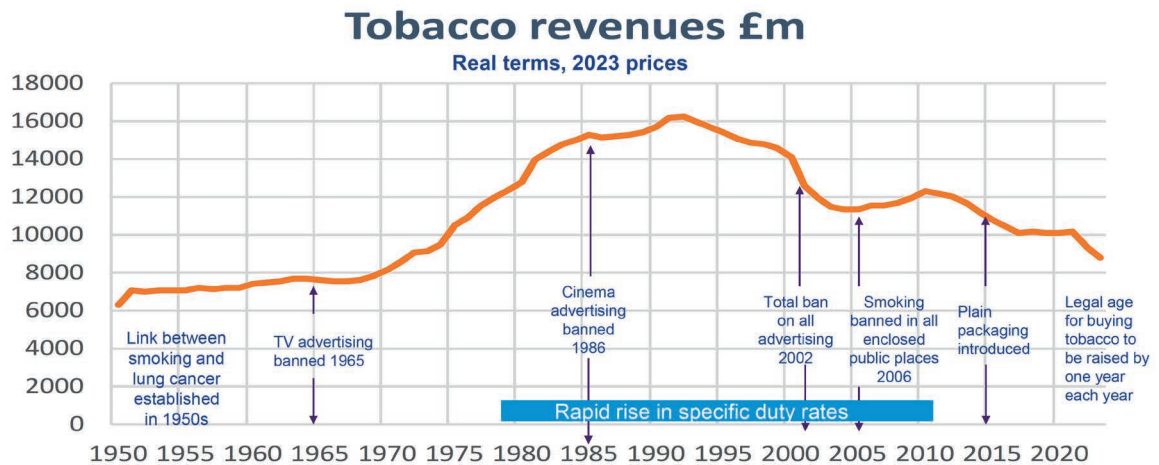
£ billion	Tobacco	Alcohol	Gambling
Annual spending	11	25	23
Estimated social cost	17	27	1.3
Social cost as % of spending	155%	107%	6%
Net benefit as % spending	-55%	-7%	94%

The social costs of drinking and smoking actually outweigh the benefits of those activities, as measured by the amount people freely chose to spend on them

Gambling is remarkably different, with the costs only 6% of the benefits

Slide 7

How rising duty rates and regulation have hit revenues



Since 1993 higher tax rates + tighter regulation = falling tax revenues in real terms

Source: Office for Budget Responsibility

The social cost meanwhile is £17bn on tobacco, £27bn on alcohol and £13bn on gambling. The social cost as a percentage of spending is about one-third for alcohol. The social cost as a percentage of spending for tobacco is 108%. That is to say, for society as a whole, it does us more harm than good. If you look at the number for gambling, the social cost is £1.3bn, so the damage is £1.3bn and the benefit is £25bn, so the social cost is only around 5% of the social benefit. Here is another quite big story here: we're different, and in a good way, from the other two sin industries.

There is a question as to why smoking is not simply made illegal since, on most sensible estimates of these numbers, it does more harm than good. The answer lies in the £8.8bn of tax revenue that no government, I think, would be willing to give up. Smoking is a minority activity, 13% or so, but it is still lucrative for the Government.



Tobacco does have some interesting lessons for us. Tobacco revenues have gone up steadily over time, and the reason is that specific duty rates have been increased steadily over time.

This all goes back to the Doll Study in the 1950s, which was the first to show that there was a link between smoking and lung cancer. It took a surprisingly long while for governments to react and start putting up tax rates, which didn't happen seriously until the mid-1960s. Tax revenues started to decline in real terms as long ago as 1992. Tax rates were going up so why did revenues decline? Because fewer people were smoking.

The link with cancer was established in the 1950s, TV advertising was banned in 1965, so a long while after the study showed that smoking was killing people. It took another 20 years before cinema advertising was banned, another 16 years after that before all advertising was banned. Four years after that there was a smoking ban in all public places, and then plain packaging, and now kids aren't going to be allowed to buy tobacco, at an age which will rise steadily.

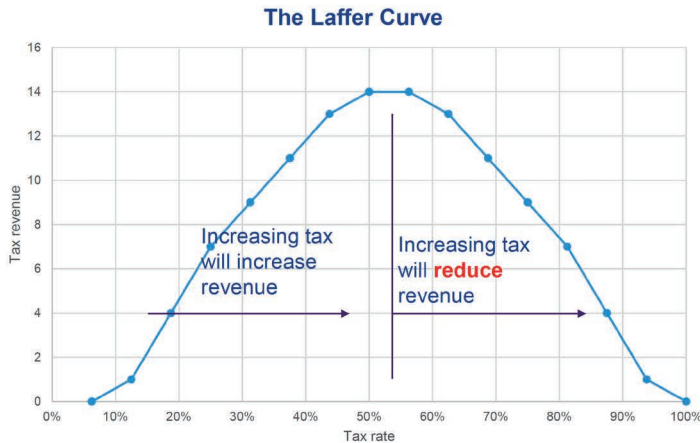
The lesson there is that taxation and regulation can affect and inflict severe damage on an industry, but it doesn't happen overnight. In particular, the thing you might be most worried about in the gambling industry is restrictions on advertising. They came for tobacco – and it's started for us – but the restrictions came very slowly, indeed to the point where nominal tobacco revenues have gone on rising even though in real terms they have been falling just lately.

Long before I became a consultant, I worked in Government. What I learned from sitting around those tables, with the Chancellor wondering what to do in the Budget, was that there were four voices he had to think about.

1. The industry, of course, was always saying, 'Don't tax us, don't regulate us,' and there were lots of sometimes quite good lobbying documents making a powerful case as to why, when they do so much good for the country, it would be a mistake to tax or regulate them.
2. The Department of Health was very clear that it wanted these things minimised, if not stopped altogether, because they were damaging health.
3. The Treasury was ambiguous. The Treasury wanted to maximise revenue. So, in the early days of putting up tax on alcohol, that was brilliant as it put up revenue, and the health lobby was very satisfied. But as time went on it became less obvious that putting up tax rates would increase revenue so the Treasury was no longer so keen.
4. The fourth voice was the public which, by and large, doesn't want to be taxed on anything. So those are the things that the politicians have to weigh up.

Slide 8

When does putting up taxes risk reducing revenues?



The Laffer curve was originally conceived by Arthur Laffer as a justification for cuts in income tax in the Reagan administration

Zero tax rate >>> No revenue

100% tax rate >>> No revenue

Somewhere in between>>>maximum revenues

For any tax, increasing the rate:

- produces more revenue per unit.
- reduces the number of units

When the second effect more than offsets the first, revenue falls

The Laffer curve is a theoretical construct

But it plays a big part in Treasury thinking about the “sin taxes”

It's worth going through the reasons why tax increases can reduce revenue. There was a famous economist, Arthur Laffer who, in the 1980s, during the Reagan administration, put forward the idea that if you had a 0% tax rate, clearly there's no revenue. If you have 100% tax rate, then equally clearly there's no revenue because people wouldn't do the thing that was being taxed.

Somewhere in the middle was a sweet spot on “the Laffer Curve”, and he was arguing that we'd got way beyond that sweet spot with income tax, and if we just went back a bit, we would have higher revenues. That doesn't really work for income tax, according to the research, but if you look at some of the indirect taxes, it works really rather well. In fact, it is very important.

The words ‘Laffer curve’ are seldom off a Treasury economist's lips if he is dealing with these taxes. We are probably in an industry with a Laffer curve where the effect of putting up tax rates comes in earlier and the revenue is lower than the other two industries.

Looking at tobacco, if you take the pre-budget situation back, let's say, in the 1950s, the duty was 10, the cost was 90, the price was 100. If you put up the duty to 11 – a 10% per cent increase – the price goes up by one, which is 1%. Today, duty is 50% of revenues. So put it up by 1%, that's five points, and the price goes up

from 100 to 105, that is 5%. People don't necessarily notice 1% that much, but they do notice 5%.

Something else even more important has changed, which is, back in the day, smokers were smokers, they smoked forever and they didn't give up. There was some vague rumour about cancer, but they didn't believe it. Fast forward 60 years and it's changed immensely. They are very

aware; every smoker is a bit nervous and thinking about when to give up, and that 5% jolt makes a lot of them do just that.

It changes elasticity of demand from -0.3 to -2 which means that if you put up tax by 5% the number of cigarettes sold falls by 10% cent and so revenue also falls. That is the essence of the increasing worry about putting up taxes on tobacco.



Slide 9

Price sensitivity of gambling much greater than tobacco

GAMBLING: EFFECT ON PRICE OF 10% DUTY CHANGE

	Duty	Cost	Price
Pre-budget	15	85	100
Post-budget	16.5	85	101.5
% increase	10.0%	0.0%	1.5%

Tax is still a fairly small part of the cost of gambling – like smoking in the old days

Demand for gambling is VERY price sensitive – very different from smoking.

So HM Treasury, nervous about tax increases on smoking, is VERY nervous about putting up tax on gambling.

This is because it is much easier to find substitutes for taxable gambling in the UK than for smoking – gamblers can go online and offshore, smokers cannot.

GAMBLING: EFFECT ON REVENUE OF 10% DUTY CHANGE

Duty rate	Price %		Volume	Duty revenue
% change	change	Elasticity	change	% change
10	1.5	-1	-1.5	0
10	1.5	-2	-3	-1.5
10	1.5	-3	-4.5	-3
10	1.5	-4	-6	-4.5
10	1.5	-5	-7.5	-6

Gambling is in some ways the same, and in some ways very different. The price sensitivity of gambling has always been miles greater. You all know this much better than I do that if you tax gambling in one country, people simply find another country to gamble in.

Who knows what the elasticities are? It's pretty clear to me that whether the elasticity is 2%, 3%, 4% or 5%, any attempt to put up the tax rate on gambling is likely to lead to a reduction in revenue. That's why it hasn't happened much and the tax rate on gambling remains quite low. The gross profits tax rate of about 15% per

cent works across the industry, and I think that's roughly where it's likely to stay.

The option of putting up tax to reduce gambling is just simply not there, which although it might be quite good news for the industry today but could be bad news down the track. Regulation will increase because if the government can't reduce the amount of gambling by taxing more, they might just try to do it through regulation. There again, the Treasury is an unlikely ally of the industry, because it will say, 'Yes, okay, you're doing all this for the good of the country but it's hurting our revenues, so be careful.'

I've talked a lot and I've quoted a lot of numbers. In summary, I'm saying:

- The number of people who smoke is quite low, the people who gamble is medium, and of the people who drink is quite high.
- When it comes to putting up taxes, that means that it's much easier politically to do for smoking than for alcohol, because so many fewer people are affected.
- Similarly, social cost as a percentage of duty revenue is really quite bad for both alcohol and tobacco, but much, much better for gambling.

Slide 10

Pulling it all together: the risk of tax increases

Factors to be considered	Tobacco	Alcohol	Gambling
Proportion of population participating (higher numbers make increasing duty more difficult politically)	54%	80%	54%
% of social cost covered by duty revenues	52	47	269
Social cost as % total spending	155	107	6
Risk to tax revenue from raising duties or increasing regulation	Medium	Low	High
Children at risk	Yes	Yes	Yes

How do we weigh the different factors to arrive at a judgement about increasing duties?

There is a wonderful weighing machine called the Chancellor of the Exchequer!

Slide 11

How will future Chancellors react to this evidence?

- **The case for taxing and regulating tobacco is clearly much stronger than for alcohol and gambling since smoking does medically proven health damage which historically affected a large proportion of the population. Taxation and regulation will probably continue and smoking will become an even smaller minority activity.**
- **As between alcohol and gambling the case for increasing taxation and regulation of alcohol is clearly much stronger than for gambling. There is widespread medical harm, accidents, and loss of productivity from excessive drinking, which provides political cover for an unpopular measure. An increase in alcohol duties will almost certainly produce more revenue, probably much needed.**
- **Gambling is unique among the three “sins” in that the social harms are very small (and hotly contested) and more than covered by tax revenues. So there is not a strong political case for increasing duty rates. And the economic arguments suggest strongly that an increase in duty rates would not stop gambling, just encourage it to move online and overseas. So you end up with no less gambling by UK citizens but less revenue.**

tobacco

alcohol

gambling

Finally, if you put up duties on alcohol, you will get more revenue. That's quite likely. It's medium for tobacco but the risk to revenues is very high for gambling. That is to say, there is a good chance you will actually lose tax revenues, if you put up the tax rate, so you don't do it.

So how will future Chancellors react to all of that? They do look at those sorts of things and the case for taxing and regulating tobacco is clearly much stronger than for alcohol and gambling. The real reason for that is smoking is proven, medically, to kill people. It's a small minority of the population, almost becoming a persecuted minority, but I think they will go on being persecuted, obviously strictly for their own good! I speak, by the way, as a light smoker.

As between alcohol and gambling, the case for increasing taxation and regulation is much, much stronger for alcohol. Again, this is very simple. The anti-gambling lobby has tried to produce all these statistics of great harm, but people don't have accidents as a result of gambling too much; they do if they have too much alcohol. People don't get sick to the liver if they gamble too much; they do if they drink too much. The arguments are just much weaker for gambling.

Over the coming years, I think we will see a big increase in alcohol tax. The Government will need more money and it will get it off a glass of wine more easily than by putting tax on gambling, which it simply can't do.

Gambling is unique among the three sins in that the harm is not great. But you can't really relax because if they can't reduce the amount of harm through tax they will be trying to do it through regulation.



Going back to the earlier session on what gambling regulators are going to be doing over the next 10 years, the answer is getting busier. But the industry should remember that they have an ally in the Treasury who will also be keen to protect gambling revenues.

Thank you very much.



Industry Leaders – Towards 2034

Moderator:

The Hon. Albert Isola CBE
ISOLAS

Panellists:

Neil Banbury
Kindred

Irina Cornides
Pragmatic Play

Grainne Hurst
Entain

Vaughan Lewis
evoke

John O'Reilly
Rank

William Woodhams
Fitzdares

The final session of the eSummit brought together some of the key business figures in the eGaming industry to add their reflections, hopes and fears for the sector over the next 10 years. As the panel contemplated those future horizons, the discussion took in regulation, the threat of the black market and the need for positive messaging, as well as innovation, technology and the need for reliable and accurate data.



Albert Isola: Can we start with any reflections on what you have heard in the different sessions today?

Vaughan Lewis: The Key Drivers from a Legal Perspective was a great session. It was a real reminder of what an exciting, profitable growth industry this is and it brought a bit more balance to the subject with the focus on consumers and the people out there who love these products. They love betting and gaming, they love spending money on the excitement, the fun, and the games.

Also the discussion about tech, particularly AI, and how that might change operators in terms of their efficiency as well as change the dynamics for the players and provide more personalised products and experiences. The use of technology to continually innovate and make things better.

One of the key points – and I’m sure we’ll talk more about it – is how, as operators, we use that technology more effectively to provide a better, safer environment for our customers. Andrew Lyman said earlier that operators should be pushing for what is good for the consumers. That’s where the direction of travel is, where the investments are going.

As operators, what we really want is for customers to enjoy playing with us, to enjoy spending their money with us, and to come back time and time again because they’re enjoying it, they can afford it, and they’re doing it safely and we’re looking after them.

William Woodhams: Both Andrew Lyman’s talk and the Minister’s talk were engaging and interesting. There are still huge opportunities for Gibraltar, and for the rest of the world.

I heard at a conference last year a senior executive of Flutter saying, ‘Regulated markets are the only show in town, and that’s what we want to get into.’ Gibraltar’s engagement with the industry as a whole is brilliant and refreshing and engaging. They are taking it very seriously.

We’ve got a technical term in Britain for the state of the gaming sector which is ‘sh*t show’. It’s an absolute nightmare. I’d love to blame the regulators; it’s not really



their fault but there are a lot of interested parties and it’s becoming a very complex and difficult world to navigate.

I was engaged by the approach from the regulator here. There is an understanding of the industry, an understanding that it needs to be regulated, that bad players have to be removed and that we need to do a lot to show the world gaming is fantastic.

Looking at Bill Robinson’s slides, I’m not even sure gaming really is a “sin”. It adds a lot of entertainment and enjoyment throughout the world. As long as you do it within your means, it’s fantastic. My doctor thinks I drink too much, thinks I smoke too much and has never mentioned gambling once. And I don’t want her to!

We are at an interesting crossroads. There is a lot of difficulty around the world, where people are trying to regulate at speed, and a lot of mature markets that have regulation and are finding it very challenging. Gibraltar has got the right attitude.



Albert Isola: What are the operators’ expectations of a regulator? We talk a lot about what a government can do in setting the infrastructure and the regime. What can a regulator do with the operator to engage more – and to perhaps make that process easier? At the end of the day, everyone’s trying to lift standards, with the ultimate aim of improving experience for your customers, who will come back and play more and have a better experience. How can that relationship improve?

William Woodhams: Andrew Rhodes (GB Gambling Commissioner) has said ‘Less letters, more phone conversations.’ The consultative approach you have here in Gibraltar is absolutely critical.

Bookies have made lots of mistakes. Technology has supercharged all the ills of our business as well as all the positives, and now we need to reset and have those grown-up conversations, which is what we've been doing today. That's the future of the business.

All the people I meet here are businesspeople who want to succeed, they are not here to screw people. We're here to be successful businesses in the right way and be consultative with people such as yourself.



Albert Isola: John, you've been here a long time. You know a fair bit about the industry and ourselves. What do you say?

John O'Reilly: I first came to Gibraltar in 1992. I was at Ladbrokes at the time: we had a licence here when Joe Bossano was Chief Minister and there was a term in there which used the word 'exclusive', and so nobody could come to Gibraltar. In about 1999 or 2000, when Peter Caruana was then Chief Minister, he called me in one day and said, 'Your tax regime will be changing shortly.' I said, 'Chief Minister, I can't imagine why my tax regime will be changing shortly,' and he said, 'It will if you don't give up the word "exclusive." So we did, very promptly, thereafter!

In all the years, including the time when Ladbrokes had an exclusive deal and I had the good fortune of managing it, Peter recognised, and every Minister since then has recognised, the need to work with operators to ensure that they are protecting their customers whilst also recognising the benefit of it to Gibraltar. That co-existence, that relationship, has worked really well over that long time.



Albert Isola: Peter Montegriffo mentioned this morning that before the 2005 Act was in place, the Financial Secretary at the time used to licence

people, in effect, by contract with these long schedules that we called 'licence arrangements'. Those were the early days of beginning to understand there was a need for regulation, and for a framework which you could all see, understand and work with. To what extent do you think regulatory frameworks across the world have evolved? Are we now coming to a stage where there's going to be a pretty much level playing field across the majority of the countries that you work in?

Grainne Hurst: International standardisation was a really interesting topic earlier in the regulators' panel. We've seen some of that across Europe with the CEN, when it comes to markers of harm, which is really useful.

But it's tricky because each market has different cultural elements, they have different infrastructures that sit behind the industry, they have different financial ecosystems in terms of the areas that they support. It would be great, but it would be very difficult.

What we are seeing across the world is that regulators and governments like to follow each other in particular themes. We've seen that recently with advertising restrictions or customer limits.

Going back to your question earlier about what operators like from good regulation, it's probably three things. We need something that's proportionate, and we've had a big debate in some of our key markets about whether that's gone too far in terms of customer privacy and restrictions.

Operators also like a level playing field, so that whether customers come to us or they come to evoke, they know that they're getting a similar experience.

And the third thing would be evidence-led regulation. Both Dan and Bill mentioned that it's important that we get the GSGB right. There may be some challenges with the data, but as Andrew Lyman mentioned we have – unfairly, I think – a morally and politically contentious industry, and it's often affected by what the media and the politicians say.

We need to be really clear that the problem gambling rates aren't changing, it's just the methodology that is changing.



Albert Isola: Some years back when we were looking at the betting limits, we were very concerned about the lack of evidence that was being put forward by the Gambling Commission to justify some of the things that were being talked about. Do you think this will now help to provide a more evidential basis for some of these decisions that are coming along the road?

Grainne Hurst: I would like to think so, but I am concerned that people may well run away with the statistics. That we may well see a huge increase in people thinking that the number of problem gamblers has risen.

Bill's presentation was fascinating, but it was predicated on the existing problem gambling statistics. If you were to overlay the GSGB stats on Bill's presentation, you'd see a very different story. We just all need to be careful that it doesn't go too far and the anti-gambling lobby don't jump on it and start calling for additional restrictions, because that's definitely not what our customers would like.

Vaughan Lewis: We operate in dozens of countries. Worldwide, we've got 25 or so licences and see a big difference in standards and expectations across all of those. Bill was talking about the Laffer curve for tax raising: I think there's something similar in terms of regulatory success. The more restrictions are placed on players, the more likely those players come out of the regulatory net altogether.

We're talking here about punters who want to have a bet. If we make it too hard for them, with too many restrictions, they will just go and bet somewhere else where it's easier. The black market isn't necessarily rogues and cowboys to them – it's just another brand that's offering the same product, in an easier way, to someone who wants to get a bet on.

We need to be very careful in terms of framing good regulation that provides the right levels of player protection, and not encouraging, enabling, or forcing players to use unregulated operators.

There are markets where that's happened.



Albert Isola: Do you measure that? The argument on the point of consumption tax was that the harder you squeeze the punters, the more likely they will go into unregulated markets and therefore the less revenue the UK is going to receive in any event. Is that something you can evidence today? Did it happen?

Grainne Hurst: Yes, we definitely do and definitely can. Germany is probably the key market. There are others but in Germany we've looked at data which shows the channelisation rate, post all of the restrictions that have come in, is around 50%. Obviously the German market are hoping that's 80%-90% plus, but when you have advertising restrictions, when you have limits, no shared wallet etcetera, it gets very difficult for the customers to want to play in a regulated market, and then they leave and play with people who have no protections in place at all.

Irina Cornides: What makes a good regulation? The key measure of success cannot just be player safety. It's very important, of course, that's why we have regulation in the first place, but it also has to be channelisation.

The basis of regulation, in many instances, is not that this is an amazing leisure activity that provides entertainment, but that it can lead to addiction. We need to protect consumers but sometimes it feels

very much like we have to stop people gambling. The way that is then expressed, perhaps through misguided efforts of trying to make the product safer, is impacting product quality and/or taxation.

Germany came out with a tax that was higher than standard revenue. In most countries the standard RTP (return to player) – the percentage of their wager that they can expect to win – is 96.5%. In Germany, the tax was 5.6%. So now we're seeing regulated operators there launching games at 85% RTP. If you think of the RTP as the price of gambling, that's four times higher.

We have a lot of data so we've analysed this very carefully and we have seen through billions of rounds that 96.5% is the ideal RTP. It yields the best results in terms of player attention and player experience – so we produce all of our games to 96.5% RTP. If you then try to lower the RTP of that game, it creates a completely different game that doesn't even play the same.

So, it's not just making it more expensive and players winning less, the whole game experience changes. Then, of course, you have restrictions on spin speed and so on. That's not limited to Germany.

In the UK, through all the initiatives that are being put on the operators, there is margin pressure and everybody in the UK has lowered their RTP. No one is typically anymore on 96.5%. That hurts the consumer, it hurts the product quality, and again, leads to less channelisation. No-one wins.



Albert Isola: Bill kicked off his presentation by saying if you think that the regulators are out to get you, you're probably not far wrong. If you draw a parallel between the regulatory approach in financial services and in gaming, your position is still quite a way off, so there is a chance that there's still a long way to go.

The UK has recently introduced consumer duty and I first thought it was a form of tax. It's actually a duty of care to your customers and your consumers, which seems to take another step in measuring whether the operators and the firms are behaving responsibly and fairly. To what extent do you feel that this is the direction of travel?

John O'Reilly: I gamble pretty much every day. I've always got bets running on something all of the time, and I do think there is a misperception that somehow more frequent gambling equals harm. To this day, I have still not seen a definition of gambling harm that makes any sense to me. That, in itself, is a problem.

A lot is said about gambling harms. What we need to hear more of, and see more of, is people championing the cause of the gambling consumer.

I agree with the point about RTPs. The more value you give to the consumer, the



more fun it is, and there is a danger of gambling becoming increasingly sterile rather than necessarily safer. As that happens, consumers will just move offshore. Why wouldn't you? You don't even know you're doing it, frankly. You will move to a better product, better proposition.

The best period for the consumer in this country was around 2010 and, since then, the product offering to the consumer has gradually deteriorated. That's a great shame for all of us, particularly people like me, who get huge amounts of social benefit out of gaming. Social rather than financial benefit out of gaming, I would add!

Neil Banbury: It's been refreshing to hear the customer referenced throughout the day, because I think they can get forgotten sometimes in the debates. The reason that we have an industry – and so much enjoyment and business around it – is because so many people love this as an activity. We have to keep that in mind.

I would agree there are some concerning trends around the product proposition towards customers, products being optimised towards a P&L and optimised on the basis of needing to do certain things from a regulatory perspective. The really important thing that we collectively need to do is to understand the impact that some of the changes that are being made are having.

Lots of changes are happening and being stacked on top of each other, and it becomes very difficult to isolate the real impact in all the noise. Whether we really understand changes that theoretically sound like they would be very sensible to make improvements from a risk of gambling harm perspective. We need to get the data to show that the changes that we're making are positive from that perspective.

There are pockets of data out there that we can look at and we can use. As an operator, we report the percentage of revenue that we make on a quarterly basis that comes from what we would define as high-risk behaviours, based on player activity, so we can draw some learnings there. That for me, is missing from the debate around how regulation is evolving. That level playing field point is so important.

The ideal, from my perspective, would be that the operators that do best should be the ones that are incentivised to invest

in evolving that customer experience and proposition. Doing it in the right way but having the real incentive to do that rather than altering the proposition towards customers for other reasons, which is what has been happening.

Vaughan Lewis: We know from research with our customers – and with consumers more broadly – that people don't want to have friction. They want to be able to come in and quickly and easily get their bets on.

We know from the data that the vast majority of people are not harmed. As others have said, the benefits of gambling don't get any airtime at all.

Like John, I have a bet at least every day. I get huge enjoyment out of it and there's huge mathematical satisfaction out of it. Like John, I lose. I'm a customer of all of the people on here and I enjoy spending that money. That kind of customer voice doesn't really come through.

To borrow some of Bill Robinson's comparisons, it seems similar to the alcohol industry. At the moment you can buy beer, wine, cider, shots, whatever you like, anywhere. If the regulations start getting tighter on that, and you're not allowed to buy shots any more after 10:00 pm, or you've spent X already this week and you can't spend any more, then people will just go next-door to the speakeasy where they can get their shots, beer, wine and cider.

It's obviously a lot easier to do that with online gambling. So, we need to bring consumers to the forefront and think about why these people are doing it, what enjoyment they are getting out of it and how we make sure that we're not putting them off and sending them to the speakeasy.



Albert Isola: Does this all point to a lack of understanding in the hands of the governments that are making these policy decisions which ultimately end up in legislation and requirements on all of you? Has the industry failed in not dealing with that before they started responding?

For example, on gambling harm there was a lot of talk about what operators were going to do to address the gambling

harm but it took quite some time for anything to happen. It seems to me that in that space, politicians, with the media at their door, have responded and reacted in the only way that they can.

John O'Reilly: I kind of agree with that. At the time of the 2005 Act, I spoke to the pre-legislative scrutiny committee, and the post-legislative scrutiny committee at the time. I said to both that if you allow unbridled advertising in the UK, you will end up with more advertising than you want. I stick with that view to today.

I love gambling and do it every day but, for the average family, when the ball hits the boundary rope and it's got an advertiser's brand on there, is that really what they want? I'm not sure that it is. There is a danger that gambling has become overexposed.

We exist to provide a service to people who choose to gamble. Society and government chose a long time ago that this is an industry that is better regulated than unregulated. But the 2005 Act significantly increased the exposure, and the industry is paying, and the consumer, ultimately, is paying because the consumer is at the downfall of the thought police in this area. I do think the consumer and the industry have been suffering as a consequence of that.

Grainne Hurst: I wouldn't say the industry has failed in educating the political classes. If there's one thing that politicians like to do, it's to take action. They like to be seen to be doing something. It's easier to be seen to be doing something if you listen to the other side of the debate, because it's more emotive than our rational side of the debate. Therefore, politicians don't necessarily take the easy way out, but it's easier for them to implement policies because they want to be seen to be doing something rather than not doing something.

We are on a journey, but it's important that we get that balance in the debate which goes back to Vaughan's point about bringing out the recreational customer voice more, to show that the vast majority of our customers like a bet and they do it as part of their leisure and entertainment time.

I listened to a Radio 4 programme a few weeks ago about the pub industry. The programme was up in arms about the fact that a local pub was closing, which you would never get in the gambling industry.



Going back to Bill's presentation, when you put it in context, gambling is tiny in comparison to the problems that are caused by alcohol but, unfortunately, you wouldn't get people standing up or speaking on a BBC Radio 4 programme about the benefits of gambling. Hopefully that will change one day, but it will take a while.

Neil Banbury: One aspect that the industry can do better on, although it would need to do it in a measured and sensible way, is to get more information out there about the positive experiences that customers have.

It's not just the enjoyment of having something riding on a match. In the past, it's been very unhelpful to hear the statistics out there around the percentage of customers that lose. The customer always loses, the bookmaker always wins, right? That depends a little bit on how you look at things. Certainly, the Euros have been a very tough period of time for the punter but the reality is that a big percentage of the customer database, at any point in time, is having winning experiences. We need to bring that balance back.

It's a very delicate ecosystem: the whole industry functions on a house edge of around 5% or 3%. Small distortions there create massive effects for the businesses and that then creates a big effect for the customers. The industry can certainly

do better about celebrating the positives that the customers are deriving from the activity as well.

William Woodhams: I can't believe I'm saying this in front of the UKGC, but there's a word that's banned in all our offices, and that's 'VIP'. We don't use that word anymore because there's a stigma attached to high-staking clients that they have a propensity to have a problem.

I'm obsessed with UK horse racing, it's 40%-45% of my sport business in the UK but the problem is that 80% of the revenues driven by bookmakers in racing are generated by 5% of the customers. People like staking a lot of money on horse racing, and we know now that they can afford it, because we have the compliance team who work 24-hours a day to make sure that they can afford that.

Some businesses are going to have 20 million £5 punters (accumulators) – that's fine, if they want to do that for their business. But we need to accept that the lifeblood of bookmaking, globally, is high-staking players. When you talk to someone who doesn't bet about a £1,000 bet on a horse race, it blows their mind. For us, it's completely normal, and for our punters, it's completely normal.

It is a challenge for the industry to push back on politicians and regulators who think betting a lot of money is a bad thing, because it does happen and it has done for time immemorial. It's a big issue for us

because it generates a lot of money but it's our dirty secret these days.



Albert Isola: The BGC seems to be making some progress in terms of working with the Gambling Commission and the legislators in breaking down some of these myths. That's an example of the strength and resource of the industry, that it can come up with ideas and proposals itself, which will go some way to comforting those that are concerned about it. To what extent, as operators, are you actively investing in your own ways in innovating to deal with the harm issue, and the customer experience?

Grainne Hurst: There was a talk earlier about the use of AI, and one of the things that Entain has been doing over the last couple of years is using both AI and BI (business intelligence) around our player protection programmes. We call it our Advanced Responsibility and Care (ARC) programme, and it's a mixture of behavioural indicators, AI, some third-party models and our own technology, which can track players' behaviour, and then interact with them on a personalised basis.

We look for various behaviours. We can interact with the players and say that we noticed they're spending too much, or they're playing late at night, and encourage them to take action. We can also take action for them if they don't, but I'm pleased to say that 98% of higher-risk players take an action after an ARC intervention from us, and 80% of those do that voluntarily.

The whole idea of positive play and normalising this for customers means that they can take action for themselves with our assistance, and it takes the stigma out of it. We do all that via the use of technology.



Albert Isola: In terms of gambling harm, you've also set up a foundation some years back, which was a big step.

Grainne Hurst: Yes, we have the Entain Foundation, which invests in many of the third parties and charities that are here today, but also goes beyond to look at the research, the education and the treatment provision around harm.



Albert Isola: Irina, we talked a lot about customer experience and regulation, where do you see the threats and the opportunities of the next decade?

Irina Cornides: For us, it is very exciting. We want to produce better games and ultimately create the best customer experiences, just like all of our customers. We have a joint, a shared objective here, I feel.

Of course, everybody welcomes regulation if done right, and if we could see more cohesion across the regulatory regimes: that would be an ideal outcome. How likely that is, I'm not going to speculate. Perhaps not as likely as we would like it to be.

Ultimately, I see a lot of innovation potential, especially in the areas of live

casino. If you look at what has happened to, say, poker or bingo, the advent of online has essentially transformed the player experience. If you're playing bingo online, it's a very different experience to a land-based bingo, and the same in poker. Fast Fold Poker is impossible to achieve in a physical environment. There's much further innovation to come in the live casino area and the vertical is poised to see continued growth. Players love to play.

William Woodhams: Innovation in regulation is the next step, presumably. We've been working with iGO in Ontario very closely, and I know that the GC in the UK are very keen to get away from this approach of arriving every two or three years for an assessment and going through everything.

The analogy is the Apple watch, in that it's monitoring you all the time. Just to be clear, I don't want regulators sitting in my office every day, but rather like seeing a doctor annually and getting the bad news about my liver, I'd rather they were assessing me continually.

iGo in Ontario are proactive, probably because they have a lot less people to regulate, 37 or so. They are always asking 'What are you doing this week? How much have you made?' They're not necessarily going through everything – technology could fast track that process – but regulators having a better understanding of your business and seeing, in a sense, live data, which we're all shuddering thinking about here, it's the future. And why not? That would make the relationship between regulators and operators much closer and much more understanding.



Albert Isola: I guess you're saying the regulator needs to do KYC, understand the firms that they regulate, how they operate, and that can only be done by data and closer cooperation. To what extent do you think technology will help that process?

William Woodhams: It's already there. We're using it with our clients, in a sense.



Albert Isola: Neil, the next 10 years – do you have anything different on your agenda that you want to share with us today?

Neil Banbury: I feel 10 years is a very scary timetable right now to be making predictions when we're doing things this week that we weren't able to do last week sometimes.

There is a massive opportunity – if we can get the conditions and the incentives right – to invest in technology for the benefit of the customer. We can deliver much better, more exciting and more entertaining experiences to customers, in a much shorter period of time than 10 years.

We can do that in a way that, in real-time, can prove that the activity is safe, is sustainable, and understand the continuum of risk in much more detail. To understand where a customer is on that continuum and intervene in ways that are effective and move them back through the use of technology.

If we have to do those things on a one-to-one basis and with people all of the time, we significantly limit the potential upside for ourselves. So, if we can get the right incentives and infrastructure in place, the gambling proposition, and the fun that people have gambling over that period of time, can only increase.



Albert Isola: Looking at the US, LatAm and Africa: the US is obviously a huge market, probably the biggest reason everyone is in there, but to what extent do you see any of those changing, becoming better, becoming worse or becoming harder, through regulatory or other challenges?

Grainne Hurst: The US is obviously on a journey. It is less mature in its regulatory outlook and approach than some of the European markets, and the UK, and obviously Gibraltar. We will probably see things tighten up there in the next 10



years, because that's just how regulation goes. They'll be looking at other areas and markets and taking lessons that are learnt there.

One of the areas that we haven't mentioned today is Asia, and I think in the next 10 years you'll see pretty large areas of Asia coming online. Japan is already looking at it. I'm not quite sure whether it will follow the Taiwan regime or the European regime, but Asia is probably the new frontier.

Vaughan Lewis: What we're seeing in new regulated markets is the adoption curve and the pace of change is getting faster and faster. It's similar to what we see with new technology. Seventeen years ago, the first iPhone took nearly four years to get to a hundred million users and ChatGPT took two months.

That's happening in new markets now. In the US, it's only six years since PASPA was repealed, but tens of billions have been invested in that market, and there are only a very small handful of operators that are profitable now.

These new regulated markets come on and they go from zero to a hundred in a few days. That dynamic has really changed, and I expect that to continue. The regulation is just shifting that market from players playing offshore to onshore, and they become normalised at an incredible pace.

William Woodhams: My concern over this period is that black market operators are going to start to appear like regulated operators, with branding and adverts and use of digital media. We know an operator in Montenegro, where if you pay in crypto you get a 29% per cent rebate, whether you win or lose, because they're not paying any tax. We can't beat those sorts of incentives.

To the consumer, their tech stack looks as good as a Tier-2 operator. So that's a concern for us: the black market used to be organised crime or very dodgy, and now it's starting to look sophisticated, and branded, and like everyone else. We've already seen our consumers in the UK move to the black market because, as I said, they're getting 25% back for everything they lose and win, so it's crazy. We need to police that effectively.



Albert Isola: How do you police that?

William Woodhams: I don't know – I'm hoping the regulators will! I keep dobbling them in to the media – which isn't very popular – but that's part of the deal if I'm

going to sign up to being regulated and pay enormous amounts in tax and costs.

Also, I pay more to UK horse racing for data than I make in profit – so I'm putting more into racing than I'm putting in my pocket, which is maybe fair enough – but those data providers need to police sports data, and casino providers should not be providing games to illegal operators.



Albert Isola: So is that a touchpoint, the B2Bs who are providing these sophisticated, unregulated firms?

William Woodhams: Yes, absolutely. They should be banned and they should be closed down, because they're not a safe gambling environment for consumers.

John O'Reilly: Coming back to the 10 years, I am optimistic about the future. Our business is predominantly in the UK and, in recent years, the relationship and understanding between the regulator, and the industry is much improved. All credit to the leadership of Andrew Rhodes, it's much improved as a consequence of him, so that's been a significant move forward.

We've had the Gambling Act Review; we need to conclude it. I am in the difficult position of running a large land-based business where I can decide what beer I put in the taps, but everything else I do, from a gambling perspective, is decided by statute. We need those changes.

The governments in the UK, quite understandably, do not want to keep coming back to look at gambling. It's not a great thing to have on your brief. So these things come round every 15 or so years, in my experience. I've been through a few, and this last one started with the House of Lords review. It went on to the announcement of a review of the Gambling Act in December 2020, and here we are in June 2024, where we've now got an election, and we've got to wait until the end of the election to see what happens and if any policy change might come out.

We desperately need those changes because otherwise the customer proposition gradually weakens and becomes less relevant to the consumer over time.

William Woodhams: About 50% of our investment in technology is on compliance. That might sound like a good thing but, hopefully, we're getting to the place where regulators and technology have caught up with each other and that we can invest back in the products. Because, as John said, the consumer product has probably been about the same for the last 10 years, and we're just not investing in it as an industry as much as we should.



Albert Isola: It's certainly my experience over the last 10 years in working with the Gambling Commission and with DCMS, that the expertise and the knowledge they have today of your businesses is incomparable to what it was 10 years ago. That's got to be good.

John O'Reilly: Absolutely.



Albert Isola: They understand what you're doing better and it's making it

easy for them to work in step with you in terms of what you need to move forward in a safe and compliant way. At the end of the day, that's got to be good for the industry and for the consumers, which is the whole purpose of it.

William Woodhams: Well, we will continue to steal your staff – that's critical to our business model!



Albert Isola: Looking at crypto and digital assets, we've evolved as a jurisdiction and we now have a number of digital assets firms who are working from here. Do you see operators using digital assets, whether they're stablecoins, or your own tokens? Do you see that on your horizon?

William Woodhams: It's already happening. Referring to Montenegro, 80% of their business will be through crypto.



Albert Isola: And in Gibraltar?

Vaughan Lewis: It's not with the typical regulator. Regulus Partners have put out some estimates saying two of the biggest operators in the world now, in revenue terms, are crypto operators. So, it's already happening and it's happening in huge size.

Some of that is because those players engage in Web3 and have made money in crypto and like to keep it in crypto and spend it that way. Some of it is because people just don't want to play with the restrictions in regulated markets, and it's a lot easier and cheaper and you probably get a better service by playing in those crypto casinos. So yes, it's already huge.

I don't think you'll see the mainstream listed operators and the larger more established brands doing it, but it's a huge issue. We lose a whole bunch of

customers to those brands because it is cheaper, easier, quicker, and they can store their money in crypto.

John O'Reilly: Yes, I think we'll see an increase in the supply chain. It's much more difficult from a consumer perspective, the AML challenges are material, so I don't see it in the near term.

A question was then taken from the audience.



Q. You have all talked about technological advancement. Do you think gaming and gambling will completely unite, as generational consumers and user behaviour is shifting?

John O'Reilly: It probably will, but over a long time. There are a whole bunch of regulatory issues in the convergence between gaming and gambling. It's a problematic area.

Irina Cornides: They're actually a very different user profile, at least from a socially gaming perspective. It's a different experience, and when social gaming first became big, pretty much all of the real money operators – the one I was part of included – jumped on it thinking, 'Oh my God. We're going to convert all these socially gaming customers to gambling.' This conversion or this cross selling has not actually worked or is happening anywhere.

At the time, there was a lot of investment. Zynga was really big and everybody saw it and thought it was amazing and that we had this new acquisition channel. But the motivation is completely different, so I'm not sure there it will be so much conversion.



Albert Isola: Thank you very much to our wonderful panellists and thank you for spending the day with us.





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